FirstRand Limited
(Incorporated in the Republic of South Africa)
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(FirstRand or the group or the company)

UNAUDITED INTERIM RESULTS AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products and services.

This announcement covers the unaudited condensed consolidated financial results of FirstRand Limited based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2018. The primary results and accompanying commentary are based on a normalised basis as the group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results. A detailed description of the difference between normalised and IFRS results is provided on pages 145 and 146 of the Analysis of financial results booklet on www.firstrand.co.za. Commentary is based on normalised results, unless otherwise indicated.

FINANCIAL HIGHLIGHTS

IFRS 9 and IFRS 15 were adopted effective 1 July 2018 and the statement of financial position at 1 July 2018 was restated. Other comparatives were not restated, as allowed by IFRS 9 and IFRS 15. The income statement and statement of comprehensive income for the six months to December 2017 and the year ended 30 June 2018 and earnings-related ratios were not restated. The column headings indicate the basis of presentation.

	Group (including Aldermore)				
	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39	2018 IFRS 9
Earnings performance					
Basic and diluted normalised earnings per share (cents)	237.8	222.1	7	470.8	
Normalised earnings	13 342	12 461	7	26 411	
Normalised net asset value per share (cents)	2 202.2	2 014.2	9	2 157.9	2 060.1
Ordinary dividend per share (cents)	139.0	130.0	7	275.0	275.0
ROE (%)	22.3	22.5		23.0	
Basic and diluted headline earnings per share (cents)	237.9	224.2	6	472.7	
Basic and diluted earnings per share (cents) - IFRS	280.5	227.3	23	473.3	
Net asset value per share (cents) - IFRS	2 202.8	2 014.1	9	2 157.9	2 060.1

The effective date of the Aldermore acquisition was 1 April 2018. Any reference to financial information "excluding Aldermore" represents the subtraction of the Aldermore-specific information from the group's income statement and statement of financial position. No other adjustments relating to the Aldermore acquisition, e.g. costs associated with the amortisation of intangible asset identified on acquisition, have been made.

	Group (excluding Aldermore)				
	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39	2018 IFRS 9
Advances (net of credit impairment)	1 000 505	927 732	8	957 810	950 159
Deposits	1 154 181	1 040 042	11	1 094 270	1 095 066

"FirstRand produced quality topline growth and a superior ROE despite a very challenging operating environment.

FNB's results were impressive - earnings increased 13% on the back of strong growth in customers, transactional volumes, advances and deposits.

RMB's portfolio delivered high quality earnings from both its domestic and rest of Africa activities.

WesBank remained resilient despite competitive pressures and low vehicle sales.

As expected, Aldermore continued to enhance group earnings and ROE.

These results demonstrate the effectiveness of FirstRand's strategy and consistent focus on delivering sustainable returns for shareholders."

Alan Pullinger

CEO

INTRODUCTION

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and in the UK. Many of these businesses are leaders in their respective segments and markets, and offer a universal set of transactional, lending, investment and insurance products and services.

The macroeconomic environments in most of the jurisdictions in which the group operates remained challenging in the period to December 2018. Globally it was a mixed picture with growth slowing in the euro zone, Japan, China and a few emerging economies. Although economic activity in the US remained relatively robust, US financial markets came under pressure and global financial conditions tightened. The US Federal Reserve has subsequently been more measured in statements relating to rate increases.

Although global growth remained fairly supportive of commodity prices, tightening financial conditions and increased geopolitical uncertainty resulted in increased risk aversion and reduced capital flows to emerging economies. The South African Reserve Bank (SARB) increased interest rates, which attracted capital inflows or, at least, reduced the pace of outflows, as domestic policy uncertainty and political instability continued to weigh on GDP growth, and investor and consumer sentiment.

South African economic activity slowed in the second half of 2018, with rising CPI inflation, moderating wage inflation and elevated personal income taxes constraining real income (and, by implication, consumer spending) growth. Further pressure was added by rising inflation and slightly higher debt servicing costs after the SARB increased the repo rate to 6.75% in November 2018.

Low business confidence continues to impact the corporate investment cycle, whilst the government's growing debt burden means the fiscus remains unable to increase spending in order to boost investment activity.

Similar themes played out in the rest of the sub-Saharan region. Regional economic activity was extremely subdued due to South African macroeconomic weakness, although the outlook for Botswana was assisted by high diamond prices and the implementation of further structural reforms. The Nigerian economy continues to recover from its recession and the macroeconomic outlook is improving on the strength of supportive oil prices.

In the UK, the macros continued to be impacted by the uncertain political outcomes relating to its exit from the European Union (which is likely to formally take effect at the end of March 2019). Notwithstanding this uncertainty, consumer demand and house prices held up reasonably well and the Bank of England is expected to join the US Federal Reserve and other developed markets in gradually tightening monetary policy.

GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. Its approach is to build an integrated financial services value proposition, underpinned by leading digital and data platforms and capabilities.

Group earnings are significantly tilted towards South Africa and are mainly generated by FirstRand's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Many of the expected competitive and regulatory pressures will, however, target these traditional banking operations, particularly the transactional activities, and the group remains focused on protecting that large and profitable revenue stream.

At the same time, FirstRand is working hard to find other sources of capital-light revenues and its strategy to deliver integrated financial services to the group's 8.2 million customers in South Africa is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows FirstRand to better optimise the franchise value of its broader portfolio.

The group's strategy outside of its domestic market includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can organically build competitive advantage and scale over time.

In the UK, FirstRand recently acquired Aldermore Group plc (Aldermore), a UK specialist lender. It is still in the process of integrating MotoNovo, a leading second-hand vehicle finance business the group has operated in the UK for the past nine years, into Aldermore. Once the integration is complete, additional value for shareholders will be extracted over the medium to longer term through introducing FirstRand's successful financial resource management methodology and unlocking synergies between MotoNovo and Aldermore.

OVERVIEW OF RESULTS

Despite the challenging macroeconomic backdrop, FirstRand's portfolio of businesses produced quality topline growth. The group continued to strengthen its balance sheet and protect its return profile. Normalised earnings for the six months ended 31 December 2018 increased 7% with a normalised ROE of 22.3%.

Certain strategic actions taken to expedite the execution of group strategy in the last six to 12 months have resulted in some changes to the composition of earnings at an operating business level. Although these do not impact like-for-like comparisons at a group level, they are material when assessing the breakdown of sources of normalised earnings from the portfolio and include the following:

- DirectAxis, previously reported as part of WesBank's earnings, has been moved into a personal loans cluster within FNB, alongside the FNB loans business. This will allow faster execution of collaboration between FNB and DirectAxis across products and channels, including core transactional accounts where penetration is currently low.
- MotoNovo, the UK-based vehicle finance business, was also previously reported under WesBank's results, however, until the integration with Aldermore is completed, the total operational performance of MotoNovo will reside in the London branch. This performance is therefore currently reflected, for the first time, in the results of FCC/Group Treasury (GTSY) and is completely stripped out of WesBank's performance.
- Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into GTSY.

A further component of the performance of GTSY was the approximately R730 million of interest not earned on the capital deployed to purchase Aldermore. In the prior year, this capital provided a return to GTSY which was not repeated in the current reporting period.

In addition, FCC's performance was negatively affected by the central credit overlay releases in the prior period of >R110 million, the first-time inclusion of the amortisation of intangible assets associated with the acquisition of Aldermore of R218 million, and an increase in operational expenses.

The table below reflects these structural changes in the breakdown of sources of normalised earnings.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	2018 IFRS 9	% composition	2017 IAS 39	% composition	% change	2018 IAS 39	% composition
FNB	8 665	65	7 668	61	13	15 865	60
- FNB SA*	8 354		7 506			15 592	
- FNB Africa*	311		162			273	
RMB*	3 321	25	3 154	25	5	7 353	28
WesBank*	957	7	952	8	1	1 854	7
Aldermore	1 037	8	-	-	-	276	1
FCC	(468)	(4)	864	7	(>100)	1 414	5
- MotoNovo	271		432			734	
- FCC (includes Group Treasury) and other*,**,#	(739)		432			680	
NCNR preference dividend	(170)	(1)	(177)	(1)	(4)	(351)	(1)
Normalised earnings	13 342	100	12 461	100	7	26 411	100

* 31 December 2017 and 30 June 2018 figures have been restated to reflect the changes in the composition of earnings at an operating business level, as described above, as well as for Group Treasury reallocations.

** Includes FirstRand Limited (company).

\# Includes capital endowment, the impact of accounting mismatches and interest rate, foreign currency liquidity and management.

FNB's results reflect another strong operating performance from its domestic franchise, driven by healthy non-interest revenue (NIR) growth on the back of ongoing customer gains and increased transactional volumes, and high-quality net interest income (NII) growth, particularly from deposit generation. The performance of FNB's rest of Africa portfolio continued to improve.

RMB's portfolio also delivered a resilient performance driven by good growth in high-quality earnings and solid operational leverage. WesBank delivered a subdued performance.

The group's performance to December 2018 includes a full six-month post-tax earnings contribution of R1 037 million from Aldermore. There was, however, no contribution from Aldermore in the comparative period, therefore the commentary below excludes the consolidated Aldermore operational results, except where explicitly stated otherwise.

Total group NII increased 8% (20% including Aldermore), underpinned by strong growth in deposits of 11% (+29% including Aldermore) and solid advances growth of 9% (+28% including Aldermore), offset by negative capital and deposit endowment impact given the lower average interest rates in the reporting period. Lending margins at FNB benefited from lower funding costs, although FNB's deposit margins decreased due to the negative endowment impact, competitive pressures and strong growth in lower-margin deposit products. Lending margins at RMB were supported by higher-yielding transactions and core advances growth of 10% was achieved despite ongoing competition and the continued discipline in origination to preserve returns. WesBank's retail VAF margins were also impacted by competitive pressures and mix change in new business. Aldermore's margins remained resilient despite increased competition.

Group NIR increased 7% (8% including Aldermore) and reflects strong fee and commission income growth of 12% supported by higher volumes across FNB's digital and electronic channels and increased customer numbers. Insurance revenue increased 7%, benefiting from strong volume growth of 5% and 11%, respectively, in funeral and credit life policies at FNB, resulting in the in-force annual premium equivalent (APE) increasing 37% period-on-period. Fee, commission and insurance income represents 84% of group operational NIR. As expected, RMB's private equity realisations were slightly lower than the comparative period.

Total cost growth of 10% (16% including Aldermore) continues to trend above inflation due to ongoing investment in insurance and asset management activities, platforms to extract further efficiencies and the build-out of the group's footprint in the rest of Africa. Overall operating cost growth was negatively impacted by 1% due to the amortisation of the intangible assets following the Aldermore acquisition. The group's cost-to-income ratio increased from 51.7% to 52.4%.

FirstRand adopted IFRS 9* on 1 July 2018 and (as permitted under the accounting standard) did not restate prior period financial information. As a result, the credit performance commentary below covers the period from 1 July 2018 to 31 December 2018, for comparability purposes (as December 2017 results were prepared on an IAS 39 basis).

IFRS 9 had a material impact on the increase in non-performing loans (NPLs) due to:

- the inclusion of interest in suspense (ISP) in NPLs;
- the lengthening of the write-off period from six months to 12 months for retail unsecured loans; and
- a more stringent definition of customer rehabilitation which results in customers staying in NPLs for longer (technical cures).

* For detailed information, refer to the IFRS 9 financial instruments transition report on the group's website, www.firstrand.co.za/InvestorCentre/Pages/ifrs9transition.aspx

In addition, IFRS 9 required FirstRand to move to a forward-looking impairment model from a point-in-time model under IAS 39. This results in earlier recognition of credit impairments and a significant increase in total balance sheet impairments.

NPLs increased 15% (16% including Aldermore) or R5.0 billion (R5.1 billion including Aldermore) since 1 July 2018 as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	2 752	11	8
Restructured debt review (D7)	121	3	-
Definition of rehabilitation (technical cures)	258	7	1
Lengthening of write-off period	1 943	-	6
Total	5 074	15	15

Operational NPLs reflect strong book growth, especially in certain unsecured portfolios. IFRS 9-related changes accounted for approximately 7% growth in NPLs, driven mainly by the lengthening of the write-off period. This performance is within expectations and trend rate, given growth in underlying advances.

The adoption of IFRS 9 did not result in a material increase in the income statement credit impairment charge during the period under review.

The group's credit loss ratio of 96 bps (86 bps including Aldermore) increased 19% (excluding Aldermore) on the back of strong advances growth, but remains below the group's through-the-cycle range of 100 - 110 bps. Most of the group's lending books are trending in line with expectations.

The credit impairment charge was driven by the following factors:

- an increase in FNB card, reflecting new business strain, particularly on the back of cross-sell and up-sell strategies;
- higher operational NPLs in personal loans, but in line with expectations, given the strong book growth in the prior year and in the six-month period to December 2018. The charge benefited from active collection strategies;
- a lower charge in residential mortgages, reflecting muted NPL formation on the back of conservative credit extension, and the benefit of a strong collections performance;
- an improvement in WesBank's SA VAF charge, benefiting from tightening appetite in higher-risk origination, specifically in the self-employed and small business segments;
- a moderate improvement in MotoNovo's impairment charge, reflecting the benefit of risk cuts over the last 24 months;
- FNB commercial NPLs increased 17% driven by higher collateralised agricultural and commercial property finance portfolios;
- an increase in corporate NPLs due to the migration of certain secured counterparties, with a normalisation of the credit charge in the current period; and
- some improvement in the credit performance in the rest of Africa portfolio, reflecting the benefit of proactive provisioning in the prior financial year, although ongoing tough macros in some jurisdictions the group operates in resulted in a 9% increase in NPLs since 1 July 2018.

Overall portfolio provisions were flat, with an increase in retail portfolio impairments reflective of ongoing book growth offset by a migration of certain wholesale exposures into NPL status.

OPERATING REVIEWS

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

FNB's pre-tax profits increased 12% to R12.5 billion, driven by another strong performance from its South African business, which grew pre-tax profits 12%. The turnaround in the rest of Africa portfolio continued. PBT for FNB's rest of Africa businesses improved 21%. FNB produced an ROE of 42.2%.

FNB FINANCIAL HIGHLIGHTS

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39	As at 1 July 2018 IFRS 9
Normalised earnings	8 665	7 668	13	15 865	
Normalised profit before tax	12 512	11 137	12	22 814	
- South Africa	11 650	10 425	12	21 669	
- Rest of Africa	862	712	21	1 145	
Total assets	461 389	431 409	7	447 946	442 646
Total liabilities	454 868	419 359	8	426 472	426 484
Stage 3/NPLs as a % of advances (%)	5.59	3.50		3.80	4.85
Credit loss ratio (%)	1.50	1.38		1.36	
ROE (%)	42.2	38.6		38.8	
ROA (%)	3.78	3.61		3.62	
Cost-to-income ratio (%)	51.0	52.1		52.0	
Advances margin (%)	4.26	4.12		4.20	

FNB South Africa's performance reflects the success of its strategy to:

- grow and retain core transactional accounts;
- provide market-leading digital platforms to deliver cost-effective and innovative transactional propositions to its customers;
- use its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products;
- apply disciplined origination strategies;
- provide innovative savings products to grow its retail deposit franchise; and
- right-size its physical infrastructure to achieve efficiencies.

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Swaziland), combined with recently established (subscale) and start-up businesses, such as Mozambique, Zambia, Tanzania and Ghana.

Whilst the portfolio has shown some recovery in the period under review, with losses reducing in the start-up subsidiaries, its performance continues to be impacted by tough macros and ongoing investment in the organic build-out strategies.

SEGMENT RESULTS

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Normalised PBT				
Retail	7 272	6 561	11	13 739
Commercial	4 378	3 864	13	7 930
Rest of Africa	862	712	21	1 145
Total FNB	12 512	11 137	12	22 814

A breakdown of key performance measures from the South African and rest of Africa businesses is shown below.

%	FNB SA	Rest of Africa
PBT growth	12	21
Cost increase	10	4
Advances growth	10	6
Deposit growth	11	8
Stage 3/NPLs as a % of advances	5.27	7.88
Credit loss ratio	1.49	1.60
Cost-to-income ratio	48.9	66.0
Operating jaws	2.2	2.5

Despite the negative endowment impact due to lower average interest rates in the period, FNB's total NII increased 11%, driven by strong volume growth in both advances (+9%) and deposits (+11%).

FNB's focus on customer acquisition and cross-selling into its core transactional retail and commercial customer bases continues to be the main driver of both advances and deposits growth in the premium and commercial segments.

The table below unpacks the growth in advances and deposits on a segment basis. FNB's success in growing its deposit franchise, particularly in retail, continues to be driven by cross-sell and product innovation.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	10	21.6	9	24.8
- Consumer	5	4.4	5	2.1
- Premium	13	17.2	10	21.2
- DirectAxis	-	-	11	1.5
Commercial	12	25.8	11	9.6
FNB Africa	8	3.0	6	3.0
Total FNB	11	50.4	9	37.4

FNB continued to see strong growth in deposits in both retail and commercial, driven by historic customer growth together with specific strategies to gather cash investment balances.

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. The focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship. Growth in both the premium and consumer segments was driven by unsecured lending origination. In consumer, this was on the back of writing back to credit appetite after severe risk cuts in previous periods. The very strong growth in premium personal loans was driven by:

- FNB's strategy to displace other providers of credit to its main-banked client base;
- upward migration of customers from consumer to premium; and
- leveraging digital platforms for origination based on customer behaviour.

DirextAxis, which has been transferred from WesBank to FNB, has performed well on the back of strong advances growth of 11%.

Commercial continued to benefit from strong cross-sell momentum and focused asset growth.

The tables below unpack advances at a product level per segment.

	Consumer advances			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Residential mortgages	25 448	23 811	7	24 677
Card	4 707	4 803	(2)	4 712
Personal loans	7 732	6 965	11	7 045
Retail other	2 816	3 076	(8)	2 801

	Premium advances			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Residential mortgages	185 036	174 893	6	180 953
Card	20 092	16 002	26	18 093
Personal loans	12 340	7 597	62	10 153
Retail other	14 166	12 025	18	13 103

	Commercial advances			
	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
Advances	97 546	87 900	11	94 558

The strength and quality of FNB's transactional franchise is clearly demonstrated in the strong NIR growth of 11%, resulting from good growth in customers (total up 4% to 8.2 million) and transaction volumes. Customer growth per segment is shown in the table below. Approximately half of the growth in premium resulted from upward migration from consumer.

CUSTOMERS

Customer segment	Growth in customer numbers %
Consumer	1
Premium	20
Commercial	5

NIR growth was driven by strong growth in transactional volumes across all segments. Premium saw strong growth in card transactional volumes, lending NIR and digital volumes, as can be seen in the table below.

CHANNEL VOLUMES

	Six months ended 31 December			Year ended 30 June
Thousands of transactions	2018	2017	% change	2018
ATM/ADT	130 558	121 389	8	243 023
Internet banking	102 756	104 024	(1)	205 200
Banking app	111 687	73 590	52	164 018
Mobile (excluding prepaid)	21 845	22 776	(4)	43 716
Point-of-sale merchants	291 172	246 532*	18	496 673
Card swipes	441 154	391 426*	13	785 405

* The December 2017 numbers for point of sale have been split out into point-of-sale merchants and card swipes. The numbers have been restated due to a refinement in methodology.

Cost growth continues to trend above inflation at 9%, but is in line with expectations given the level of ongoing investment in platform technology, the insurance, WIM and rest of Africa growth strategies, and above-inflation wage settlements. Despite these pressures, given the strong topline growth, FNB achieved positive jaws and the cost-to-income ratio improved to 51.0% (December 2017: 52.1%).

FNB recorded an increase of 19% in NPLs since 1 July 2018, in part reflecting the impact of the adoption of IFRS 9 (extension of write-off periods) for unsecured advances and more stringent rehabilitation rules).

Operational NPLs in the retail books have increased 10% since 1 July 2018, in line with expectations given strong book growth in unsecured lending, whilst residential mortgage NPLs reflect a muted increase of 2% since 1 July 2018, given ongoing disciplined origination and a strong collections performance.

NPLs in the commercial book have increased 17% since 1 July 2018, reflecting the expected residual pressure in the agricultural sector given the drought in certain parts of the country over the last three years, with an improved credit impairment charge from the rest of Africa portfolio given proactive provisioning in the prior financial year.

Overall provisioning levels have remained robust with the performing book coverage ratio constant at 1.83% (1 July 2018: 1.85%) and the total impairment coverage ratio remaining stable at 83.2% (1 July 2018: 84.2%).

Insurance revenue increased 12%, benefiting from good volume growth of 5% and 11% in funeral and credit life policies, respectively. New business APE increased 49% compared to December 2017 and was achieved across all portfolios.

NEW BUSINESS APE

	Six months ended 31 December		
R million	2018	2017	% change
Core life products	466	326	43
Underwritten products	142	93	53
Credit life	396	253	57
Total new business APE	1 004	672	49

This resulted in the life insurance in-force policy book growing 14% and in-force APE growing 37% compared to the prior period. Claims paid over the period increased 35%, in line with the growth in the in-force book, impacted by higher sums assured and changes in lapse rules that were implemented in October 2017. The change in lapse rules was implemented to provide customers with an improved insurance experience in line with FNB's vision to better protect them.

During the current investment cycle, customers opted for lower-risk, fixed income funds, which resulted in FNB Horizon AUM declining 9% to R3.3 billion, whilst the Ashburton Stable Income fund grew from R4.3 billion to R8.1 billion over the same period. Share trading and stockbroking assets under execution reduced 25% to R57.4 billion, driven by market movement and internal portfolio integration.

Assets under administration on the linked investment service provided (LISP) platform increased from R14.9 billion to R16.3 billion, and customers on the platform increased to 31 924 with sales through banker and digital channels now enabled via phase one of robo-advice. Trust assets under administration also showed good growth from R36.9 billion to R37.9 billion, particularly in the philanthropy trust offering. Private client-managed share portfolio AUM remained stable at R44 billion. Assets under advice amounted to R64.1 billion, including net inflows of R2 billion for the year.

WIM ASSETS

	As at 31 December			As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IFRS 9
FNB Horizon Series AUM	3 307	3 646	(9)	3 588
Assets under advice	64 077	61 131	5	66 812
Assets under administration	16 317	14 915*	9	16 408*
Trust assets under administration	37 893	36 945	3	37 906
Assets under management	43 765	43 650	-	46 775
Assets under execution	57 367	76 098	(25)	70 693

* Restated due to a portion of the business moving to Ashburton Investments.

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The strategy leverages an entrenched origination franchise, a growing market-making and distribution product offering, a competitive transactional banking platform and a strong private equity track record to ensure delivery of an integrated corporate and investment banking (CIB) value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June	As at 1 July
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39	2018 IFRS 9
Normalised earnings	3 321	3 154	5	7 353	
Normalised profit before tax	4 725	4 471	6	10 387	
- South Africa	3 762	3 604	4	8 613	
- Rest of Africa*	963	867	11	1 774	
Total assets	505 557	460 844	10	453 084	453 141
Total liabilities	497 492	451 128	10	442 516	442 855
Stage 3/NPLs as a % of advances (%)	0.98	0.35		0.85	0.92
Credit loss ratio (%)	0.15	-		0.08	
ROE (%)	20.5	22.9		25.3	
ROA (%)	1.36	1.40		1.64	
Cost-to-income ratio (%)	45.7	46.5		43.8	

* Includes in-country and cross-border activities.

RMB's diversified portfolio delivered a solid performance, with pre-tax profits increasing 6% to R4.7 billion. The ROE of 20.5% reflects RMB's high-quality earnings and solid operational leverage and was lower than in the comparative period, due to higher capital levels supporting current strong growth in advances and the impact of the sovereign downgrade in November 2017. RMB remains disciplined in its financial resource allocation to ensure preservation of returns and has maintained strong credit provisioning levels.

RMB continues to focus on growing its corporate and institutional client base and revenue pools, which resulted in strong contributions from investment banking and advisory activities, and solid corporate and transactional banking earnings. In addition, ongoing cost discipline supported continued investment into the enhancement and transformation of core platforms. The period-on-period performance was impacted by lower private equity realisations.

The rest of Africa portfolio remains key to RMB's growth strategy. The portfolio produced pre-tax profits of R963 million, up 11% on the prior period, which contributed 20% of RMB's overall pre-tax profits. This performance was supported by investment banking, corporate and transactional banking and flow trading activities.

RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Investment banking and advisory	2 250	1 992	13	4 762
Corporate and transactional banking	1 113	1 012	10	1 977
Markets and structuring	853	787	8	1 616
Investing	471	595	(21)	2 516
Investment management	36	26	38	57
Other	2	59	(97)	(541)
Total RMB	4 725	4 471	6	10 387

* To improve peer group comparability, core activities now include the associated endowment earned on capital invested net of group cost allocations. Comparatives have been restated accordingly.

The investment banking and advisory activities delivered strong growth in an environment characterised by low corporate confidence, subdued economic activity and a constrained credit cycle, which resulted in some normalisation of the credit charge. However, the franchise continued to deliver solid lending income from prior-year advances growth and resilient fee income from structuring and arranging mandates both locally and in the rest of Africa. This performance was also underpinned by higher-margin balance sheet growth, both domestically and cross-border.

RMB's corporate and transactional franchise continued to focus on leveraging its platforms to grow product offerings locally and in the rest of Africa. The results were underpinned by higher transactional volumes, average deposit balances and good demand for working capital solutions. The global foreign exchange business benefited from increased client volumes and margins in certain jurisdictions in the rest of Africa.

Markets and structuring delivered an improved performance, driven by a solid performance in soft commodities and the non-repeat of an isolated operational event in the hard commodities portfolio. The credit trading portfolio produced solid growth, although this was somewhat offset by a softer performance in fixed income. Foreign exchange activities in SA and the rest of Africa were resilient.

Investing activities produced satisfactory results off a high base, with the level of realisations in the private equity portfolio down marginally period-on-period. This trend is expected to continue in the second half of the year. Given the macroeconomic environment and the significant realisations in prior periods, annuity earnings have also come under pressure. The quality and diversity of the Ventures and Corvest portfolios are, however, still reflected in the strong unrealised value which has been maintained at R3.7 billion. The business remains in an investment cycle and additional investments, which will contribute to earnings growth in future periods, were made during the period.

Other activities primarily benefited from the reduction of losses in the legacy portfolios, which was offset by increased costs associated with continued investment in the markets infrastructure platform.

WESBANK

Following the structural changes outlined earlier, WesBank now represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

The restructuring allows WesBank to focus on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39	As at 1 July 2018 IFRS 9
Normalised earnings	957	952	1	1 854	
Normalised profit before tax	1 361	1 353	1	2 643	
Total assets	139 567	138 935	-	142 104	140 734
Total liabilities	137 854	138 035	-	139 643	139 713
Stage 3/NPLs as a % of advances (%)	5.57	4.75		5.15	5.31
Credit loss ratio (%)	1.25	1.41		1.47	
ROE (%)	19.6	18.3		17.4	
ROA (%)	1.33	1.34		1.27	
Cost-to-income ratio (%)	48.0	46.2		46.6	
Net interest margin (%)	3.30	3.41		3.31	

On a like-for-like basis, with DirectAxis and MotoNovo excluded, normalised earnings increased marginally to R957 million (2017: R952 million) and the business delivered an ROE of 19.6% and an ROA of 1.33%. Both the retail and corporate VAF businesses had a challenging six months and, in the face of increasing competition, focused on protecting the origination franchise and return profile through disciplined risk appetite. WesBank's operating model and relationships strengthened with new partnerships with KTM, Harley Davidson, Triumph and Vespa.

The table below shows the performance of WesBank's various activities period-on-period.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Six months ended 31 December			Year ended 30 June
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39
Normalised PBT				
VAF	1 361	1 353	1	2 643
- Retail SA*	1 171	1 155	1	2 235
- Corporate and commercial	190	198	(4)	408
Total WesBank	1 361	1 353	1	2 643

* Includes MotoVantage.

The performance of the SA retail VAF business benefited from improved impairment levels, down from 1.80% in the prior period to 1.48%. The corporate VAF business, however, saw a deterioration in credit quality emanating from stress in the transport, mining and construction sectors.

NPLs increased 4% since 1 July 2018, impacted by protracted collection timelines and more customers opting for debt review. In addition, as previously disclosed, higher-than-expected NPLs in the self-employed and small business segments resulting from operational issues with some scorecards, including third-party data quality, continued to play out in the reporting period.

Advances in retail VAF grew period-on-period, but margin pressure continued, partly due to increased competitive activity and WesBank's current focus on originating lower-risk business, which is generally written at lower margins, and a new business origination mix change from fixed to floating-rate business. The full maintenance leasing (FML) book continued to perform well on the back of meaningful deals signed during the reporting period partly offset by ongoing cost drag.

Total WesBank NIR growth - mainly insurance and fleet revenues - continues, based on new deals written, however, rental revenues benefited from growth of >11% in the full maintenance leasing book.

WesBank continues to control operational expenditure and invest in process improvements, and whilst the cost-to-income ratio has decreased due to topline pressure, cost growth is tracking at less than inflation.

ALDERMORE

Aldermore is a UK specialist lender and savings bank, which has grown significantly on the back of a clear strategy to offer simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords and savers. At 31 December 2018, Aldermore had 243 000 customers with advances of £9.4 billion and £8 billion of customer deposits.

Aldermore focuses on specialist lending across five areas: asset finance, invoice finance, SME commercial mortgages, residential mortgages and buy-to-let mortgages. It is funded primarily by deposits from UK savers. With no branch network, it serves customers and intermediary partners online, by phone and face to face through a network of eight regional offices located around the UK.

Aldermore's commitment to exceptional service, total transparency and its vision to deliver "banking as it should be" has resulted in a differentiated customer proposition.

ALDERMORE FINANCIAL HIGHLIGHTS

	Six months ended 31 December	Year ended 30 June		As at 1 July
R million	2018 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Normalised earnings	1 037	276	-	
Normalised profit before tax	1 369	549	-	
Total assets	204 084	189 867	7	189 734
Total liabilities	189 338	176 089	8	176 100
Stage 3/NPLs as a % of advances (%)	1.02	0.38		1.05
Credit loss ratio (%)	0.23	0.12		
ROE (%)*	16.0	12.1		
ROA (%)*	1.05	0.80		
Cost-to-income ratio (%)	47.3	52.5		
Net interest margin (%)	3.43	3.15		

* In rand terms.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

R million	Six months ended 31 December 2018 IFRS 9	Year ended 30 June* 2018 IAS 39
Normalised PBT		
Asset finance	461	220
Invoice finance	119	54
SME commercial mortgages	378	160
Buy-to-let mortgages	1 075	433
Residential mortgages	337	154
Central functions	(1 001)	(472)
Total Aldermore	1 369	549

* Reflects three months' contribution from 1 April 2018.

In the six-month period, Aldermore delivered a strong operational performance, characterised by:

- advances growth of 5% to £9.4 billion;
- customer deposits of £8 billion, up 3%;
- statutory PBT of £74.7 million;
- ROE of 15.8% and an ROA of 1.04% in pound terms; and
- NII of £159 million.

MOTONOVO

MotoNovo profits declined 40% in pound terms to £20.6 million period-on-period. MotoNovo's performance was negatively impacted by:

- lower net interest margins due to funding cost pressures;
- lower new business origination (-18%) in pound terms due to risk cutbacks and competitors benefiting from relatively lower funding costs; and
- ongoing investment drag of findandfundmycar.com, and the costs associated with the terminated diversification strategies.

The MotoNovo VAF impairment charge increased 6% in pound terms as new business focused on lower-risk segments, and legacy business already written matures.

ASHBURTON INVESTMENTS

The asset management activities of the group are represented by Ashburton Investments (Ashburton), which was launched in 2013 as part of FirstRand's strategy to access broader financial services profit pools.

Ashburton's strategy is to disrupt in alternative investments as regulatory changes have allowed institutions to invest in private market and alternative assets. The group's track record in origination and structuring presents investors with opportunities to participate in private equity, renewable energy and credit investments (including investment grade, non-investment grade and mezzanine credit).

Ashburton's portfolio also consists of a traditional range of equity, fixed income and multi-asset funds. Its long-standing international offshore multi-asset range has recently been strengthened through an investment partnership with Fidelity International. This range is well positioned for South African investors looking to diversify into international markets.

Ashburton's AUM decreased 2.6% period-on-period from R101 billion to R98 billion. Whilst there were good flows into the fixed income range due to the market cycle and the strong performance in this range, this was offset by outflows in the offshore multi-asset range as well as structured products. These products are in the process of being restructured to further align to client needs in current markets. The private markets business continues to deliver inflows on the back of winning new mandates.

Despite a tough year for local financial markets, investment performance continues to show resilience, with the majority of funds delivering solid performances relative to peer groups.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	2018 IFRS 9	% composition	2017 IAS 39	% composition	% change	2018 IAS 39	% composition
Retail	6 604	49	6 127	49	8	12 449	47
- FNB*	5 513		4 886			10 155	
- WesBank	820		809			1 560	
- MotoNovo	271		432			734	
Commercial	3 289	25	2 925	24	12	6 004	23
- FNB	3 152		2 782			5 710	
- WesBank	137		143			294	
Corporate and investment banking	3 321	25	3 154	25	5	7 353	28
- RMB*	3 321		3 154			7 353	
Aldermore**	1 037	8	-	-	-	276	1
Other	(909)	(7)	255	2	(>100)	329	1
- FCC (including Group Treasury) and consolidation adjustments	(739)		432			680	
- NCNR preference dividend	(170)		(177)			(351)	
Normalised earnings	13 342	100	12 461	100	7	26 411	100

* Includes rest of Africa.

** After the dividend on the contingent convertible securities of R115 million at 30 June 2018.

MANAGEMENT OF FINANCIAL RESOURCES

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

The management of the group's financial resources is executed through Group Treasury and is independent of the operating businesses. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. This also ensures that Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets to deliver shareholder value. The group continues to monitor and proactively manage a fast-changing regulatory environment and ongoing macroeconomic challenges.

The group adopts a disciplined approach to the management of its foreign currency balance sheet. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations.

BALANCE SHEET STRENGTH

Capital and leverage position

Capital and leverage ratios as at 31 December 2018 are summarised below.

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.5	9.0	11.3	4.0
Internal target	10.0 - 11.0	>12.0	>14.0	>5.0
FirstRand group actual**	12.0	12.6	14.8	7.4
FirstRand Bank actual**	13.1	13.6	16.9	7.2

* Excluding the bank-specific capital requirements, but including the countercyclical buffer requirement for the group.

** Includes the transitional Day 1 impact of IFRS 9. Ratios include unappropriated profits. FirstRand Bank includes foreign branches.

The group's Common Equity Tier 1 (CET1) ratio was 12.0% at 31 December 2018 (June 2018: 11.5%; December 2017: 14.0%). The period-on-period movement in the CET1 position is unpacked as follows:

- June 2018 vs December 2017: 240 bps decrease due to the acquisition of Aldermore.
- December 2018 vs June 2018: 50 bps increase as a result of:
  - ongoing net internal capital generation;
  - once-off Discovery card transaction;
  - inclusion of minority capital previously excluded; and
  - successful optimisation strategies, e.g. securitisation structures.

  This was partly offset by the Day 1 transitional impact of IFRS 9 (c.12 bps) on 1 July 2018 and RWA growth tracking asset growth.

Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital is determined taking into account businesses' organic growth plans, corporate transactions and stress-testing scenario outcomes. In addition, the group considers external issues that could impact capital levels, which include regulatory, accounting and tax changes, as well as macroeconomic conditions and outlook.

The group continues to actively manage its capital composition and, to this end, issued its first Basel III-compliant Additional Tier 1 (AT1) instrument (R2.3 billion) in the domestic market. It follows the successful issuance of FirstRand Bank's inaugural $500 million Tier 2 bond in the international markets. This resulted in a more efficient capital structure, which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

LIQUIDITY POSITION

Given the liquidity risk introduced by its business activities across various currencies and geographies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via the group's pool of high-quality liquid assets (HQLA) that is available as protection against unexpected stress events or market disruptions, as well as to facilitate the variable liquidity needs of the operating businesses. The composition and quantum of available sources of liquidity are defined by the behavioural funding liquidity-at-risk and the market liquidity depth of these resources. In addition, adaptive overlays to liquidity requirements are derived from stress-testing and scenario analysis of the cash inflows and outflows related to business activities.

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as at 31 December 2018 are summarised below.

	LCR		NSFR	
%	Group	Bank*	Group	Bank*
Regulatory minimum	90	90	100	100
Actual	122	130	112	110
Average available HQLA (billion)	216	200	n/a	n/a

* Excludes foreign branches.

REGULATORY UPDATE

The Draft Financial Sector Laws Amendment Bill was published for comment by National Treasury in October 2018. In order to support the pending resolution framework, the bill proposes the necessary amendments to various acts, including the Insolvency Act, South African Reserve Bank Act, Banks Act, Mutual Banks Act, Competition Act, Financial Markets Act and Insurance Act, with a view to strengthening the ability of the SARB to manage the orderly resolution or winding down of a failing financial institution with minimum disruption to the broader economy. One of the key amendments included in the bill is the establishment of the Corporation of Deposit Insurance (CoDI) designed to protect depositors' funds and enhance financial stability.

The bill is awaiting promulgation by parliament before it is enacted, but in the interim, the relevant regulators are continuously engaging with industry to continue working on the design and finalisation of the outstanding elements of the resolution framework.

DIVIDEND STRATEGY

Given the group's high return profile and strong capital generation, the board has maintained the dividend cover at 1.7x which continues to track below its stated long-term cover range of 1.8x to 2.2x.

As previously communicated, however, should capital demand increase to support sustainable balance sheet growth, the board will revisit whether it should migrate back into the stated long-term cover range.

PROSPECTS

Given the structural nature of many of South Africa's challenges, the group believes that domestic fundamentals will not change quickly.

Global financial conditions will prevent the SARB from easing monetary policy despite the low-growth outlook. This, combined with low commodity prices and a further slowdown in global growth, means that domestic economic activity will remain under pressure for the rest of 2019. Against this backdrop, private sector activities, such as corporate investment and household consumption, will remain subdued.

In the medium to longer term, given the market-leading positions of its businesses in South Africa and the growth strategies it is executing on, FirstRand considers itself strategically well positioned to benefit from renewed system growth. FNB's momentum is expected to continue on the back of customer and volume growth, and cross-sell and up-sell strategies will deliver higher insurance revenues and good deposit and advances growth. RMB's performance will be impacted in the second half of the year, given the very high level of private equity realisations in the base of the six months to June 2018.

With regard to the rest of Africa, there are signs that economic activity is improving in some of the other sub-Saharan African countries in which FirstRand operates, and the group expects its portfolio to continue to show an incrementally improved performance.

Given the macro uncertainty in the UK and ongoing investment costs into systems and processes, including MotoNovo's integration, Aldermore's growth trajectory is expected to slow marginally.

The group continues to target real growth in earnings (defined as real GDP plus CPI) and superior returns. Given the base effect created by the high level of private equity realisations in the second half of last year, delivering real growth in earnings in the short term will be challenging, however, the current return profile of the group is expected to remain resilient.

DISCOVERY CARD

FirstRand received the final consideration for the Discovery card transaction on 21 November 2018, with a resultant after-tax profit for the group of approximately R2.3 billion, which was included in attributable earnings for the period under review. However, given the non-operational nature of the profit, it was excluded from headline and normalised earnings.

At 31 December 2018, FCC included Discovery card advances with a gross value of R4.3 billion, which will be transferred at carrying value.

FNB SWAZILAND

A minority interest in FNB Swaziland will be offered to local investors through a listing on the Swaziland Stock Exchange in the second half of the 2019 financial year.

EVENTS AFTER REPORTING PERIOD

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Appointments		
M Vilakazi	COO and executive director	1 July 2018
LL von Zeuner	Independent non-executive director	1 February 2019
Change in designation		
JP Burger	Non-executive director	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 139.0 cents per ordinary share out of income reserves for the six months ended 31 December 2018.

DIVIDENDS

Ordinary shares

	Six months ended 31 December	
Cents per share	2018	2017
Interim (declared 11 March 2019)	139.0	130.0

The salient dates for the interim ordinary dividend are as follows:

Last day to trade cum-dividend	Tuesday 2 April 2019
Shares commence trading ex-dividend	Wednesday 3 April 2019
Record date	Friday 5 April 2019
Payment date	Monday 8 April 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019, and Friday, 5 April 2019, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net interim dividend after deducting 20% tax will be 111.20000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B PREFERENCE SHARES

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

DIVIDENDS DECLARED AND PAID

Cents per share	Preference dividends
Period:	
28 February 2017 - 28 August 2017	393.6
29 August 2017 - 26 February 2018	386.2
27 February 2018 - 27 August 2018	378.3
28 August 2018 - 25 February 2019	381.7

WR JARDINE	AP PULLINGER	C LOW
Chairman	CEO	Company secretary

11 March 2019

STATEMENT OF HEADLINE EARNINGS - IFRS

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Profit for the period	16 337	13 396	22	28 144
NCNR preference shareholders and contingent convertible securities	(168)	(177)	(5)	(466)
Non-controlling interests	(437)	(470)	(7)	(1 132)
Earnings attributable to ordinary equityholders	15 732	12 749	23	26 546
Adjusted for	(2 388)	(176)	>100	(37)
Gain on investment activities of a capital nature	(1 928)*	(31)		(29)
(Gain)/loss on disposal of available-for-sale assets	-	(22)		91
Gain on disposal of non-private equity associates	(1 082)*	-		-
Gain on disposal of investments in subsidiaries	-	(97)		(97)
Gain on disposal of property and equipment	(70)	(27)		(63)
Fair value movement on investment properties	-	(4)		(29)
Transfer from foreign currency translation reserve	-	-		108
Impairment of goodwill	-	-		12
Impairment of assets in terms of IAS 36	-	-		41
Gain from a bargain purchase	-	-		(42)
Other	-	(30)		(31)
Tax effects of adjustments	692*	13		-
Non-controlling interests adjustments	-	22		2
Headline earnings	13 344	12 573	6	26 509

* Includes the impact of the gain on the Discovery transaction of c.R3 billion (c.R2.3 billion after tax).

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

R million	Six months ended 31 December 2018 IFRS 9	Six months ended 31 December 2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Headline earnings	13 344	12 573	6	26 509
Adjusted for	(2)	(112)	(98)	(98)
TRS and IFRS 2 liability remeasurement*	64	(137)		(54)
Treasury shares**	(14)	8		18
IAS 19 adjustment	(52)	(56)		(109)
Private equity-related#	-	73		47
Normalised earnings	13 342	12 461	7	26 411

* The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes.

The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.

In the current period, FirstRand's share price increased R1.67 and during the prior period increased by R20.10.

This results in mark-to-market volatility period-on-period being included in the group's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS.

** Includes FirstRand shares held for client trading activities.

Realisation of private equity subsidiaries net of private equity-related goodwill and other asset impairments.

BASIS OF PRESENTATION

FirstRand prepared its unaudited condensed consolidated interim financial report in accordance with:
- International Financial Reporting Standard, IAS 34 Interim Financial Reporting;
- framework concepts and the recognition and measurement requirements of IFRS;
- interpretations issued by the IFRS Interpretation Committee (IFRS-IC);
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- the JSE Listings Requirements; and
- requirements of the Companies Act no. 71 of 2008.

The condensed consolidated interim report for the six months ended 31 December 2018 have not been audited or independently reviewed by the group's external auditors.

This announcement does not include information pursuant to paragraph 16 A (j) of IAS 34 as allowed by the JSE Listings Requirements. The full interim report, which include these disclosures, is available on www.firstrand.co.za, or from the company's registered office and upon request.

The directors take full responsibility and confirm that this information has been correctly extracted from the underlying report.

Jaco van Wyk (CA) SA, supervised the preparation of the condensed consolidated financial results.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed consolidated interim financial report are in terms of IFRS and are consistent with those applied for the year ended 30 June 2018, except for the adoption of certain IFRS that became effective in the current year.

The condensed consolidated interim financial report is prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

IFRS 9 - Financial Instruments (IFRS 9) and IFRS 15 - Revenue from Contracts with Customers (IFRS 15) became effective in the current year. IFRS 9, which replaces IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39), had the most significant impact on the group. IFRS 9 introduced a principle-based approach for classifying financial assets based on the entity's business model and changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected loss model.

IFRS 15, which contains a single model that is applied when accounting for contracts with customers, replaced revenue recognition guidance previously included IAS 18 - Revenue (IAS 18) and IFRIC 13 - Customer Loyalty Programmes (IFRIC 13).

The adoption of IFRS 9 and IFRS 15 impacted the group's results on the date of initial adoption, being 1 July 2018. FirstRand prepared an IFRS 9 Transitional Report, on which a reasonable assurance audit report was provided by the external auditors. The IFRS 9 Transitional Report is available on www.firstrand.co.za/InvestorCentre/IFRS 9.

No other new or amended IFRS become effective for the six months ended 31 December 2018 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

NORMALISED RESULTS

The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies, which, in terms of the JSE Listings Requirements, constitute pro forma financial information.

All normalised entries, as included for the year ended 30 June 2018, remain unchanged following the adoption of IFRS 9, except for the reclassification of an impairment on a restructured advance. Before the adoption of IFRS 9, gross advances and impairment of advances included an amount in respect of a wholesale advance that was restructured to an equity investment. The restructure resulted in the group obtaining significant influence over the counterparty and an investment in associate was recognised. However, for normalised reporting, the amount was classified as an advance rather than an investment in an associate. Given that sufficient time has elapsed since the restructure, credit risk is now considered insignificant. The exposure is therefore deemed an equity investment rather than an advance and therefore, on adoption of IFRS 9, the amount is no longer adjusted for normalised reporting.

This pro forma financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows.

CONDENSED CONSOLIDATED INCOME STATEMENT - IFRS

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Net interest income before impairment of advances	30 126	23 734	27	49 098
Impairment and fair value of credit of advances	(5 021)	(4 052)	24	(8 567)
Net interest income after impairment of advances	25 105	19 682	28	40 531
Non-interest revenue	23 513	21 389	10	44 193
Income from operations	48 618	41 071	18	84 724
Operating expenses	(26 811)	(23 708)	13	(48 462)
Net income from operations	21 807	17 363	26	36 262
Share of profit of associates after tax	401	283	42	519
Share of profit of joint ventures after tax	86	210	(59)	390
Income before tax	22 294	17 856	25	37 171
Indirect tax	(795)	(478)	66	(1 077)
Profit before tax	21 499	17 378	24	36 094
Income tax expense	(5 162)	(3 982)	30	(7 950)
Profit for the period	16 337	13 396	22	28 144
Attributable to				
Ordinary equityholders	15 732	12 749	23	26 546
NCNR preference shareholders and contingent convertible securities	168	177	(5)	466
Equityholders of the group	15 900	12 926	23	27 012
Non-controlling interests	437	470	(7)	1 132
Profit for the period	16 337	13 396	22	28 144
Earnings per share (cents)				
- Basic	280.5	227.3	23	473.3
- Diluted	280.5	227.3	23	473.3
Headline earnings per share (cents)				
- Basic	237.9	224.2	6	472.7
- Diluted	237.9	224.2	6	472.7

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME - IFRS

R million	Six months ended 31 December 2018 IFRS 9	2017 IAS 39	% change	Year ended 30 June 2018 IAS 39
Profit for the period	16 337	13 396	22	28 144
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	77	(99)	(>100)	185
Gains arising during the period	500	139	>100	283
Reclassification adjustments for amounts included in profit or loss	(393)	(7)	>100	(26)
Deferred income tax	(30)	(231)	(87)	(72)
FVOCI reserve/available-for-sale financial assets	(13)	(86)	(85)	(650)
Losses arising during the period	(21)	(85)	(75)	(1 009)
Reclassification adjustments for amounts included in profit or loss	(1)	(22)	(95)	91
Deferred income tax	9	21	(57)	268
Exchange differences on translating foreign operations	353	(856)	(>100)	1 175
Gain/(losses) arising during the period	353	(856)	(>100)	1 175
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	29	54	(46)	(72)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	(33)	(43)	(23)	38
(Losses)/gains arising during the period	(47)	(60)	(22)	43
Deferred income tax	14	17	(18)	(5)
Other comprehensive gain/(loss) for the period	413	(1 030)	(>100)	676
Total comprehensive income for the period	16 750	12 366	35	28 820
Attributable to				
Ordinary equityholders	16 139	11 729	38	27 217
NCNR preference shareholders and contingent convertible securities	168	177	(5)	466
Equityholders of the group	16 307	11 906	37	27 683
Non-controlling interests	443	460	(4)	1 137
Total comprehensive income for the period	16 750	12 366	35	28 820

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - IFRS

R million	As at 31 December 2018 IFRS 9	2017 IAS 39	As at 30 June 2018 IAS 39	As at 1 July 2018 IFRS 9
ASSETS				
Cash and cash equivalents	87 450	65 805	96 024	96 024
Derivative financial instruments	35 725	53 586	42 499	42 499
Commodities	17 815	15 489	13 424	13 424
Investment securities	224 126	188 840	208 937	211 674
Advances	1 172 544	927 732	1 121 227	1 113 398
- Advances to customers	1 111 824	874 476	1 065 997	1 058 168
- Marketable advances	60 720	53 256	55 230	55 230
Accounts receivable	10 346	9 443	9 884	8 847
Current tax asset	1 096	356	378	850
Non-current assets and disposal groups held for sale	-	498	112	112
Reinsurance assets	130	133	84	84
Investments in associates	5 626	5 726	5 537	5 343
Investments in joint ventures	1 818	1 946	1 726	1 726
Property and equipment	17 815	17 859	17 936	17 936
Intangible assets	10 744	1 663	10 847	10 847
Investment properties	814	675	754	754
Defined benefit post-employment asset	36	5	36	36
Deferred income tax asset	3 408	1 936	2 884	4 017
Total assets	1 589 493	1 291 692	1 532 289	1 527 571
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	6 056	15 266	9 999	9 999
Derivative financial instruments	41 949	58 102	50 954	50 954
Creditors, accruals and provisions	19 832	16 449	19 620	19 700
Current tax liability	773	415	438	438
Deposits	1 338 621	1 040 042	1 267 448	1 268 244
Employee liabilities	9 034	8 270	11 534	11 534

Other liabilities	5 758	6 511	6 989	6 989
Policyholder liabilities	4 764	4 315	4 593	4 593
Additional Tier 1 and Tier 2 liabilities	28 053	20 048	28 439	28 439
Deferred income tax liability	1 318	958	1 477	1 466
Total liabilities	1 456 158	1 170 376	1 401 491	1 402 356
Equity				
Ordinary shares	56	56	56	56
Share premium	8 017	7 985	7 994	7 994
Reserves	115 488	104 912	112 975	107 490
Capital and reserves attributable to ordinary equityholders	123 561	112 953	121 025	115 540
Contingent convertible securities	1 250	-	1 250	1 250
NCNR preference shares	4 519	4 519	4 519	4 519
Capital and reserves attributable to equityholders of the group	129 330	117 472	126 794	121 309
Non-controlling interests	4 005	3 844	4 004	3 906
Total equity	133 335	121 316	130 798	125 215
Total equities and liabilities	1 589 493	1 291 692	1 532 289	1 527 571

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - IFRS
for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds													
R million	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares and contingent convertible securities**	Non-controlling interests	Total equity
Balance as at 1 July 2017	56	7 960	8 016	(761)	158	9	(715)	1 690	462	100 025	100 868	4 519	3 781	117 184
Net proceeds of issue of share capital and premium	-	-	-	-	-	-	-	-	-	-	-	-	23	23
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(27)	(27)
Movement in other reserves	-	-	-	-	-	-	-	-	238	(180)	58	-	(79)	(21)
Ordinary dividends	-	-	-	-	-	-	-	-	-	(7 629)	(7 629)	-	(289)	(7 918)
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(177)	-	(177)
Transfer (to)/from general risk reserves	-	-	-	-	-	-	-	-	(8)	8	-	-	-	-
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	(103)	(103)	-	(25)	(128)
Movement in treasury shares	-	25	25	-	-	-	-	-	-	(11)	(11)	-	-	14
Total comprehensive income for the period	-	-	-	(43)	(99)	-	(86)	(841)	49	12 749	11 729	177	460	12 366
Balance as at 31 December 2017	56	7 985	8 041	(804)	59	9	(801)	849	741	104 859	104 912	4 519	3 844	121 316
Balance as at 1 July 2018	56	7 994	8 050	(723)	343	4	(1 361)	2 832	599	111 281	112 975	5 769	4 004	130 798
Restatements for IFRS 9 and IFRS 15	-	-	-	-	-	-	1 361	-	87	(6 933)	(5 485)	-	(98)	(5 583)
Balance as at 1 July 2018 restated	56	7 994	8 050	(723)	343	4	-	2 832	686	104 348	107 490	5 769	3 906	125 215
Net proceeds of issue of share capital and premium	-	-	-	-	-	-	-	-	-	-	-	-	(15)	(15)
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Movement in other reserves	-	-	-	-	-	1	-	-	(42)	33	(8)	-	17	9
Ordinary dividends	-	-	-	-	-	-	-	-	-	(8 134)	(8 134)	-	(346)	(8 480)
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(168)	-	(168)
Transfer to/(from) general risk reserves	-	-	-	-	-	-	-	-	(125)	125	-	-	-	-
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	(14)	(14)	-	-	(14)
Movement in treasury shares	-	23	23	-	-	-	-	-	-	15	15	-	-	38
Total comprehensive income for the period	-	-	-	(33)	77	-	-	346	17	15 732	16 139	168	443	16 750
Balance as at 31 December 2018	56	8 017	8 073	(756)	420	5	-	3 178	536	112 105	115 488	5 769	4 005	133 335

* Other reserves include FVOCI.

** The current amount for NCNR preference shares is R4 519 million and R1 250 million for the contingent convertible securities.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - IFRS

	Six months ended 31 December		Year ended 30 June
R million	2018 IFRS 9	2017 IAS 39	2018 IAS 39
Cash generated from operating activities			
Interest and fee commission receipts	70 366	58 490	124 420
Trading and other income	1 250	1 410	4 693
Interest payments	(28 994)	(19 724)	(40 941)
Other operating expenses	(22 326)	(19 182)	(37 177)
Dividends received	2 151	2 889	5 649
Dividends paid	(8 302)	(7 806)	(15 387)
Dividends paid to non-controlling interests	(346)	(289)	(923)
Taxation paid	(5 209)	(4 113)	(9 414)
Cash generated from operating activities	8 590	11 675	30 920
Movement in operating assets and liabilities			
Liquid assets and trading securities	(15 291)	(21 231)	(27 540)
Advances	(43 186)	(42 808)	(90 785)
Deposits	60 667	61 484	126 565
Movement in accounts receivable and creditors	(869)	(1 150)	(990)
Employee liabilities	(5 663)	(4 902)	(5 220)
Other operating liabilities	(9 832)	(4 947)	(3 774)
Net cash generated from operating activities	(5 584)	(1 879)	29 176
Cash flows from investing activities			
Acquisition of investments in associates	(73)	(176)	(308)
Proceeds on disposal of investments in associates	1 164	11	2 276
Acquisition of investments in joint ventures	(44)	(354)	(361)
Acquisition of investments in subsidiaries	-	-	(9 634)
Proceeds on disposal of investments in subsidiaries	-	212	212
Acquisition of property and equipment	(1 730)	(1 934)	(3 577)
Proceeds on disposal of property and equipment	500	218	519
Acquisition of intangible assets and investment properties	(271)	(101)	(586)
Proceeds on disposal of intangible assets and investment properties	-	-	8
Proceeds on disposal of non-current assets held for sale	326	219	219
Net cash outflow from investing activities	(128)	(1 905)	(11 232)
Cash flows from financing activities			
Proceeds from the issue of other liabilities	1 126	656	1 673
Redemption of other liabilities	(3 970)	-	(862)
Proceeds from the issue of additional Tier 1 and Tier 2 liabilities	2 265	2 750	9 823
Repayment of additional Tier 1 and Tier 2 liabilities	(2 701)	(1 629)	(1 272)
Acquisition of additional interest in subsidiaries from non-controlling interests	(14)	(23)	(45)
Issue of share of additional interest in subsidiaries from non-controlling interests	(15)	23	14
Net cash inflow/(outflow) from financing activities	(3 309)	1 777	9 331
Net increase in cash and cash equivalents	(9 021)	(2 007)	27 275
Cash and cash equivalents at the beginning of the year	96 024	68 483	68 483
Effect of exchange rate changes on cash and cash equivalents	447	(671)	266
Cash and cash equivalents at the end of the period	87 450	65 805	96 024
Mandatory reserve balances included above*	27 521	25 919	26 303

* Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is not available for use in the group's day-to-day operations. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2018 IFRS 9

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	29 406	-	-	682	-	-	-	38	30 126
Impairment charge	(5 021)	-	-	-	-	-	-	-	(5 021)
Net interest income after impairment of advances	24 385	-	-	682	-	-	-	38	25 105
Total non-interest revenue	21 561	17	14	(682)	-	-	3 080	10	24 000
- Operational non-interest revenue	21 080	17	8	(682)	-	-	3 080	10	23 513
- Share of profit of associates and joint ventures after tax	481	-	6	-	-	-	-	-	487
Income from operations	45 946	17	14	-	-	-	3 080	48	49 105
Operating expenses	(26 729)	(17)	-	-	72	-	-	(137)	(26 811)
Income before tax	19 217	-	14	-	72	-	3 080	(89)	22 294
Indirect tax	(795)	-	-	-	-	-	-	-	(795)
Profit before tax	18 422	-	14	-	72	-	3 080	(89)	21 499
Income tax expense	(4 475)	-	-	-	(20)	-	(692)	25	(5 162)
Profit for the period	13 947	-	14	-	52	-	2 388	(64)	16 337
Attributable to									
NCNR preference shareholders and contingent convertible securities	(168)	-	-	-	-	-	-	-	(168)
Non-controlling interests	(437)	-	-	-	-	-	-	-	(437)
Ordinary equityholders of the group	13 342	-	14	-	52	-	2 388	(64)	15 732
Headline and normalised earnings adjustments	-	-	(14)		(52)	-	(2 388)	64	(2 390)
Normalised earnings attributable to ordinary equityholders of the group	13 342	-	-	-	-	-	-	-	13 342

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 31 December 2017 IAS 39

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	24 565	-	-	(878)	-	-	-	47	23 734
Impairment charge	(4 052)	-	-	-	-	-	-	-	(4 052)
Net interest income after impairment of advances	20 513	-	-	(878)	-	-	-	47	19 682
Total non-interest revenue	20 002	201	(8)	878	-	(97)	211	695	21 882
- Operational non-interest revenue	19 514	201	(13)	878	-	(97)	211	695	21 389
- Share of profit of associates and joint ventures after tax	488	-	5	-	-	-	-	-	493
Income from operations	40 515	201	(8)	-	-	(97)	211	742	41 564
Operating expenses	(23 033)	(201)	-	-	78	-	-	(552)	(23 708)
Income before tax	17 482	-	(8)	-	78	(97)	211	190	17 856
Indirect tax	(478)	-	-	-	-	-	-	-	(478)
Profit before tax	17 004	-	(8)	-	78	(97)	211	190	17 378
Income tax expense	(3 894)	-	-	-	(22)	-	(13)	(53)	(3 982)
Profit for the period	13 110	-	(8)	-	56	(97)	198	137	13 396
Attributable to									
NCNR preference shareholders and contingent convertible securities	(177)	-	-	-	-	-	-	-	(177)
Non-controlling interests	(472)	-	-	-	-	24	(22)	-	(470)
Ordinary equityholders of the group	12 461	-	(8)	-	56	(73)	176	137	12 749
Headline and normalised earnings adjustments	-	-	8	-	(56)	73	(176)	(137)	(288)
Normalised earnings attributable to ordinary equityholders of the group	12 461	-	-	-	-	-	-	-	12 461

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2018 IAS 39

R million	Normalised	Private equity expenses	Treasury shares*	Margin related items included in fair value income	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	51 254	-	-	(2 252)	-	-	-	96	49 098
Impairment charge	(8 567)	-	-	-	-	-	-	-	(8 567)
Net interest income after impairment of advances	42 687	-	-	(2 252)	-	-	-	96	40 531
Total non-interest revenue	41 926	320	(18)	2 252	-	(27)	92	557	45 102
- Operational non-interest revenue	41 012	320	(13)	2 252	-	(27)	92	557	44 193
- Share of profit of associates and joint ventures after tax	914	-	(5)	-	-	-	-	-	909
Income from operations	84 613	320	(18)	-	-	(27)	92	653	85 633
Operating expenses	(47 664)	(320)	-	-	151	-	(53)	(576)	(48 462)
Income before tax	36 949	-	(18)	-	151	(27)	39	77	37 171
Indirect tax	(1 077)	-	-	-	-	-	-	-	(1 077)
Profit before tax	35 872	-	(18)	-	151	(27)	39	77	36 094
Income tax expense	(7 865)	-	-	-	(42)	(20)	-	(23)	(7 950)
Profit for the year	28 007	-	(18)	-	109	(47)	39	54	28 144
Attributable to									
NCNR preference shareholders and contingent convertible securities	(466)	-	-	-	-	-	-	-	(466)
Non-controlling interests	(1 130)	-	-	-	-	-	(2)	-	(1 132)
Ordinary equityholders of the group	26 411	-	(18)	-	109	(47)	37	54	26 546
Headline and normalised earnings adjustments	-	-	18	-	(109)	47	(37)	(54)	(135)
Normalised earnings attributable to ordinary equityholders of the group	26 411	-	-	-	-	-	-	-	26 411

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

R million	Normalised	IFRS 9 Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	87 450	-	87 450
Derivative financial instruments	35 725	-	35 725
Commodities	17 815	-	17 815
Investment securities	224 147	(21)	224 126
Advances	1 172 544	-	1 172 544
- Advances to customers	1 111 824	-	1 111 824
- Marketable advances	60 720	-	60 720
Accounts receivable	10 346	-	10 346
Current tax asset	1 096	-	1 096
Non-current assets and disposal groups held for sale	-	-	-
Reinsurance assets	130	-	130
Investments in associates	5 626	-	5 626
Investments in joint ventures	1 766	52	1 818
Property and equipment	17 815	-	17 815
Intangible assets	10 744	-	10 744
Investment properties	814	-	814
Defined benefit post-employment asset	36	-	36
Deferred income tax asset	3 408	-	3 408
Total assets	1 589 462	31	1 589 493
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	6 056	-	6 056
Derivative financial instruments	41 949	-	41 949
Creditors, accruals and provisions	19 832	-	19 832
Current tax liability	773	-	773
Deposits	1 338 621	-	1 338 621
Employee liabilities	9 034	-	9 034
Other liabilities	5 758	-	5 758
Policyholder liabilities	4 764	-	4 764
Additional Tier 1 and Tier 2 liabilities	28 053	-	28 053
Deferred income tax liability	1 318	-	1 318
Total liabilities	1 456 158	-	1 456 158
Equity			
Ordinary shares	56	-	56
Share premium	8 056	(39)	8 017
Reserves	115 418	70	115 488
Capital and reserves attributable to ordinary equityholders	123 530	31	123 561
Contingent convertible securities	1 250		1 250
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	129 299	31	129 330
Non-controlling interests	4 005	-	4 005
Total equity	133 304	31	133 335
Total equities and liabilities	1 589 462	31	1 589 493

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

R million	Normalised	IAS 39 Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	65 805	-	65 805
Derivative financial instruments	53 586	-	53 586
Commodities	15 489	-	15 489
Investment securities	188 928	(88)	188 840
Advances	927 732	-	927 732
- Advances to customers	874 476	-	874 476
- Marketable advances	53 256		53 256
Accounts receivable	9 443	-	9 443
Current tax asset	356	-	356
Non-current assets and disposal groups held for sale	498	-	498
Reinsurance assets	133	-	133
Investments in associates	5 726	-	5 726
Investments in joint ventures	1 890	56	1 946
Property and equipment	17 859	-	17 859
Intangible assets	1 663	-	1 663
Investment properties	675	-	675
Defined benefit post-employment asset	5	-	5
Deferred income tax asset	1 936	-	1 936
Total assets	1 291 724	(32)	1 291 692
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	15 266	-	15 266
Derivative financial instruments	58 102	-	58 102
Creditors, accruals and provisions	16 449	-	16 449
Current tax liability	415	-	415
Deposits	1 040 042	-	1 040 042
Employee liabilities	8 270	-	8 270
Other liabilities	6 511	-	6 511
Policyholder liabilities	4 315	-	4 315
Additional Tier 1 and Tier 2 liabilities	20 048	-	20 048
Deferred income tax liability	958	-	958
Total liabilities	1 170 376	-	1 170 376
Equity			
Ordinary shares	56	-	56
Share premium	8 056	(71)	7 985
Reserves	104 873	39	104 912
Capital and reserves attributable to ordinary equityholders	112 985	(32)	112 953
Contingent convertible securities	-	-	-
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	117 504	(32)	117 472
Non-controlling interests	3 844	-	3 844
Total equity	121 348	(32)	121 316
Total equities and liabilities	1 291 724	(32)	1 291 692

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

R million	Normalised	IAS 39 Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	-	96 024
Derivative financial instruments	42 499	-	42 499
Commodities	13 424	-	13 424
Investment securities	209 004	(67)	208 937
Advances	1 121 227	-	1 121 227
- Advances to customers	1 065 997	-	1 065 997
- Marketable advances	55 230	-	55 230
Accounts receivable	9 884	-	9 884
Current tax asset	378	-	378
Non-current assets and disposal groups held for sale	112	-	112
Reinsurance assets	84	-	84
Investments in associates	5 537	-	5 537
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	-	17 936
Intangible assets	10 847	-	10 847
Investment properties	754	-	754
Defined benefit post-employment asset	36	-	36
Deferred income tax asset	2 884	-	2 884
Total assets	1 532 310	(21)	1 532 289
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	-	9 999
Derivative financial instruments	50 954	-	50 954
Creditors, accruals and provisions	19 620	-	19 620
Current tax liability	438	-	438
Deposits	1 267 448	-	1 267 448
Employee liabilities	11 534	-	11 534
Other liabilities	6 989	-	6 989
Policyholder liabilities	4 593	-	4 593
Additional Tier 1 and Tier 2 liabilities	28 439	-	28 439
Deferred income tax liability	1 477	-	1 477
Total liabilities	1 401 491	-	1 401 491
Equity			
Ordinary shares	56	-	56
Share premium	8 056	(62)	7 994
Reserves	112 934	41	112 975
Capital and reserves attributable to ordinary equityholders	121 046	(21)	121 025
Contingent convertible securities	1 250	-	1 250
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	126 815	(21)	126 794
Non-controlling interests	4 004	-	4 004
Total equity	130 819	(21)	130 798
Total equities and liabilities	1 532 310	(21)	1 532 289

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 1 July 2018

R million	Normalised	IFRS 9 Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	-	96 024
Derivative financial instruments	42 499	-	42 499
Commodities	13 424	-	13 424
Investment securities	211 741	(67)	211 674
Advances	1 113 398	-	1 113 398
- Advances to customers	1 058 168	-	1 058 168
- Marketable advances	55 230	-	55 230
Accounts receivable	8 847	-	8 847
Current tax asset	850	-	850
Non-current assets and disposal groups held for sale	112	-	112
Reinsurance assets	84	-	84
Investments in associates	5 343	-	5 343
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	-	17 936
Intangible assets	10 847	-	10 847
Investment properties	754	-	754
Defined benefit post-employment asset	36	-	36
Deferred income tax asset	4 017	-	4 017
Total assets	1 527 592	(21)	1 527 571
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	-	9 999
Derivative financial instruments	50 954	-	50 954
Creditors, accruals and provisions	19 700	-	19 700
Current tax liability	438	-	438
Deposits	1 268 244	-	1 268 244
Employee liabilities	11 534	-	11 534
Other liabilities	6 989	-	6 989
Policyholder liabilities	4 593	-	4 593
Additional Tier 1 and Tier 2 liabilities	28 439	-	28 439
Deferred income tax liability	1 466	-	1 466
Total liabilities	1 402 356	-	1 402 356
Equity			
Ordinary shares	56	-	56
Share premium	8 056	(62)	7 994
Reserves	107 449	41	107 490
Capital and reserves attributable to ordinary equityholders	115 561	(21)	115 540
Contingent convertible securities	1 250	-	1 250
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	121 330	(21)	121 309
Non-controlling interests	3 906	-	3 906
Total equity	125 236	(21)	125 215
Total equities and liabilities	1 527 592	(21)	1 527 571

* FirstRand shares held for client trading activities.

Transition impact on IFRS consolidated financial position
as at 1 July 2018

R million	As reported 30 June 2018 IAS 39	IFRS 9 adjustments Reclassification	Remeasurement	ECL impairment	ISP	Total IFRS 9 adjustments	Restated 1 July 2018 for IFRS 9	IFRS 15	Total restated as at 1 July 2018
ASSETS									
Investment securities	208 937	1 010	1 844	(117)	-	2 737	211 674	-	211 674
Advances	1 121 227	(65)	238	(8 598)*	596	(7 829)	1 113 398	-	1 113 398
Accounts receivable	9 884	(1 010)	-	(27)	-	(1 037)	8 847	-	8 847
Current tax asset	378	2	(8)	478	-	472	850	-	850
Investments in associates and joint ventures	7 263	65	-	(259)	-	(194)	7 069	-	7 069
Deferred income tax asset	2 884	(2)	(382)	1 683	(166)	1 133	4 017	-	4 017
Other financial assets	138 523	-	-	-	-	-	138 523	-	138 523
Non-financial assets	43 193	-	-	-	-	-	43 193	-	43 193
Total assets	1 532 289	-	1 692	(6 840)	430	(4 718)	1 527 571	-	1 527 571
EQUITY AND LIABILITIES									
Liabilities									
Creditors, accruals and provisions	19 620	-	-	6	-	6	19 626	74	19 700
Current tax liability	438	-	-	-	-	-	438	-	438
Deposits	1 267 448	-	796	-	-	796	1 268 244	-	1 268 244
Other liabilities	6 989	-	-	-	-	-	6 989	-	6 989
Deferred income tax liability	1 477	-	-	(11)	-	(11)	1 466	-	1 466
Other financial liabilities	79 393	-	-	-	-	-	79 393	-	79 393
Non-financial liabilities	26 126	-	-	-	-	-	26 126	-	26 126
Total liabilities	1 401 491	-	796	(5)	-	791	1 402 282	74	1 402 356
Equity									
Ordinary shares	56	-	-	-	-	-	56	-	56
Share premium	7 994	-	-	-	-	-	7 994	-	7 994
Reserves	112 975	9	887	(6 737)	430	(5 411)	107 564	(74)	107 490
Capital and reserves attributable to ordinary equityholders	121 025	9	887	(6 737)	430	(5 411)	115 614	(74)	115 540
Contingent convertible securities	1 250	-	-	-	-	-	1 250	-	1 250
NCNR preference shares	4 519	-	-	-	-	-	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	126 794	9	887	(6 737)	430	(5 411)	121 383	(74)	121 309
Non-controlling interests	4 004	(9)	9	(98)	-	(98)	3 906	-	3 906
Total equity	130 798	-	896	(6 835)	430	(5 509)	125 289	(74)	125 215
Total equities and liabilities	1 532 289	-	1 692	(6 840)	430	(4 718)	1 527 571	-	1 527 571

* Net of ISP of R2 241 million.

RECONCILIATION OF IFRS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
as at 1 July 2018

	Ordinary share capital and ordinary equityholders' funds											
R million	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equityholders	NCNR preference shares and contingent convertible securities	Non-controlling interests	Total equity
Balance as at 30 June 2018 IAS 39	8 050	(723)	343	4	(1 361)	2 832	599	111 281	112 975	5 769	4 004	130 798
Opening retained earnings adjustment for IFRS 9	-	-	-	-	1 361	-	87	(6 859)	(5 411)	-	(98)	(5 509)
Reclassification	-	-	-	-	1 361	-	84	(1 436)	9	-	(9)	-
Remeasurement	-	-	-	-	-	-	-	887	887	-	9	896
ECL impairment	-	-	-	-	-	-	3	(6 740)	(6 737)	-	(98)	(6 835)
ISP	-	-	-	-	-	-	-	430	430	-	-	430
Opening retained earnings adjustment for IFRS 15	-	-	-	-	-	-	-	(74)	(74)	-	-	(74)
Balance as at 1 July 2018	8 050	(723)	343	4	-	2 832	686	104 348	107 490	5 769	3 906	125 215

* Other reserves include the FVOCI reserve.

FAIR VALUE MEASUREMENTS

Additional disclosures for level 3 financial instruments

Transfers between fair value hierarchy levels

The following represents the significant transfers into levels 1, 2 and 3 and the reasons for these transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

			As at 31 December 2018 IFRS 9
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	1 102	-	It is the group's policy to classify debt investment securities qualifying as HQLA, that are under the control of the Group Treasurer, as marketable advances. The underlying debt securities held in this specific portfolio of marketable advances are listed and actively traded. It is therefore more appropriate to reflect these advances in level 1 of the fair value hierarchy.
Level 2	37	-	Investment securities, derivatives and other liabilities were transferred into level 2 as the inputs used in determining their fair value became observable during the period.
Level 3	-	(1 139)	There were no transfers into level 3.
Total transfers	1 139	(1 139)	

			As at 30 June 2018 IAS 39
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	-	-	There were no transfers into level 1.
Level 2	34	(1 101)	Certain over-the-counter equity options have been transferred to level 2 in the current year, because the inputs used in the valuation of these positions have become observable as the maturity of these trades are less than 12 months.
Level 3	1 101	(34)	Market volatilities are only available for a limited range of strike prices. The further away over-the-counter equity options are from their trade date, the more likely it becomes that their strike prices are outside the prevailing range of strike prices for which volatilities are available. During the year end the observability of volatilities used in determining the fair value of certain over-the-counter options became unobservable and resulted in the transfer into level 3 of the fair value hierarchy.
Total transfers	1 135	(1 135)	

There were no transfers in or out of the various levels for the financial period ended 31 December 2017.

CONTINGENCIES AND COMMITMENTS

	As at 31 December			As at 30 June
R million	2018 IFRS 9	2017 IAS 39	% change	2018 IAS 39
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	38 000	35 028	8	36 977
Letters of credit	9 891	8 329	19	10 681
Total contingencies	47 891	43 357	10	47 658
Irrevocable commitments	128 629	114 604	12	126 631
Committed capital expenditure	1 981	2 659	(25)	2 915
Operating lease commitments	3 495	3 742	(7)	3 588
Other	141	222	(36)	166
Contingencies and commitments	182 137	164 584	11	180 958
Legal proceedings				
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.				
Provision raised for liabilities that are expected to materialise.	211	183	15	181
Commitments				
Commitments in respect of capital expenditure and long-term investments approved by the directors.	1 981	2 659	(25)	2 915

NUMBER OF ORDINARY SHARES IN ISSUE

	Six months ended 31 December				Year ended 30 June	
	2018		2017		2018	
	IFRS 9	Normalised	IAS 39	Normalised	IAS 39	Normalised
Shares in issue						
Opening balance as at 1 July	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	(325 902)	-	(1 314 888)	-	(1 045 515)	-
- Shares for client trading*	(325 902)	-	(1 314 888)	-	(1 045 515)	-
Number of shares in issue (after treasury shares)	5 609 162 099	5 609 488 001	5 608 173 113	5 609 488 001	5 608 442 486	5 609 488 001
Weighted average number of shares						
Weighted average number of shares before treasury shares	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	(439 558)	-	(1 656 596)	-	(1 363 218)	-
- Shares for client trading*	(439 558)	-	(1 656 596)	-	(1 363 218)	-
Basic and diluted weighted average number of shares in issue	5 609 048 443	5 609 488 001	5 607 831 405	5 609 488 001	5 608 124 783	5 609 488 001

* For normalised reporting, shares held for client trading activities are treated as externally issued.

COMPANY INFORMATION

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), MS Bomela, HL Bosman, JP Burger, JJ Durand (alternate), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, LL von Zeuner, T Winterboer

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