FirstRand Bank

'19

analysis of financial results

for the six months ended 31 December

about this report

This report covers the unaudited condensed financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2019. Some of the information relating to the statement of financial position at 1 July 2019 was restated following the adoption of new and revised IFRS. Refer to pages 121 to 132 for further details.

The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on page 108 and 109. Detailed reconciliations of normalised to IFRS results are provided on pages 118 to 120. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand Bank

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Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers.
This analysis is available on the group's website:
www.firstrand.co.za

Email questions to
investor.relations@firstrand.co.za

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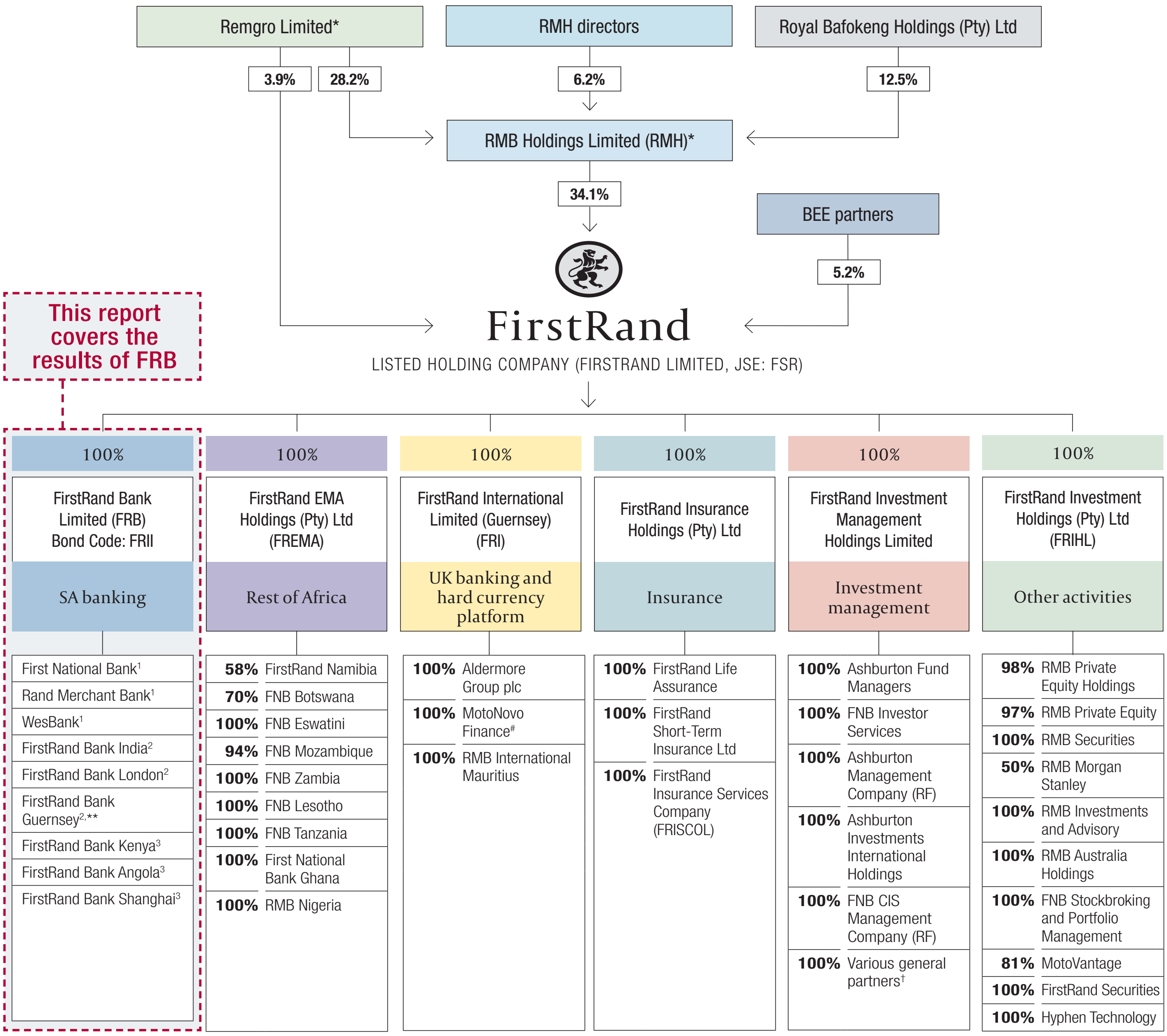
overview of results

Simplified group and shareholding structure



1. Division

2. Branch

3. Representative office

DirectAxis is a business unit of FirstRand Bank Limited.

* *On 19 November 2019, Remgro Limited and RMH announced their intention to unbundle and distribute their shareholdings in FirstRand Limited to Remgro and RMH shareholders, respectively.*

** *Trading as FNB Channel Islands.*

\# *Wholly-owned subsidiary of Aldermore Group plc.*

† *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Structure shows effective consolidated shareholding

For segmental analysis purposes entities included in FRIHL, FREMA, FRI, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing business (i.e. FNB, RMB, WesBank or FCC). The group's securitisations and conduits are in FRIHL, FRI and FRB.

FirstRand Bank

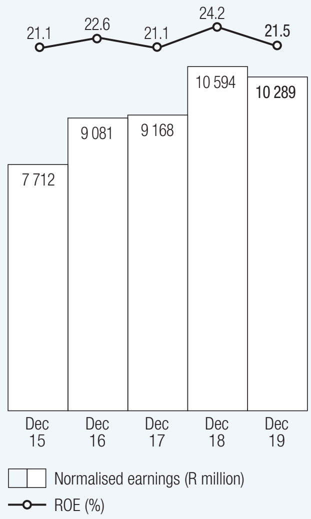
FirstRand Bank (FRB or the bank) is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. The bank has three major divisions, which are separately branded: First National Bank (FNB), Rand Merchant Bank (RMB) and WesBank. FCC represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola and Shanghai.

Normalised earnings	Normalised return on equity	Normalised return on assets
↓ 3%	21.5%	1.59%
Dec 18: 16%	Dec 18: 24.2%	Dec 18: 1.73%
CET1 ratio	**Liquidity coverage ratio**	**Net stable funding ratio**
13.7%	166%	117%
Dec 18: 13.1%	Dec 18: 130%	Dec 18: 110%
Advances (net of impairments)	**Deposits**	**Credit loss ratio**
↓ 1%	↑ 4%	1.07%
Dec 18: 6%	Dec 18: 11%	Dec 18: 0.93%

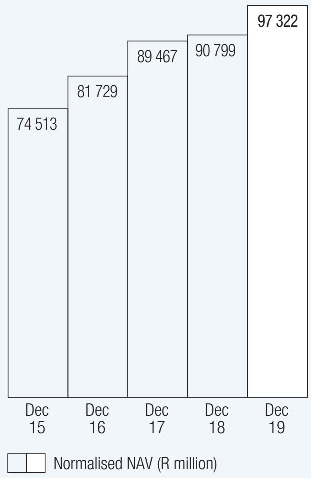
FNB RMB WesBank

Track record

NORMALISED EARNINGS *(R million)*
AND ROE *(%)*
CAGR 7%



NORMALISED
NET ASSET VALUE *(R million)*
CAGR 7%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

Key financial results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 118 to 120.

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Earnings performance				
Attributable earnings – IFRS (refer page 110)*	**10 253**	12 126	(15)	22 644
Headline earnings	**10 259**	10 582	(3)	21 169
Normalised earnings	**10 289**	10 594	(3)	21 152
Normalised net asset value	**97 322**	90 799	7	94 463
Average normalised net asset value	**95 893**	87 458	10	89 290
Ratios and key statistics				
ROE (%)	**21.5**	24.2		23.7
ROA (%)	**1.59**	1.73		1.70
Diversity ratio (%)	**42.9**	42.0		42.3
Credit impairment charge	**4 889**	4 118	19	8 460
Stage3/NPLs as a % of advances	**4.21**	3.34		3.71
Credit loss ratio (%)	**1.07**	0.93		0.95
Total impairment coverage ratio (%)	**75.0**	85.9		79.8
Specific coverage ratio (%)	**45.1**	47.5		45.8
Performing book coverage ratio (%)	**1.31**	1.33		1.31
Cost-to-income ratio (%)	**54.6**	53.6		53.4
Effective tax rate (%)	**22.8**	23.4		24.4
Number of employees	**40 526****	37 143	9	38 328

* *Prior period attributable earnings include the after-tax profit on sale of c. R1.5 billion on the Discovery card transaction, which is excluded from headline and normalised earnings.*

** *Approximately 1 800 of the increase period-on-period relates to DirectAxis, which was previously in FRIHL, but which became a business unit of the bank in the second half of the previous financial year.*

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Balance sheet				
Normalised total assets	**1 294 221**	1 243 583	4	1 291 404
Advances (net of credit impairments)	**878 525**	886 983	(1)	894 543
Average gross loan-to-deposit ratio (%)	**86.0**	88.3		87.5
Deposits	**1 067 160**	1 030 827	4	1 058 439
Capital adequacy – IFRS*				
Capital adequacy ratio (%)	**17.1**	16.9		16.8
Tier 1 ratio (%)	**14.4**	13.6		14.0
Common Equity Tier 1 ratio (%)	**13.7**	13.1		13.4
Leverage – IFRS*				
Leverage ratio (%)	**7.5**	7.2		7.2
Liquidity – IFRS				
Liquidity coverage ratio (%)	**166**	130		133
Net stable funding ratio (%)	**117**	110		117

* *Includes foreign branches. Ratios include unappropriated profits and the transitional impact of IFRS 9.*

Condensed income statement – normalised

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Net interest income before impairment of advances	**23 924**	23 376*	2	46 935
Impairment charge	**(4 889)**	(4 118)	19	(8 460)
Net interest income after impairment of advances	**19 035**	19 258	(1)	38 475
Non-interest revenue	**17 959**	16 920	6	34 441
– Fee and commission income	**13 480**	13 033*	3	25 716*
– Insurance income	**215**	273*	(21)	560
– Markets, client and other fair value income	**1 691**	1 683	–	3 917
– Investment income	**138**	27	>100	105
– Other non-interest revenue	**2 435**	1 904	28	4 143
Income from operations	**36 994**	36 178	2	72 916
Operating expenses	**(22 854)**	(21 585)*	6	(43 475)*
Income before indirect tax	**14 140**	14 593	(3)	29 441
Indirect tax	**(399)**	(572)	(30)	(829)
Profit before income tax	**13 741**	14 021	(2)	28 612
Income tax expense	**(3 127)**	(3 276)	(5)	(6 977)*
Profit for the period	**10 614**	10 745	(1)	21 635
Other equity instrument holders	**(325)**	(151)*	>100	(483)*
Normalised earnings attributable to ordinary equityholders of the bank	**10 289**	10 594	(3)	21 152

* *Restated following the adoption of IAS 12 amendments, the reclassification of coupon payments on AT1 instruments, reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 121 to 132.*

Condensed statement of other comprehensive income – normalised

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Profit for the period	**10 614**	10 745*	(1)	21 635*
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(264)**	77	(>100)	498
(Losses)/gains arising during the period	**(160)**	566	(>100)	943
Reclassification adjustments for amounts included in profit or loss	**(206)**	(459)	(55)	(251)
Deferred income tax	**102**	(30)	(>100)	(194)
FVOCI debt reserve	**(11)**	5	(>100)	7
(Losses)/gains arising during the period	**(15)**	8	(>100)	11
Reclassification adjustments for amounts included in profit or loss	**–**	(1)	(100)	(1)
Deferred income tax	**4**	(2)	(>100)	(3)
Exchange differences on translating foreign operations	**(34)**	149	(>100)	42
(Losses)/gains arising during the period	**(30)**	149	(>100)	58
Deferred income tax	**(4)**	–	–	(16)
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**1**	–	–	1
Gains arising during the period	**1**	–	–	1
Remeasurements on defined benefit post-employment plans	**9**	18	(50)	(104)
Gains/(losses) arising during the period	**13**	25	(48)	(144)
Deferred income tax	**(4)**	(7)	(43)	40
Other comprehensive (loss)/income for the period	**(299)**	249	(>100)	444
Total comprehensive income for the period	**10 315**	10 994	(6)	22 079
Attributable to				
Ordinary equityholders	**9 990**	10 843	(8)	21 596
Other equity instrument holders	**325**	151*	>100	483*
Total comprehensive income for the period	**10 315**	10 994	(6)	22 079

* *Restated for coupon payments on AT1 instruments and the adoption of IAS 12 amendments. Refer to pages 121 to 132.*

Condensed statement of financial position – normalised

	As at 31 December		As at 30 June
R million	2019	2018	2019
ASSETS			
Cash and cash equivalents	**76 894**	59 311	77 887
Derivative financial instruments	**46 453**	33 778	43 181
Commodities	**19 369**	17 815	21 176
Investment securities	**192 548**	167 823	176 942
Advances	**878 525**	886 983	894 543
– Advances to customers	**816 019**	825 218	831 097
– Marketable advances	**62 506**	61 765	63 446
Accounts receivable	**5 428**	7 569	4 963
Current tax asset	**127**	797	–
Amounts due by holding company and fellow subsidiaries	**52 744**	51 001	53 027
Investments in associates	**66**	66	66
Property and equipment*	**18 117**	15 406	15 352
Intangible assets	**677**	463	636
Deferred income tax asset	**3 273**	2 571	3 631
Total assets	**1 294 221**	1 243 583	1 291 404
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**3 372**	6 042	5 355
Derivative financial instruments	**50 823**	40 652	48 053
Creditors, accruals and provisions	**13 405**	14 186**	16 035
Current tax liability	**59**	114	1 043
Deposits	**1 067 160**	1 030 827	1 058 439
Employee liabilities	**8 303**	8 018	11 517
Other liabilities*	**5 108**	3 279	3 322
Amounts due to holding company and fellow subsidiaries	**20 612**	20 436	25 784
Tier 2 liabilities	**22 331**	23 965**	22 428
Total liabilities	**1 191 173**	1 147 519	1 191 976
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**80 514**	73 991	77 655
Capital and reserves attributable to ordinary equityholders	**97 322**	90 799	94 463
Other equity instruments	**5 726**	5 265**	4 965
Total equity	**103 048**	96 064	99 428
Total equity and liabilities	**1 294 221**	1 243 583	1 291 404

* *The bank elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information is prepared on an IAS 17 basis. Refer to pages 121 to 132 for more information.*

** *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments. Refer to pages 121 to 132.*

Note: There are no reconciling items between the condensed IFRS and normalised statements of financial position.

Flow of funds analysis – normalised

R million	December 2019 vs June 2019 6-month movement	December 2018 vs 1 July 2018 6-month movement	June 2019 vs 1 July 2018 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**3 620**	8 947	12 311
Working capital movement	**(10 165)**	(2 753)	9 232
Short trading positions and derivative financial instruments	**(2 485)**	(5 917)	(8 606)
Deposits and long-term liabilities	**8 624**	50 070	76 145
Total	**(406)**	50 347	89 082
Application of funds			
Advances	**16 018**	(49 100)	(56 660)
Investments	**(999)**	(4 499)	(7 979)
Cash and cash equivalents	**993**	12 200	(6 376)
Investment securities (e.g. liquid asset portfolio)	**(15 606)**	(8 948)	(18 067)
Total	**406**	(50 347)	(89 082)

For the six months to December 2019, FirstRand Bank produced normalised earnings of R10.3 billion and a normalised ROE of 21.5%. This is a commendable performance given the speed of deterioration experienced in the domestic operating environment during this period, and testament to the strength of the portfolio and the quality of the strategies executed by FNB, RMB, and WesBank.

As a large systemic financial institution, FirstRand Bank is not immune to the serious macroeconomic challenges facing South Africa, and the damaging impact of ever declining GDP growth is becoming evident in all of the bank's customer segments in South Africa.

ALAN PULLINGER
CEO

GROUP STRATEGY

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.

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 ambition is to deliver a fully integrated financial services value proposition across its regional portfolio, built on a customer-centric focus and underpinned by leading digital platforms and capabilities.

South Africa

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand Bank's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Increased competition is targeting these traditional banking operations, particularly the transactional activities. The bank remains focused on protecting and growing its lending and transactional franchises through:

- growing profitable market share;
- cross-sell and up-sell;
- disciplined allocation of financial resources; and
- leveraging the group's building blocks (i.e. customer bases, distribution channels and systems).

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 customers in South Africa is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by efficient digital platforms, allows FirstRand to better optimise the franchise value of its domestic portfolio.

The group's strategy to broaden its financial services offering also benefits the bank as it further entrenches the bank's relationships with its core transactional customers.

Rest of Africa

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

In the rest of Africa, the bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities. The group's subsidiaries in the rest of Africa form part of FREMA (refer to the simplified group structure on page 03, which outlines the group's various legal entities, including FRB) and thus fall outside the bank.

UK

In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group as part of the process to integrate the two businesses.

All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as leveraging capital market securitisations and warehouse transactions with international banks. Aldermore Group and its subsidiaries are part of FRI and thus fall outside the bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London Branch (but managed by MotoNovo), and will continue to be funded through existing funding mechanisms, but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the bank.

OPERATING ENVIRONMENT

The macroeconomic environments in many of the jurisdictions in which the group operates remained challenging in the period under review.

In the sub-Saharan Africa region, macroeconomic conditions were relatively stable although some of the markets in which the group operates faced specific challenges.

In the UK, the protracted Brexit uncertainty was reduced at the end of 2019 following the Conservative Party win in the general election. Unemployment remains low and household incomes relatively stable, providing some support to consumer demand and house prices.

The operating environment in South Africa in the six months under review played out more negatively than the group's initial expectations.

GDP weakened materially over the period with the economy contracting 0.8% and 1.6% in the third and fourth quarters, respectively. The recessionary environment has placed corporate and household income growth under pressure, reflected in decade-low nominal GDP growth outcomes, rising unemployment and falling real wage growth. This scenario was further impacted by an unanticipated escalation in loadshedding towards the end of the year. The direct negative impact of this macro scenario on consumers, small businesses and corporates is already evident.

OVERVIEW OF RESULTS

The bank's portfolio of businesses produced normalised earnings of R10.3 billion for the six months to 31 December 2019. The bank continued to maintain its balance sheet strength and protect its return profile, producing a normalised ROE of 21.5%.

The group recently established RMB Mauritius (a subsidiary of FRI) as a hard-currency platform for its rest of Africa dollar exposures. The bank sold most of its US dollar lending exposures to RMB Mauritius in the second half of the previous financial year. This had a negative impact on the bank's net interest income (NII). Lower Day 1 profit recognition from securitisations (>R600 million), the run-off of the MotoNovo back book and increased credit impairments also contributed to the 3% decline in normalised earnings.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2019**	**% composition**	2018	% composition	% change	2019	% composition
FNB	**7 683**	**75**	7 360	69	4	15 043	71
RMB	**2 119**	**21**	2 403	23	(12)	5 241	25
WesBank	**552**	**5**	542	5	2	901	4
FCC	**260**	**2**	440	4	(41)	450	2
– MotoNovo	**45**		279			216	
– FCC (includes Group Treasury) and other*	**215**		161			234	
Other equity instrument holders	**(325)**	**(3)**	(151)	(1)	>100	(483)	(2)
Normalised earnings	**10 289**	**100**	10 594	100	(3)	21 152	100

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

FNB produced a solid performance underpinned by non-interest revenue (NIR) growth, driven by ongoing customer gains and increased transactional volumes, and NII growth, particularly from deposit generation. However, some of these drivers have slowed relative to the previous six-month period to June 2019, in line with the weakening economic conditions.

RMB's performance reflects the negative NII impact of the US dollar exposures that were sold to RMB Mauritius. Excluding this impact, normalised PBT declined 2%, reflecting the constrained macro environment. The client activities franchise delivered another strong performance.

WesBank's performance remained subdued in a market still characterised by competitive pricing pressures and low vehicle sales. The business continued to focus on cost management and protecting its origination franchise and return profile.

NII growth slowed to 2% period-on-period, reflecting flat advances and deposits growth of 4%.

RMB achieved NII growth of 1%, reflecting a contraction of advances as a results of significant settlements, disciplined origination in a constrained macro environment and the sale of certain US dollar denominated advances to RMB Mauritius.

FNB's NII grew 10% period-on-period, benefiting from advances growth of 9%, and deposit growth of 10%, particularly from the premium and commercial segments. WesBank's NII reflected a tough operating environment, with no advances growth.

Bank NIR grew 6% period-on-period, mainly reflecting lower fee and commission income growth offset by strong growth in other non-interest revenue, which was driven by rental income and intercompany charges, which eliminate on consolidation at a group level.

FNB's fee and commission income grew 7%, mainly due to increased volumes across its digital and electronic channels, however, as expected, the rate of growth in volumes is slowing due to customers' constrained disposable incomes, competitive pressures and certain fee concessions.

The bank produced fair value income of R1.7 billion, mainly driven by RMB's markets business.

Cost growth remained above inflation, increasing 6%. This reflects a focus on efficiencies, particularly given current topline pressures, and was achieved against a backdrop of above-inflation staff wage increases and ongoing investment in:

- the group's insurance and asset management growth strategies; and
- platforms to extract further efficiencies.

The bank's cost-to-income ratio increased from 53.6% to 54.6%.

The bank's credit performance, which is weaker than expected, should be seen in the following context:

- The macroeconomic environment deteriorated more rapidly than anticipated, particularly in late 2019, and the velocity of this deterioration could not be immediately captured by FNB's origination scorecards and collections processes. Business is actively addressing these issues, however these interventions are only likely to have an impact in the next financial year.
- Historical advances growth has, as expected, resulted in new business strain.

The impact of the above was not experienced equally across all segments and product lines. It was more pronounced in FNB's unsecured retail advances and, to a lesser degree, in commercial. Both of these portfolios are particularly sensitive to slowing nominal GDP growth and the impact of loadshedding.

Despite these issues, the overall credit impairment charge remains within the bank's guided through-the-cycle (TTC) range at 107 bps, resulting in an 19% increase in the charge.

IFRS 9 also continues to impact the credit charge in that provision levels are upfronted for new origination and, similarly, higher levels are maintained for arrears.

The maturing of the write-off period during the six months to December 2019 resulted in a negative impact on the impairment charge, where the lengthening of the write-off point in the six months to December 2018 provided a one-off relief.

IFRS 9 also has a significant impact on some balance sheet credit metrics (e.g. non-performing loans (NPLs) and coverage). Certain IFRS 9-specific changes, as indicated below, will start normalising in the current financial year.

IFRS 9 contributes a material increase in NPLs mainly due to:

- the lengthening of the write-off period from six to 12 months, particularly in retail unsecured;
- a more stringent definition for customer rehabilitation (technical cures); and
- 12 consecutive full instalment payments to cure.

These IFRS 9-related changes, particularly the lengthening of the write-off period, accounted for 23% of the growth in NPLs. The underlying credit performance is captured under the operational NPL definition.

As indicated previously, certain of the IFRS 9-related adjustments would start normalising in the current reporting period, e.g. curing. The maturity of the curing definition and reinstating cure for retail debt-review accounts resulted in a migration of ±R700 million of unsecured NPLs to stage 2 during the reporting period, with no change to related coverage ratios.

Taking into account the above context, total NPLs have increased 25% or R7 685 million since December 2018, with operational NPLs increasing 30%, as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	6 182	30	20
Restructured debt review	(634)	(16)	(2)
Definition of rehabilitation (technical cures)	377	10	1
Lengthening of write-off period	1 760	91	6
Total NPLs	7 685	25	25

The increase in operational NPLs reflects:

- ongoing strong book growth in certain retail unsecured portfolios, and residential mortgages, primarily in the premium segment;
- macro pressures in some sectors affecting WesBank corporate;
- migration of certain highly collateralised or guaranteed counters in the RMB corporate and investment banking (CIB) portfolio; and
- drought-related impacts in FNB commercial's agricultural portfolio.

This increase was driven by new business strain and the impact of the deteriorating macro environment, particularly pressure on disposable income and rising unemployment, is heightened.

A detailed explanation of the c. R770 million increase in the credit charge is unpacked below.

- FNB card impairments increased c. R270 million (+77%) on the back of 21% growth in advances. Operational NPLs in card increased materially (+84%), still reflecting the ongoing impact of the previously disclosed specific origination issues in the financial year to June 2019, whereby FNB saw strong book growth from new-to-bank and new-to-product origination strategies. This was further exacerbated by the worse than expected macro environment. These originated cohorts will continue to drive NPL formation over the medium term. The group expects ongoing elevated NPLs in card during the rest of the 2020 financial year.
- The FNB personal loans charge increased c. R300 million (+47%). Whilst book growth remained robust, up 21% period-on-period, it has moderated since June 2019 (+4%) on the back of risk cuts. Advances growth continues to be driven by the premium segment. The increase in operational NPLs tracked book growth, which together with the pressures in collections resulted in an elevated credit charge. This trend may continue into the second half of the year.
- The DirectAxis (DA) impairment charge reflected a modest increase of R46 million (+7%), benefiting from a focus on repeat business in lower-risk segments and risk cutbacks in previous periods.
- The residential mortgages credit loss ratio increased to 22 bps on the back of an increase of 12% in NPLs. This reflects the continued normalisation of the credit cycle and expected origination strain.
- WesBank's vehicle asset finance (VAF) charge decreased 3%, reflecting reduced appetite in higher-risk origination.
- FNB commercial NPLs increased 57%, impacted by growth in the highly collateralised agricultural portfolios against which proactive provisions were raised in prior years, as well as an increase in core transactional NPLs given previous levels of book growth. The impairment charge increased to 111 bps, reflecting a change in mix of NPLs with a higher proportion of transactional NPLs during the current period. The current impairment charge remains within expectations.
- The RMB CIB portfolio reported a >100% increase in NPLs period-on-period, specifically impacted by the migration of certain highly collateralised and guaranteed distressed counters. The resilient performance of the overall portfolio benefited from proactive provisioning in prior years, resulting in a modest charge of 7 bps during the period. The portfolio is, however, reflecting higher levels of corporate stress in South Africa.
- MotoNovo's back book impairment charge showed a decrease of >80% in pound terms, reflecting securitisation transactions and the ongoing run-off of the back book as new origination takes place in Aldermore Group (which falls outside the bank).

Overall balance sheet portfolio provisions decreased 2%.

The bank's performing book coverage ratio declined marginally period-on-period, but remains in line with June 2019. At 131 bps, the performing book coverage remains comfortably above the current period impairment charge.

OPERATING REVIEWS

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. FNB produced 4% growth in pre-tax profits to R10.7 billion. The cost-to-income ratio improved to 50.3%.

FNB's strategy in its domestic market is underpinned by:

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

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**7 683**	7 360	4	15 043
Normalised profit before tax	**10 671**	10 223	4	20 893
– South Africa	**10 891**	10 382	5	21 255
– Rest of Africa*	**(220)**	(159)	38	(362)
Total assets	**428 162**	396 177	8	411 966
Total liabilities	**422 128**	390 598	8	395 889
Stage 3/NPLs as a % of advances	**6.14**	5.27		5.71
Credit loss ratio (%)	**1.86**	1.48		1.51
Cost-to-income ratio (%)	**50.3**	51.1		50.8
Advances margin (%)	**4.39**	4.36		4.38

* *Relates to head office costs. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank.*

SEGMENT RESULTS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised PBT				
Retail	**6 135**	6 003	2	12 307
Commercial	**4 756**	4 379	9	8 948
FNB rest of Africa*	**(220)**	(159)	38	(362)
Total FNB	**10 671**	10 223	4	20 893

* *Relates to head office costs. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank.*

Overall, FNB's business experienced a slowdown in some of its key growth drivers as the prevailing macroeconomic environment placed further pressure on customers, growing pre-tax profits 4% period-on-period.

FNB's total NII held up well, increasing 10%, driven by both advances (+9%) and deposit (+10%) growth. FNB's focus on customer acquisition and cross-sell into its core transactional customer base continues to be the main underpin to advances growth in the premium and commercial segments.

Deposit gathering in both premium (+16%) and commercial (+10%) remains above system growth and is due to historical customer acquisition, cross-sell, product innovation and specific strategies to gather cash investment balances.

The table below unpacks the growth in advances and deposits on a segment basis.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	11	26.2	9	24.9
– Consumer	2	1.8	2	0.8
– Premium	16	24.4	10	23.3
– DirectAxis	n/a	–	5	0.8
Commercial	10	22.1	10	9.9
Total FNB	10	48.3	9	34.8

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies and remains focused on lending to main-banked customers, creating reinforcement to the transactional relationship. FNB continues to focus on the displacement of other providers of credit in its main-banked customer base. Mortgages (+6%) grew above nominal house price inflation, driven by new customer acquisition and up-sell strategies in the upper premium segment. Growth in personal loans continued but is moderating given risk cuts, as demonstrated below.

PERSONAL LOANS GROWTH

	Rolling 6-month advances growth rate	
Six months ending	Premium	Consumer
30 June 2018	33%	1%
31 December 2018	22%	10%
30 June 2019	22%	7%
31 December 2019	6%	–

Overall card advances growth was 21% period-on-period, but is trending down compared to the preceding six-month period, reflecting risk cuts. This resulted in a 5% decrease in consumer card advances, although growth in premium remained strong (+28%), driven by:

- the upward migration of customers from consumer to premium; and
- leveraging digital platforms for pre-scored origination based on customer behaviour.

DA grew advances despite increased competition in the market, and continues to focus on lower risk segments and repeat business.

Commercial continued to benefit from targeted customer acquisition, continued cross-sell momentum and focused asset growth, particularly in agriculture and commercial property finance.

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

	As at 31 December			As at 30 June
R million	2019	2018	% change	2019
Consumer advances				
Residential mortgages	26 097	25 448	3	25 947
Card	4 468	4 707	(5)	4 638
Personal loans	8 235	7 732	7	8 275
Retail other	2 727	2 816	(3)	2 714
Premium advances				
Residential mortgages	197 882	185 036	7	191 217
Card	25 630	20 092	28	23 477
Personal loans	15 981	12 340	30	15 082
Retail other	15 487	14 166	9	15 194
DA advances	16 580	15 826	5	16 012
Commercial advances	107 400	97 521	10	105 128

FNB's NIR growth also held up well (+7%) in the period under review. There was ongoing growth in volumes across all segments. Premium saw particularly strong growth in card transactional volumes, lending NIR and digital volumes. However, NIR in both consumer and premium was negatively impacted by fee concessions, slowing volume growth and pricing pressures due to increased competition.

CHANNEL VOLUMES

Thousands of transactions	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
ATM/ADT	**121 677**	124 538	(2)	245 433
Internet banking	**93 585**	102 756	(9)	197 957
Banking app	**151 262**	111 687	35	237 873
Mobile (excluding prepaid)	**22 170**	21 845	1	42 050
Point-of-sale merchants	**332 664**	291 172	14	578 634
Card swipes	**482 225**	441 154	9	872 989

Total customer growth was 1% period-on-period, mainly driven by customer acquisition in premium and commercial. Attrition of transactional accounts in the consumer segment continued, mainly due to conservative credit risk appetite, ongoing upward migration to premium and competitive activity.

CUSTOMERS

Customer segment	Growth in customer numbers %
Consumer	**(3)**
Premium	**15**
Commercial	**8**

Cost growth continues to trend above inflation at 7%, but is in line with expectations, given the level of ongoing investment in platform technology, wealth and investment management (WIM) and above-inflation wage settlements. Despite these pressures, FNB achieved positive jaws and the overall cost-to-income ratio improved to 50.3%.

FNB's NPLs increased 27% period-on-period, impacted by:

- continued normalisation in residential mortgages;
- higher NPLs in personal loans and card;
- higher commercial NPLs driven mainly by drought in the agricultural book, as well as increased transactional NPLs given previous client and book growth; and
- the lengthening of the write-off period and longer curing points;

RMB

RMB represents the bank'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, and a competitive transactional banking platform to ensure delivery of an integrated 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
R million	**2019**	2018	% change	2019
Normalised earnings	**2 119**	2 403	(12)	5 241
Normalised profit before tax	**2 943**	3 337	(12)	7 279
Total assets	**472 078**	470 467	–	467 704
Total liabilities	**470 316**	468 225	–	462 181
Credit loss ratio (%)	**0.07**	0.05		0.02
Cost-to-income ratio (%)	**56.6**	52.1		51.5

RMB's diversified portfolio produced pre-tax profits of R2.9 billion. This was primarily driven by a weakened market and structuring performance and muted client annuity income growth given the advances book contraction.

NII was impacted by declining advances due to the sale of >$700 million of advances to RMB Mauritius, as part of an internal group restructure, to transfer US dollar assets to the recently established hard-currency platform, and the increasingly constrained macroeconomic environment.

The business continues to maintain adequate credit coverage, despite book migration. RMB's cost growth of 8% was primarily driven by ongoing core platform modernisation, particularly for the markets activities.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Investment banking and advisory	**2 090**	2 031	3	4 707
Corporate and transactional banking	**761**	709	7	1 490
Markets and structuring	**505**	585	(14)	1 419
Investing*	**(66)**	(29)	>100	(132)
Other	**(347)**	41	(>100)	(205)
Total RMB	**2 943**	3 337	(12)	7 279

* *The majority of investing activities are in FRIHL, and thus fall outside the bank.*

Investment banking and advisory delivered a resilient performance with profit growth of 3% in an environment characterised by a constrained economic cycle, subdued corporate credit demand and low investor confidence and the sale of advances to RMB Mauritius. Whilst advisory and equity capital market activities showed a decline, notable debt capital market deals were concluded in the current period.

Corporate and transactional banking delivered solid results, up 7% period-on-period, against a backdrop of global macroeconomic pressures. Trade and working capital results were underpinned by higher utilisation of facilities and good fee income, coupled with increased transactional banking client volumes. In contrast, the performance of the foreign exchange business was dampened by a decline in volumes.

Markets and structuring produced a weaker performance with profits down 14%, as the business was impacted by subdued market activity, particularly in foreign exchange and rates, as well as continued platform investment.

Other activities reflect the continued investment into the group's markets infrastructure platform.

WesBank

WesBank represents the bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank's strategy is focused 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.

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**552**	542	2	901
Normalised profit before tax	**767**	753	2	1 251
Total assets	**126 521**	125 396	1	121 816
Total liabilities	**126 881**	125 769	1	121 690
Stage 3/NPLs as a % of advances	**5.96**	5.83		6.03
Credit loss ratio (%)	**1.30**	1.32		1.54
Cost-to-income ratio (%)	**55.3**	54.7		55.0
Net interest margin (%)	**3.26**	3.21		3.23

Wesbank's normalised profit before tax increased 2% to R767 million.

The business faced a tough macroeconomic environment, characterised by:

- low consumer and business confidence resulting in a lengthening of the vehicle replacement cycle;
- declining vehicle sales (lower than 2011 levels); and
- affordability challenges.

In the face of increasing competition, the business focused on protecting its origination franchise and return profile through disciplined risk appetite and operational efficiencies.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised PBT				
– Retail VAF	**599**	595	1	820
– Corporate and commercial	**168**	158	6	431
Total WesBank	**767**	753	2	1 251

* *Refer to additional segmental disclosure on page 36.*

WesBank's credit loss ratio of 1.30% showed a marginal improvement (December 2018: 1.32%; June 2019: 1.54%). The corporate VAF business experienced further deterioration in credit quality resulting from ongoing stress in a number of sectors. Retail VAF NPLs also increased due to elevated consumer stress and protracted work-out timelines as customers opted for a repossession process via court order. Behavioural terms continue to extend due to consumer pressure and comparatively longer contractual periods.

The risk cuts in both portfolios resulted in no advances growth period-on-period. Margin pressure continued, partly due to increased competitive activity and the focus on originating lower-risk business, which is generally written at lower margins, and a significant shift in new business origination mix from fixed- to floating-rate. The improvement in margin was impacted by the securitisation of selected assets. Securitisations typically exclude fixed-rate assets and this results in a margin increase in the remaining book.

WesBank's NIR, mainly fleet revenues, increased 4% due to growth in the full maintenance leasing (FML) book.

WesBank continues to control operational expenditure, and invest in digital process improvements and its growing FML fleet. Fleet depreciation increased c. R70 million.

Whilst the cost-to-income ratio has deteriorated due to topline pressure, overall cost growth was contained at 2%. Excluding growth in FML related expenditure, costs decreased 3%.

MotoNovo

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group, a fellow subsidiary of the bank, as part of the process to integrate the two businesses. All business written by MotoNovo post integration is in the Aldermore Group and not in the bank.

Loans originated prior to the integration (the back book) are still housed in FirstRand Bank London Branch, but managed by MotoNovo. MotoNovo's back book normalised earnings decreased due to >R600 million less securitisation income in the current period and the ongoing wind-down of the book.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2019**	% composition	2018	% composition	% change	2019	% composition
Retail	**4 735**	**46**	4 914	46	(4)	9 407	44
– FNB*	**4 259**		4 207		1	8 600	
– WesBank	**431**		428		1	591	
– MotoNovo back book	**45**		279		(84)	216	
Commercial	**3 545**	**34**	3 267	31	9	6 753	32
– FNB	**3 424**		3 153		9	6 443	
– WesBank	**121**		114		6	310	
Corporate and investment banking	**2 119**	**21**	2 403	23	(12)	5 241	25
– RMB	**2 119**		2 403		(12)	5 241	
Other	**(110)**	**(1)**	10	–	(>100)	(249)	(1)
– FCC (including Group Treasury) and elimination adjustments	**215**		161			234	
– Other equity instruments	**(325)**		(151)			(483)	
Normalised earnings	**10 289**	**100**	10 594	100	(3)	21 152	100

* *Includes FNB rest of Africa, which relates to head office costs.*

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 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. Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets to deliver shareholder value. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. The group continues to monitor and proactively manage a fast-changing regulatory environment, competitive landscape 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 self-imposed structural borrowing and liquidity risk limits, which are more onerous than those required in terms of regulations. The group's philosophy is that, in the longer term, foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction. It aligns with one of the group's strategic priorities to increase diversification by geography, which is evidenced by the integration of the MotoNovo business with Aldermore Group in the UK, as well as the utilisation of the RMB International Mauritius platform for the group's rest of Africa dollar exposures. Aldermore is in the process of rolling out the group's financial resource management principles with the objective to optimise capital and funding resources for growth in economic profits and sustainable returns.

Despite increasing competition, the group believes that its disciplined and dynamic approach to financial resource management provides it with the ability to further enhance the value proposition to customers and optimally utilise platforms across the group to deliver on commitments to stakeholders.

BALANCE SHEET STRENGTH

Capital position

During the period under review, the bank revised its targets to incorporate:

- the deteriorating macros; and
- the higher minimum capital requirement following the increase in the countercyclical buffer for UK exposures.

Capital ratios as at December 2019 are summarised below.

%	Internal targets	As at 31 December 2019	2018
Capital*			
CET1	11.0 – 12.0	**13.7**	13.1
Tier 1	>12.0	**14.4**	13.6
Total	>14.25	**17.1**	16.9

* *FRB includes foreign branches. Ratios include unappropriated profits and the transitional impact of IFRS 9.*

The bank's Common Equity Tier 1 (CET1) ratio strengthened period-on-period, and was driven by:

- net earnings generation, partly offset by muted RWA growth, which is a function of the low-growth environment; and
- limited credit risk migration.

This was partly offset by the transitional impact of IFRS 9 (≈11 bps decrease) on 1 July 2019. The full IFRS 9 impact of 44 bps will be reflected in the CET1 ratios once the transition period is concluded on 1 July 2021.

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

The bank continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 instruments with the group's internal targets. Given the strong capital position and low asset growth, capital issuance during the period under review was largely focused on managing the rollover profile and rebalancing the capital stack. Issuances included:

- AT1 of R3.5 billion; and
- Tier 2 of R2.6 billion.

The AT1 instruments, together with Tier 2 instruments, are considered to be funding, and are not used to support risk in the bank.

It remains the bank's intention to continue optimising its regulatory 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 are available as protection against unexpected liquidity stress events or market disruptions, and to facilitate the changing liquidity needs of the operating businesses. The composition and quantum of available liquid resources are defined behaviourally, considering both the funding liquidity-at-risk and the market liquidity depth of these resources. In addition, overlays above liquidity requirements are determined based on stress testing and scenario analysis of the cash inflows and outflows.

Liquidity ratios for the bank at December are summarised below.

	As at 31 December	
%	**2019**	2018
LCR*		
Regulatory minimum	**100**	90
Actual**	**166**	130
Average available HQLA (R billion)	**250**	200
NSFR*		
Regulatory minimum	**100**	100
Actual**	**117**	110

* *The bank's LCR and NSFR reflect South African operations only.*

** *Exceeds regulatory minimum requirements with appropriate buffers.*

Regulatory update – South Africa's intended approach to bank resolution

The South African Reserve Bank (SARB) released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The discussion paper outlines the objectives of the resolution framework. This is applicable to systemically important institutions. The intended approach to bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country.

The discussion paper is a first draft and likely to be revised and expanded in future. Comments received on this discussion paper will assist the SARB in drafting the regulatory standards for resolution once the Financial Sector Laws Amendment Bill (FSLAB) is promulgated.

The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are loss-absorbing financial instruments that are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open-bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity but has not detailed how the quantum of required flac will be calculated for relevant institutions, nor the deadline for compliance. PwC, appointed by the World Bank and the SARB, has circulated a survey to analyse various aspects relevant to flac instruments. The survey is expected to be completed during the first quarter of 2020.

Regulatory update – draft financial conglomerate standards

The Financial Sector Regulation Act empowers the Prudential Authority (PA) to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates.

On 4 March 2020, the PA published draft financial conglomerate standards for a second round of informal consultation. The amendments to the standards have been based on comments received during the July 2018 consultation process, as well as developments in the regulatory approach to financial institutions. The next round of comments are due in April 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted and consulted on.

PROSPECTS

Looking forward to the second half of the year, the group is of the view that the South African macroeconomic environment will continue to deteriorate, probably at a faster rate than in the first half. GDP is expected to contract further, firstly driven by the impact of the global COVID-19 outbreak which will result in lower exports and supply chain disruptions, and secondly by weaker wage growth which translates into weaker consumer spending. Potential job losses could further exacerbate this scenario, which is a real risk if corporates continue to right-size given GDP contraction, and SMEs feel the effect of ongoing energy disruption issues. The broader regional picture is likely to be similar to the second half, although the COVID-19 outbreak could impact certain jurisdictions.

The UK is expected to show incremental growth in GDP, together with a strong labour market and an improving trend in house prices. The risk of a hard Brexit could however change this picture.

FirstRand has already experienced a material slowdown in its domestic business since the beginning of 2020. Given the expected pressures on top line the group appreciates the need for ongoing cost efficiencies, balanced with continued investment in sustainable growth strategies. Aldermore is expected to contribute to both growth and returns.

The group will not achieve its stated target of real growth in earnings (defined as real GDP plus CPI) for the year to 30 June 2020, based on its current GDP forecast, although earnings are expected to reflect growth and the ROE will remain well within the current target range of 18% to 22%.

DISCOVERY CARD

In the prior period, FirstRand Bank received the final consideration for the Discovery card transaction with a resultant after-tax profit of ±R1.5 billion. This resulted in attributable earnings increasing 28% in the comparative period, however, this does not repeat in the period under review, resulting in a 15% reduction. Given the non-operational nature of the profit it remains excluded from headline and normalised earnings. At 31 December 2019, FCC included Discovery card advances with a gross value of R3.4 billion, which is still to be fully transferred at carrying value.

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
Resignations		
JJ Durand	Alternate non-executive director	28 November 2019
Retirements		
NN Gwagwa	Independent non-executive director	28 November 2019
EG Matenge-Sebesho	Independent non-executive director	28 November 2019
Appointment		
Z Roscherr	Independent non-executive director	1 April 2020

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

9 March 2020

Segment report

for the six months ended 31 December 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial
Net interest income before impairment of advances	2 440	1 351	**1 979**	**1 625**	3 604	3 634	**11 029**	5 843
Impairment charge	(243)	(618)	**(963)**	**(698)**	(1 661)	(733)	**(3 255)**	(589)
Net interest income after impairment of advances	2 197	733	**1 016**	**927**	1 943	2 901	**7 774**	5 254
Non-interest revenue	219	1 183	**550**	**237**	787	5 579	**7 768**	4 661
Income from operations	2 416	1 916	**1 566**	**1 164**	2 730	8 480	**15 542**	9 915
Operating expenses	(975)	(1 170)	**(654)**	**(766)**	(1 420)	(5 612)	**(9 177)**	(5 133)
Income before indirect tax	1 441	746	**912**	**398**	1 310	2 868	**6 365**	4 782
Indirect tax	(10)	(15)	**(9)**	**(23)**	(32)	(173)	**(230)**	(26)
Profit before income tax	1 431	731	**903**	**375**	1 278	2 695	**6 135**	4 756
Income tax expense	(401)	(205)	**(253)**	**(105)**	(358)	(754)	**(1 718)**	(1 332)
Profit for the period	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424
Attributable to								
Ordinary equityholders	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424
Other equity instrument holders	–	–	**–**	**–**	–	–	**–**	–
Profit for the period	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424
Attributable earnings to ordinary shareholders	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424
Headline earnings adjustments	–	–	**–**	**–**	–	–	**–**	–
Headline earnings	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424
TRS and IFRS 2 liability remeasurement	–	–	**–**	**–**	–	–	**–**	–
IAS 19 adjustment	–	–	**–**	**–**	–	–	**–**	–
Normalised earnings	1 030	526	**650**	**270**	920	1 941	**4 417**	3 424

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

FCC represents group-wide functions.

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	Investment banking	Corporate banking	Total RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(22)	16 850	2 346	19 196	2 324	1 084	3 408	1 320	23 924	(47)	23 877
–	(3 844)	(811)	(4 655)	(90)	(29)	(119)	(115)	(4 889)	–	(4 889)
(22)	13 006	1 535	14 541	2 234	1 055	3 289	1 205	19 035	(47)	18 988
464	12 893	1 283	14 176	2 907	962	3 869	(86)	17 959	(241)	17 718
442	25 899	2 818	28 717	5 141	2 017	7 158	1 119	36 994	(288)	36 706
(661)	(14 971)	(2 008)	(16 979)	(2 866)	(1 252)	(4 118)	(1 757)	(22 854)	239	(22 615)
(219)	10 928	810	11 738	2 275	765	3 040	(638)	14 140	(49)	14 091
(1)	(257)	(43)	(300)	(93)	(4)	(97)	(2)	(399)	–	(399)
(220)	10 671	767	11 438	2 182	761	2 943	(640)	13 741	(49)	13 692
62	(2 988)	(215)	(3 203)	(611)	(213)	(824)	900	(3 127)	13	(3 114)
(158)	7 683	552	8 235	1 571	548	2 119	260	10 614	(36)	10 578
(158)	7 683	552	8 235	1 571	548	2 119	(65)	10 289	(36)	10 253
–	–	–	–	–	–	–	325	325	–	325
(158)	7 683	552	8 235	1 571	548	2 119	260	10 614	(36)	10 578
(158)	7 683	552	8 235	1 571	548	2 119	(65)	10 289	(36)	10 253
–	–	–	–	–	–	–	–	–	6	6
(158)	7 683	552	8 235	1 571	548	2 119	(65)	10 289	(30)	10 259
–	–	–	–	–	–	–	–	–	76	76
–	–	–	–	–	–	–	–	–	(46)	(46)
(158)	7 683	552	8 235	1 571	548	2 119	(65)	10 289	–	10 289

Segment report continued

for the six months ended 31 December 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	36.7	46.2	**25.9**	**41.1**	32.3	60.9	**48.8**	48.9
Diversity ratio (%)	8.2	46.7	**21.7**	**12.7**	17.9	60.6	**41.3**	44.4
Credit loss ratio (%)	0.22	4.25	**8.10**	**8.57**	8.29	8.12	**2.11**	1.11
Stage3/NPLs as a percentage of advances (%)	4.06	8.83	**17.03**	**12.58**	15.22	11.30	**6.39**	5.39
Income statement includes								
Depreciation	(5)	(3)	**(2)**	**(30)**	(32)	(1 032)	**(1 072)**	(70)
Amortisation	–	(7)	**–**	**(8)**	(8)	(6)	**(21)**	–
Impairment charges	–	–	**–**	**–**	–	–	**–**	–
Statement of financial position includes								
Advances (before impairments)	223 979	30 098	**24 216**	**16 580**	40 796	18 214	**313 087**	107 400
Stage 3/NPLs	9 086	2 659	**4 123**	**2 085**	6 208	2 059	**20 012**	5 787
Investment in associated company	–	–	**–**	**–**	–	–	**–**	–
Total deposits	526	4 109	**4**	**–**	4	260 598	**265 237**	254 563
Total assets	221 323	27 240	**19 585**	**14 377**	33 962	37 946	**320 471**	106 985
Total liabilities†	221 159	27 550	**19 848**	**15 296**	35 144	31 873	**315 726**	105 476
Capital expenditure	6	20	**1**	**10**	11	1 233	**1 270**	140

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

FCC represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

	Retail and commercial				Corporate and institutional						
					RMB						
	FNB rest of Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
	>100	**50.3**	**55.3**	**50.9**	54.8	61.2	**56.6**	>100	**54.6**	–	**54.4**
	>100	**43.3**	**35.4**	**42.5**	55.6	47.0	**53.2**	(7.0)	**42.9**	–	**42.6**
	–	**1.86**	**1.30**	**1.73**	0.07	0.10	**0.07**	0.39	**1.07**	–	**1.07**
	–	**6.14**	**5.96**	**6.10**	1.31	1.54	**1.36**	1.32	**4.21**	–	**4.21**
	(1)	**(1 143)**	**(398)**	**(1 541)**	(59)	(4)	**(63)**	–	**(1 604)**	–	**(1 604)**
	–	**(21)**	**(9)**	**(30)**	(52)	–	**(52)**	2	**(80)**	–	**(80)**
	–	**–**	**5**	**5**	–	–	**–**	(1)	**4**	–	**4**
	–	**420 487**	**126 409**	**546 896**	250 488	59 728	**310 216**	50 053	**907 165**	–	**907 165**
	–	**25 799**	**7 540**	**33 339**	3 286	921	**4 207**	661	**38 207**	–	**38 207**
	–	**–**	**–**	**–**	–	–	**–**	66	**66**	–	**66**
	–	**519 800**	**56**	**519 856**	82 858	123 515	**206 373**	340 931	**1 067 160**	–	**1 067 160**
	706	**428 162**	**126 521**	**554 683**	410 786	61 292	**472 078**	267 460	**1 294 221**	–	**1 294 221**
	926	**422 128**	**126 881**	**549 009**	408 754	61 562	**470 316**	171 848	**1 191 173**	–	**1 191 173**
	1	**1 411**	**1 805**	**3 216**	125	1	**126**	1	**3 343**	–	**3 343**

Segment report continued

for the six months ended 31 December 2018

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 272	1 162	**1 691**	**1 506**	3 197	3 504	**10 135**	5 247
Impairment charge	(93)	(349)	**(655)**	**(652)**	(1 307)	(683)	**(2 432)**	(376)
Net interest income after impairment of advances	2 179	813	**1 036**	**854**	1 890	2 821	**7 703**	4 871
Non-interest revenue	202	893	**460**	**112**	572	5 686	**7 353**	4 234
Income from operations	2 381	1 706	**1 496**	**966**	2 462	8 507	**15 056**	9 105
Operating expenses	(961)	(935)	**(571)**	**(682)**	(1 253)	(5 576)	**(8 725)**	(4 700)
Income before indirect tax	1 420	771	**925**	**284**	1 209	2 931	**6 331**	4 405
Indirect tax	(7)	(15)	**(9)**	**(40)**	(49)	(257)	**(328)**	(26)
Profit before income tax	1 413	756	**916**	**244**	1 160	2 674	**6 003**	4 379
Income tax expense	(396)	(212)	**(256)**	**(68)**	(324)	(749)	**(1 681)**	(1 226)
Profit for the period	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153
Attributable to								
Ordinary equityholders	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153
Other equity instrument holders	–	–	**–**	**–**	–	–	**–**	–
Profit for the period	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153
Attributable earnings to ordinary shareholders	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153
Headline earnings adjustments	–	–	**–**	**–**	–	–	**–**	–
Headline earnings	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153
TRS and IFRS 2 liability remeasurement	–	–	**–**	**–**	–	–	**–**	–
IAS 19 adjustment	–	–	**–**	**–**	–	–	**–**	–
Normalised earnings	1 017	544	**660**	**176**	836	1 925	**4 322**	3 153

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

FCC represents group-wide functions.

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	Investment banking	Corporate banking	Total RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(26)	**15 356**	2 369	**17 725**	2 411	975	**3 386**	2 265	**23 376**	860	**24 236**
–	**(2 808)**	(835)	**(3 643)**	(71)	(12)	**(83)**	(392)	**(4 118)**	–	**(4 118)**
(26)	**12 548**	1 534	**14 082**	2 340	963	**3 303**	1 873	**19 258**	860	**20 118**
436	**12 023**	1 232	**13 255**	2 949	962	**3 911**	(246)	**16 920**	1 076	**17 996**
410	**24 571**	2 766	**27 337**	5 289	1 925	**7 214**	1 627	**36 178**	1 936	**38 114**
(568)	**(13 993)**	(1 968)	**(15 961)**	(2 590)	(1 211)	**(3 801)**	(1 823)	**(21 585)**	41	**(21 544)**
(158)	**10 578**	798	**11 376**	2 699	714	**3 413**	(196)	**14 593**	1 977	**16 570**
(1)	**(355)**	(45)	**(400)**	(71)	(5)	**(76)**	(96)	**(572)**	–	**(572)**
(159)	**10 223**	753	**10 976**	2 628	709	**3 337**	(292)	**14 021**	1 977	**15 998**
44	**(2 863)**	(211)	**(3 074)**	(735)	(199)	**(934)**	732	**(3 276)**	(445)	**(3 721)**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	440	**10 745**	1 532	**12 277**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	289	**10 594**	1 532	**12 126**
–	**–**	–	**–**	–	–	**–**	151	**151**	–	**151**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	440	**10 745**	1 532	**12 277**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	289	**10 594**	1 532	**12 126**
–	**–**	–	**–**	–	–	**–**	–	**–**	(1 544)	**(1 544)**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	289	**10 594**	(12)	**10 582**
–	**–**	–	**–**	–	–	**–**	–	**–**	64	**64**
–	**–**	–	**–**	–	–	**–**	–	**–**	(52)	**(52)**
(115)	**7 360**	542	**7 902**	1 893	510	**2 403**	289	**10 594**	–	**10 594**

Segment report continued

for the six months ended 31 December 2018

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	**FNB loans**	**DirectAxis loans**	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	38.8	45.5	**26.5**	**42.2**	33.2	60.7	**49.9**	49.6
Diversity ratio (%)	8.2	43.5	**21.4**	**6.9**	15.2	61.9	**42.0**	44.7
Credit loss ratio (%)	0.09	2.93	**7.03**	**8.50**	7.69	8.31	**1.72**	0.78
Stage3/NPLs as a percentage of advances (%)	3.84	6.82	**12.34**	**15.66**	13.80	9.81	**5.69**	4.02
Income statement includes								
Depreciation	(3)	(2)	**(1)**	**–**	(1)	(785)	**(791)**	(24)
Amortisation	–	(6)	**–**	**–**	–	(18)	**(24)**	–
Impairment charges	–	–	**–**	**–**	–	(51)	**(51)**	1
Statement of financial position includes								
Advances (before impairments)	210 484	24 799	**20 072**	**15 826**	35 898	16 982	**288 163**	97 521
Stage 3/NPLs	8 081	1 691	**2 476**	**2 478**	4 954	1 666	**16 392**	3 925
Investment in associated company	–	–	**–**	**–**	–	–	**–**	–
Total deposits	565	1 445	**9**	**–**	9	237 057	**239 076**	232 442
Total assets	208 073	22 752	**16 747**	**13 217**	29 964	35 717	**296 506**	98 777
Total liabilities†	207 883	22 918	**16 977**	**14 121**	31 098	30 136	**292 035**	97 511
Capital expenditure	9	17	**2**	**57**	59	674	**759**	44

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

\# *FCC represents group-wide functions.*

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	Investment banking	Corporate banking	Total RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	**51.1**	**54.7**	**51.5**	48.3	62.5	**52.1**	90.3	**53.6**	–	**51.0**
>100	**43.9**	**34.2**	**42.8**	55.0	49.7	**53.6**	(12.2)	**42.0**	–	**42.6**
–	**1.48**	**1.32**	**1.44**	0.05	0.04	**0.05**	1.19	**0.93**	–	**0.93**
–	**5.27**	**5.83**	**5.41**	0.49	1.05	**0.60**	1.31	**3.34**	–	**3.34**
(1)	**(816)**	**(317)**	**(1 133)**	(52)	(5)	**(57)**	(36)	**(1 226)**	–	**(1 226)**
–	**(24)**	**(2)**	**(26)**	(19)	–	**(19)**	(7)	**(52)**	–	**(52)**
–	**(50)**	**2**	**(48)**	–	(3)	**(3)**	–	**(51)**	–	**(51)**
–	**385 684**	**126 128**	**511 812**	273 040	64 673	**337 713**	63 665	**913 190**	–	**913 190**
–	**20 317**	**7 347**	**27 664**	1 344	679	**2 023**	835	**30 522**	–	**30 522**
–	**–**	**–**	**–**	–	–	**–**	66	**66**	–	**66**
–	**471 518**	**72**	**471 590**	82 768	115 648	**198 416**	360 821	**1 030 827**	–	**1 030 827**
894	**396 177**	**125 396**	**521 573**	401 277	69 190	**470 467**	251 543	**1 243 583**	–	**1 243 583**
1 052	**390 598**	**125 769**	**516 367**	398 679	69 546	**468 225**	162 927	**1 147 519**	–	**1 147 519**
1	**804**	**850**	**1 654**	91	1	**92**	55	**1 801**	–	**1 801**

Segment report continued

for the year ended 30 June 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 487	2 347	**3 677**	**3 085**	6 762	7 260	**20 856**	10 774
Impairment charge	(232)	(937)	**(1 296)**	**(1 379)**	(2 675)	(1 285)	**(5 129)**	(750)
Net interest income after impairment of advances	4 255	1 410	**2 381**	**1 706**	4 087	5 975	**15 727**	10 024
Non-interest revenue	409	1 926	**993**	**293**	1 286	11 170	**14 791**	8 429
Income from operations	4 664	3 336	**3 374**	**1 999**	5 373	17 145	**30 518**	18 453
Operating expenses	(1 877)	(1 934)	**(1 149)**	**(1 347)**	(2 496)	(11 367)	**(17 674)**	(9 455)
Income before indirect tax	2 787	1 402	**2 225**	**652**	2 877	5 778	**12 844**	8 998
Indirect tax	(13)	(29)	**(18)**	**(83)**	(101)	(394)	**(537)**	(50)
Profit before income tax	2 774	1 373	**2 207**	**569**	2 776	5 384	**12 307**	8 948
Income tax expense	(777)	(384)	**(618)**	**(159)**	(777)	(1 509)	**(3 447)**	(2 505)
Profit for the year	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443
Attributable to								
Ordinary equityholders	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443
Other equity instrument holders	–	–	**–**	**–**	–	–	**–**	–
Profit for the year	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443
Attributable earnings to ordinary shareholders	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443
Headline earnings adjustments	–	–	**–**	**–**	–	–	**–**	–
Headline earnings	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443
TRS and IFRS 2 liability remeasurement	–	–	**–**	**–**	–	–	**–**	–
IAS 19 adjustment	–	–	**–**	**–**	–	–	**–**	–
Normalised earnings	1 997	989	**1 589**	**410**	1 999	3 875	**8 860**	6 443

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

FCC represents group-wide functions.

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
(60)	**31 570**	**4 641**	**36 211**	4 999	2 025	**7 024**	3 700	**46 935**	535	**47 470**
–	**(5 879)**	**(1 916)**	**(7 795)**	(26)	(25)	**(51)**	(614)	**(8 460)**	–	**(8 460)**
(60)	**25 691**	**2 725**	**28 416**	4 973	2 000	**6 973**	3 086	**38 475**	535	**39 010**
862	**24 082**	**2 413**	**26 495**	6 504	1 894	**8 398**	(452)	**34 441**	1 371	**35 812**
802	**49 773**	**5 138**	**54 911**	11 477	3 894	**15 371**	2 634	**72 916**	1 906	**74 822**
(1 162)	**(28 291)**	**(3 879)**	**(32 170)**	(5 548)	(2 395)	**(7 943)**	(3 362)	**(43 475)**	16	**(43 459)**
(360)	**21 482**	**1 259**	**22 741**	5 929	1 499	**7 428**	(728)	**29 441**	1 922	**31 363**
(2)	**(589)**	**(8)**	**(597)**	(140)	(9)	**(149)**	(83)	**(829)**	–	**(829)**
(362)	**20 893**	**1 251**	**22 144**	5 789	1 490	**7 279**	(811)	**28 612**	1 922	**30 534**
102	**(5 850)**	**(350)**	**(6 200)**	(1 620)	(418)	**(2 038)**	1 261	**(6 977)**	(430)	**(7 407)**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	450	**21 635**	1 492	**23 127**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	1 492	**22 644**
–	**–**	**–**	**–**	–	–	**–**	483	**483**	–	**483**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	450	**21 635**	1 492	**23 127**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	1 492	**22 644**
–	**–**	**–**	**–**	–	–	**–**	–	**–**	(1 475)	**(1 475)**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	17	**21 169**
–	**–**	**–**	**–**	–	–	**–**	–	**–**	80	**80**
–	**–**	**–**	**–**	–	–	**–**	–	**–**	(97)	**(97)**
(260)	**15 043**	**901**	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	–	**21 152**

Segment report continued

for the year ended 30 June 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	38.3	45.3	**24.6**	**39.9**	31.0	61.7	**49.6**	49.2
Diversity ratio (%)	8.4	45.1	**21.3**	**8.7**	16.0	60.6	**41.5**	43.9
Credit loss ratio (%)	0.11	3.68	**6.39**	**8.93**	7.49	7.60	**1.77**	0.75
Stage3/NPLs as a % of advances (%)	3.98	8.08	**14.65**	**15.13**	14.84	11.07	**6.19**	4.33
Income statement includes								
Depreciation	(6)	(4)	**(2)**	**(6)**	(8)	(1 612)	**(1 630)**	(50)
Amortisation	–	(13)	**–**	**(22)**	(22)	(29)	**(64)**	–
Impairment charges	–	–	**–**	**–**	–	(81)	**(81)**	–
Statement of financial position includes								
Advances (before impairments)	217 164	28 115	**23 357**	**16 012**	39 369	17 908	**302 556**	105 128
Stage 3/NPLs	8 638	2 272	**3 421**	**2 422**	5 843	1 982	**18 735**	4 556
Investment in associated company	–	–	**–**	**–**	–	–	**–**	–
Total deposits	533	2 393	**10**	**–**	10	245 399	**248 335**	240 224
Total assets	214 679	25 548	**19 308**	**13 434**	32 742	33 934	**306 903**	104 469
Total liabilities†	214 061	25 476	**18 733**	**14 278**	33 011	21 886	**294 434**	100 500
Capital expenditure	15	21	**5**	**62**	67	1 892	**1 995**	69

The segmental analysis is based on the management accounts for the respective segments.

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 36.*

\# *FCC represents group-wide functions.*

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
>100	**50.8**	**55.0**	**51.3**	48.2	61.1	**51.5**	>100	**53.4**	–	**52.2**
>100	**43.3**	**34.2**	**42.3**	56.5	48.3	**54.5**	(13.9)	**42.3**	–	**43.0**
–	**1.51**	**1.54**	**1.52**	0.01	0.05	**0.02**	0.92	**0.95**	–	**0.95**
–	**5.71**	**6.03**	**5.79**	0.91	0.59	**0.85**	1.11	**3.71**	–	**3.71**
(2)	**(1 682)**	**(656)**	**(2 338)**	(93)	(9)	**(102)**	(59)	**(2 499)**	–	**(2 499)**
–	**(64)**	**(7)**	**(71)**	(46)	–	**(46)**	(18)	**(135)**	–	**(135)**
–	**(81)**	**2**	**(79)**	(6)	–	**(6)**	–	**(85)**	(83)	**(168)**
–	**407 684**	**122 696**	**530 380**	266 959	57 932	**324 891**	66 575	**921 846**	–	**921 846**
–	**23 291**	**7 398**	**30 689**	2 434	341	**2 775**	741	**34 205**	–	**34 205**
–	**–**	**–**	**–**	–	–	**–**	66	**66**	–	**66**
–	**488 559**	**55**	**488 614**	88 612	120 429	**209 041**	360 784	**1 058 439**	–	**1 058 439**
594	**411 966**	**121 816**	**533 782**	407 507	60 197	**467 704**	289 918	**1 291 404**	–	**1 291 404**
955	**395 889**	**121 690**	**517 579**	402 578	59 603	**462 181**	212 216	**1 191 976**	–	**1 191 976**
2	**2 066**	**1 365**	**3 431**	297	2	**299**	67	**3 797**	–	**3 797**

Additional segmental disclosure – WesBank

R million	Six months ended 31 December 2019 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	**2 063**	**283**	**2 346**
Impairment of advances	**(736)**	**(75)**	**(811)**
Normalised profit before tax	**599**	**168**	**767**
Normalised earnings	**431**	**121**	**552**
Advances	**96 541**	**29 868**	**126 409**
Stage 3/NPLs	**6 990**	**550**	**7 540**
Advances margin (%)	**3.61**	**2.13**	**3.26**
Stage 3/NPLs as a % of advances (%)	**7.24**	**1.84**	**5.96**
Credit loss ratio (%)	**1.54**	**0.52**	**1.30**

R million	Six months ended 31 December 2018 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	2 090	279	2 369
Impairment of advances	(757)	(78)	(835)
Normalised profit before tax	595	158	753
Normalised earnings	428	114	542
Advances	95 932	30 196	126 128
Stage 3/NPLs	6 876	471	7 347
Advances margin (%)	3.52	2.21	3.21
Stage 3/NPLs as a % of advances (%)	7.17	1.56	5.83
Credit loss ratio (%)	1.59	0.50	1.32

R million	Year ended 30 June 2019 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 038	603	4 641
Impairment of advances	(1 834)	(82)	(1 916)
Normalised profit before tax	820	431	1 251
Normalised earnings	591	310	901
Advances	94 751	27 945	122 696
Stage 3/NPLs	6 874	524	7 398
Advances margin (%)	3.52	2.31	3.23
Stage 3/NPLs as a % of advances (%)	7.25	1.88	6.03
Credit loss ratio (%)	1.94	0.27	1.54

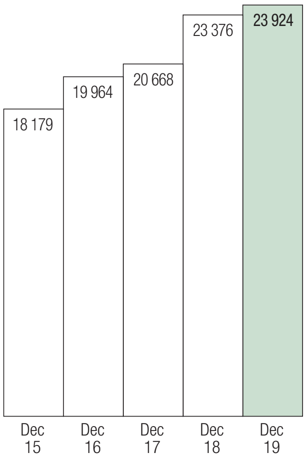
02

income statement analysis

Net interest income (before impairment of advances)

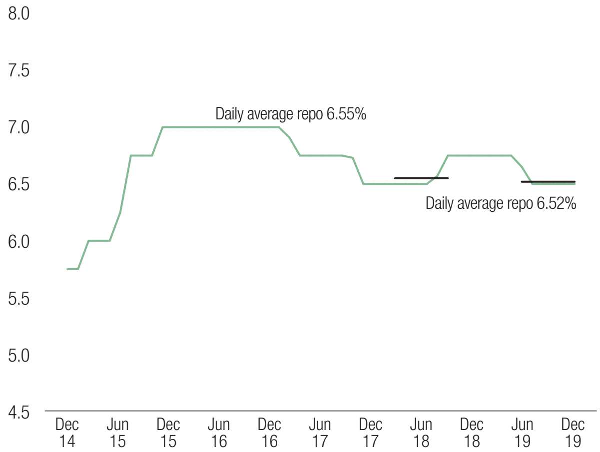
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 2%

NET INTEREST INCOME
R million
CAGR 7%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

REPO RATE – SOUTH AFRICA
%



Note: R241 billion = average endowment book for the period. Rates were 3 bps lower on average in the current period, which translate into a negative endowment impact of R35 million for the period on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2018 normalised margin	**4.98**
Capital and deposit endowment	**0.03**
– Volume	**0.04**
– Average rate	**(0.01)**
Interest earning assets	**(0.10)**
– Change in balance sheet advances mix	**0.11**
– Increase in HQLA	**(0.01)**
– Asset pricing*	**(0.13)**
– Change in interest suspended under IFRS 9	**(0.07)**
Liabilities	**(0.02)**
– Change in deposit franchise composition	**0.05**
– Deposit pricing	**(0.07)**
Group Treasury and other movements	**(0.07)**
– Accounting mismatches (MTM vs accrual on term issuance)	**(0.02)**
– Interest rate and FX management	**0.10**
– Term funding costs	**(0.15)**
December 2019 normalised operating margin excluding Aldermore	**4.82**
Aldermore foregone interest relating to invested capital	**(0.01)**
December 2019 normalised operating margin	**4.81**

* *Includes the effects of the MotoNovo securitisation structures.*

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018*	% change	2019
Net interest income				
Lending	**10 950**	11 258	(3)	22 385
Transactional**	**8 488**	7 706	10	16 303
Deposits	**1 745**	1 629	7	3 239
Capital endowment	**3 371**	3 100	9	6 057
Group Treasury	**(785)**	(1 055)	(26)	(1 124)
Group ALM and other activities	**155**	738	(79)	75
Total net interest income	**23 924**	23 376	2	46 935

* *2018 numbers were restated in order to provide better attribution of NII by nature of activity and the reclassification of coupon payments on AT1 instruments.*

** *Includes NII related to credit cards, overdrafts and transactional deposit products, and deposit endowment.*

KEY DRIVERS

- NII reflects muted growth, with advances down 1% period-on-period and deposits growing 4%.
- Lending NII decreased 3% due to retail lending margins decreasing, resulting from mix change following slower growth in unsecured and the lengthening of the write-off period, the impact of securitisations by MotoNovo and the sale of advances by RMB (refer below). This was to some extent offset by higher margins in FNB commercial following increased pricing and facilities.
- FNB's core advances product margin increased 19 bps, benefiting from a change in mix of advances and repricing initiatives, partially offset by a change in transfer pricing on certain products. Overall margins, however, decreased marginally, impacted by the change in the treatment of interest in suspense (ISP) under IFRS 9, the quantum of which is impacted by the lengthening of the write-off period. This change impacts the unsecured margins in retail. The change in treatment of interest on cured advances reflected against credit impairments of R46 million following an interpretation by the IFRS Interpretation Committee (IFRS-IC) during the 2019 financial year, offset by the unwind of interest on modified advances, also impacted margins.
- WesBank VAF margins increased benefiting from securitisations and the unwind of interest on modified advances. High-quality and variable rate assets are securitised and these generally carry lower margins. Their exclusion improves the remaining retail VAF margins. New business margins remain under pressure impacted by the mix change in new business and increased competitive pressures.
- The average repo rate decreased 3 bps period-on-period, resulting in a small negative rate endowment impact on capital and deposits. This was more than offset by higher capital levels and deposit volumes.
- FNB's deposit margins decreased, impacted by negative endowment and a change in mix, with strong growth in lower-margin deposit products, as well as increased competitive pressures. Overall FNB NII increased 10%, benefiting from strong growth of 10% in deposits, especially from cash investment products in the premium segment and strong growth in Islamic banking, and wealth and investment products, as well as solid advances growth of 9%.
- RMB achieved NII growth of 1% reflecting a contraction of the advances book as a result of significant settlements, disciplined origination in a constrained macroeconomic environment and the sale of >$700 million of advances to RMB Mauritius.
- Group Treasury NII was impacted by:
  - an increase in income from interest rate risk and foreign exchange management activities of >R600 million; and
  - increased costs on higher levels of HQLA of >R160 million.
- Securitisations negatively impacted MotoNovo NII by >R600 million.

AVERAGE BALANCE SHEET

		December 2019			December 2018		
R million	Notes	**Average balance**	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.02**			10.05
Balances with central banks		**25 664**	**–**		23 583	–	
Cash and cash equivalents		**34 127**	**851**	**4.95**	34 145	838	4.87
Liquid assets portfolio*		**166 061**	**5 952**	**7.11**	131 150	4 873	7.37
Loans and advances to customers	1	**759 827**	**41 089**	**10.73**	741 752	40 414	10.81
Interest-earning assets		**985 679**	**47 892**	**9.64**	930 630	46 125	9.83
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.09**			6.98
Deposits due to customers	2	**(650 188)**	**(16 397)**	**5.00**	(586 797)	(14 236)	4.81
Group Treasury funding		**(343 898)**	**(11 641)**	**6.71**	(361 753)	(12 205)	6.69
Interest-bearing liabilities		**(994 086)**	**(28 038)**	**5.59**	(948 550)	(26 441)	5.53
ENDOWMENT AND TRADING BOOK							
Other assets**		**246 969**	**–**	**–**	266 910	–	–
Other liabilities#		**(136 383)**	**–**	**–**	(157 573)	–	–
NCNR preference shareholders		**(5 205)**	**–**	**–**	(2 488)	–	–
Equity		**(96 974)**	**–**	**–**	(88 929)	–	–
Endowment and trading book		**8 407**	**4 070**	**96.03**	17 920	3 692	40.87
Total interest-bearing liabilities, endowment and trading book		**(985 679)**	**(23 968)**	**4.82**	(930 630)	(22 749)	4.85
Net interest margin on average interest-earning assets		**985 679**	**23 924**	**4.81**	930 630	23 376	4.98

Interest income represents the gross interest received on assets and interest expense represents the gross interest paid on liabilities.

* *Includes level 1 HQLA and level 2 HQLA and corporate bonds not qualifying as HQLA.*

** *Include preference share advances, trading assets and securitisation notes.*

\# *Include trading liabilities.*

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	December 2019		December 2018	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.02**		10.05
ADVANCES				
Retail – secured	**340 719**	**2.02**	339 090	2.65
Residential mortgages	**220 263**	**1.85**	207 412	1.82
VAF	**120 456**	**2.35**	131 678	3.96
Retail – unsecured	**92 517**	**11.41**	80 115	12.09
Card	**32 228**	**7.29**	28 484	8.12
Personal loans	**41 358**	**15.70**	35 342	16.39
– FNB	**25 057**	**13.89**	20 067	15.12
– DirectAxis	**16 301**	**18.48**	15 275	18.05
Retail other	**18 931**	**9.03**	16 289	9.70
Corporate and commercial	**326 591**	**2.52**	322 547	2.38
FNB commercial	**103 861**	**3.69**	93 687	3.57
– Mortgages	**27 572**	**2.40**	23 616	2.33
– Overdrafts	**38 978**	**5.13**	35 200	4.82
– Term loans	**37 311**	**3.15**	34 871	3.14
WesBank corporate	**29 045**	**2.13**	29 990	2.21
RMB investment banking*	**140 802**	**2.13**	148 810	1.97
RMB corporate banking	**52 883**	**1.45**	50 060	1.45
Total advances	**759 827**	**3.38**	741 752	3.55

* *Assets under agreement to resell and preference share advances are excluded from loans and advances to customers.*

Note: Margins are calculated using total net interest as a percentage of gross advances before impairments. Average balances are daily averages for FNB and WesBank and monthly averages for RMB.

Margin analysis on loans and advances to and deposits from customers is based on net interest income as a percentage of average advances/ deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the transfer pricing rate (earned or paid by Group Treasury). The average margin is, therefore, net of funds transfer pricing.

The group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of the individual business units with the liquidity risk exposure created for the group as a whole.

Where fixed-rate commitments are undertaken (fixed-rate loans or fixed deposits), transfer pricing will also include the interest rate transfer price.

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2019		December 2018	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**6.90**		6.98
DEPOSITS				
Retail	**239 452**	**2.18**	215 911	2.34
Current and savings	**67 596**	**5.58**	63 414	5.82
Call	**88 799**	**0.90**	73 885	0.98
Term	**83 057**	**0.77**	78 612	0.79
Commercial	**255 948**	**2.57**	224 698	2.67
Current and savings	**93 241**	**5.36**	83 626	5.55
Call	**82 948**	**1.44**	73 827	1.46
Term	**79 759**	**0.48**	67 245	0.41
Corporate and investment banking	**154 788**	**0.96**	146 188	0.91
Current and savings	**62 011**	**1.49**	59 529	1.42
Call	**55 445**	**0.85**	53 270	0.69
Term	**37 332**	**0.26**	33 389	0.34
Total deposits	**650 188**	**2.04**	586 797	2.11

Note: Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

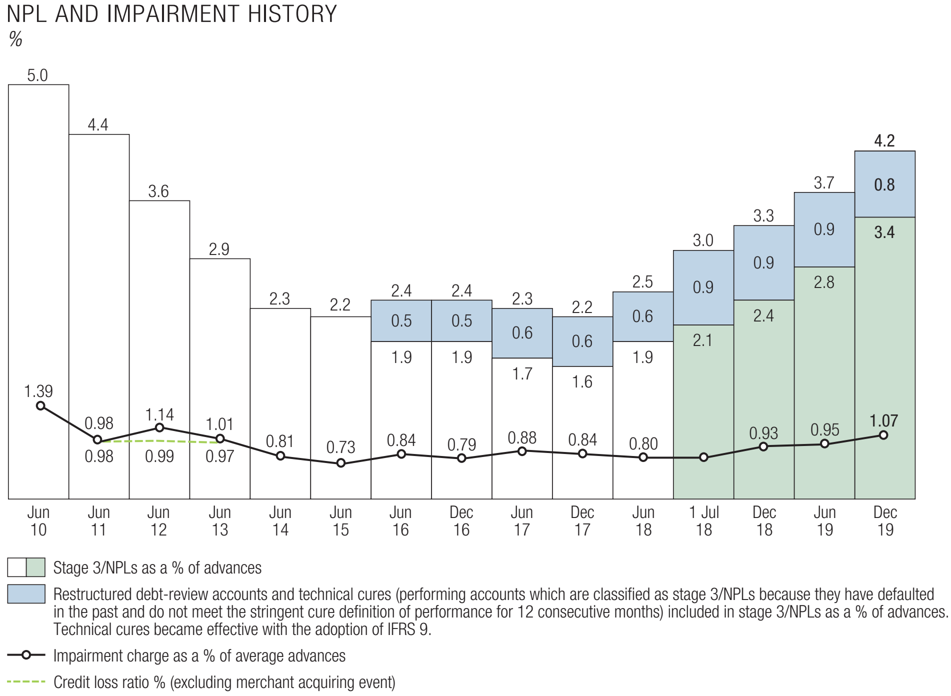
Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

		Six months ended 31 December			Year ended 30 June
R million	Notes	2019	2018	% change	2019
Total gross advances	1 on p.66	**907 165**	913 190	(1)	921 846
– Stage 1		**813 007**	807 031	1	829 844
– Stage 2		**55 951**	75 637	(26)	57 797
– Stage 3/NPLs*	2 on p.70	**38 207**	30 522	25	34 205
Stage 3/NPLs as a % of advances	2 on p.70	**4.21**	3.34		3.71
Impairment charge	3 on p.76	**4 889**	4 118	19	8 460
Credit loss ratio (%)	3 on p.76	**1.07**	0.93		0.95
Total impairments	4 on p.82	**28 640**	26 207	9	27 303
Portfolio impairments	4 on p.78	**11 419**	11 706	(2)	11 622
– Stage 1		**5 424**	5 770	(6)	5 959
– Stage 2		**5 995**	5 936	1	5 663
Stage 3 impairments		**17 221**	14 501	19	15 681
Specific coverage ratio (%)**	4 on p.80	**45.1**	47.5		45.8
Total impairment coverage ratio (%)#	4 on p.82	**75.0**	85.9		79.8
Performing book coverage ratio (%)†	4 on p.78	**1.31**	1.33		1.31

* *A detailed analysis of the growth in stage 3/NPLs is provided on page 46.*
** *Specific impairments as % of stage 3/NPLs.*
# *Total impairments as % of stage 3/NPLs.*
† *Portfolio impairments as % of the performing book.*

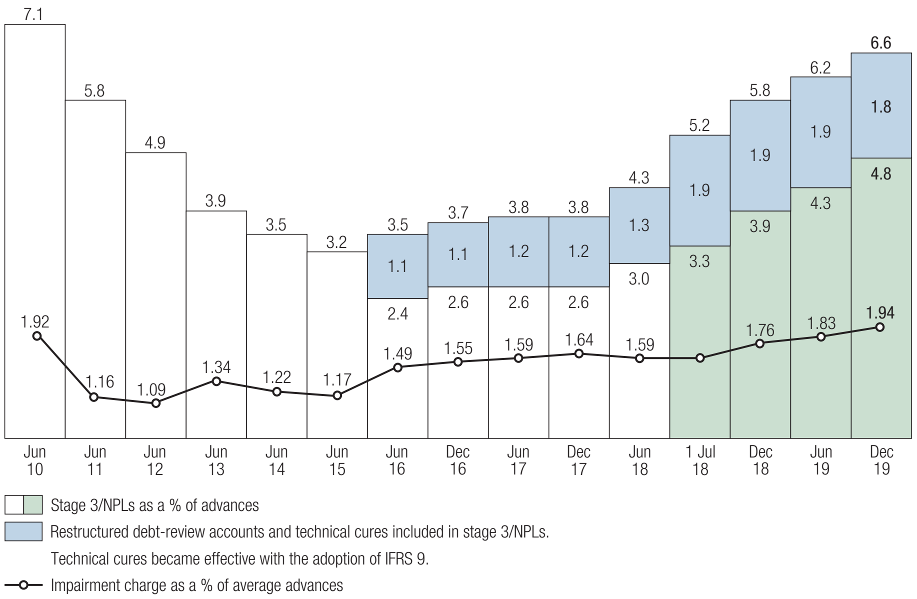
NPL AND IMPAIRMENT HISTORY



Note: June 2010 to June 2018 figures are prepared on an IAS 39 basis, whilst 1 July 2018 figures were restated and therefore 1 July 2018 to December 2019 figures are presented on an IFRS 9 basis.

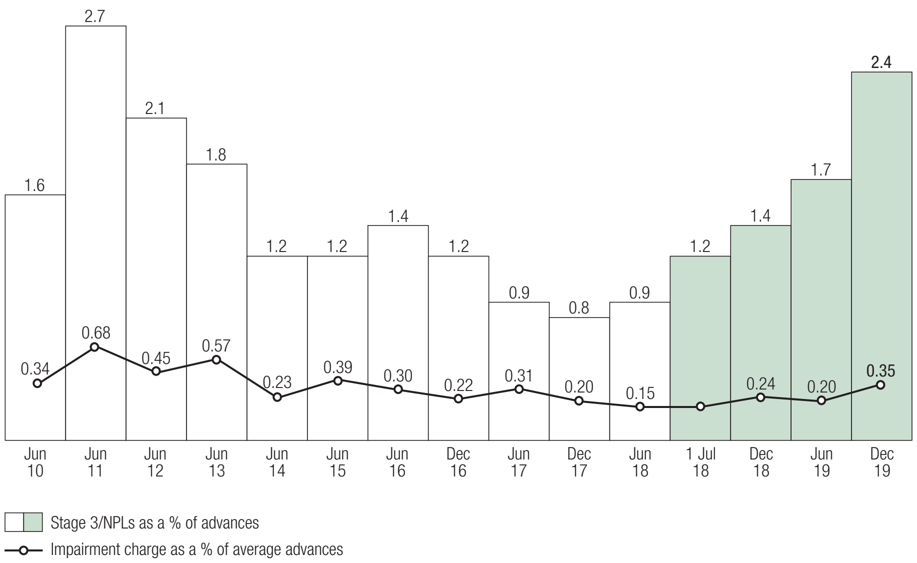
RETAIL NPLs AND IMPAIRMENTS

%



CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS

%



Note: June 2010 to June 2018 figures are presented on an IAS 39 basis, whilst 1 July 2018 figures were restated and therefore 1 July 2018 to December 2019 figures are presented on an IFRS 9 basis.

Credit highlights continued

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 14 the bank's credit performance should be viewed in the context of worse than anticipated macros, particularly in the latter part of 2019.

NPLs and stage 2

Bank NPLs increased 25% to 4.21% of advances compared to the December 2018 ratio of 3.34% and 3.71% at June 2019.

The R7 685 million increase in total bank NPLs to R38 207 million is further analysed in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	6 182	30	20
Restructured debt review	(634)	(16)	(2)
Definition of rehabilitation (technical cures)	377	10	1
Lengthening of write-off period	1 760	91	6
Total NPLs	**7 685**	**25**	**25**

Retail NPLs as a percentage of advances increased to 6.58% from 5.84% in December 2018 (6.20% in June 2019), impacted by:

- Ongoing strong book growth, specifically in the premium segment unsecured lending portfolios, combined with the deterioration of the macroeconomic environment, drove operational NPL balances.
- As previously communicated, the new curing and write-off rules in terms of IFRS 9 (the write-off point for unsecured lending changing from six to 12 months and using a 12 consecutive payments curing rule) resulted in an increase of R2 157 million in the absolute value of NPLs during this period. Restructured debt-review NPLs were positively impacted by ± R700 million due to reinstating the curing rules and the sale of a restructured portfolio of ± R300 million.

Corporate and commercial NPLs increased 64% to 2.36% from 1.38% in December 2018 (1.72% in June 2019), reflecting:

- the ongoing impact of the drought in the agriculture portfolio;
- higher levels of operational business banking core transactional clients reflecting strong book growth; and
- the deteriorating macro environment in South Africa and the resultant increase in corporate stress events.

A detailed analysis of the product level NPL drivers for specific retail products, and the bank in total, is provided on pages 48 to 57.

Retail stage 2 advances increased 5%, impacted by reinstating cure rules to performing debt-review clients (resulting in clients qualifying to cure migrating from NPL status to stage 2), operational rolls into arrears and an upturn in significant increase in credit risk (SICR) triggers due to elevated behavioural risk scores.

Corporate and commercial stage 2 advances decreased 44%, largely driven by RMB investment banking, which decreased 60% due to specific counters migrating to stage 3 and cures to stage 1.

Coverage

Bank portfolio impairments (stage 1 and stage 2 impairments) decreased 2% from December 2018 and 2% from June 2019, driven by a 6% reduction in stage 1 impairments, in part reflecting slower book growth, model refinements and the sale of >$700 million of advances to RMB Mauritius.

Stage 2 balance sheet impairments increased 1%. Retail stage 2 coverage increased from 11.91% at December 2018 to 14.01%, impacted by increased downside risk in the forward-looking information (FLI), reinstating cure on performing debt-review clients and operational rolls, which carry higher coverage. Corporate and commercial stage 2 coverage increased from 5.47% to 7.08% due to refinement in the SICR trigger, the migration of highly collateralised and guaranteed stage 2 counters into NPL status, and the impact of increased downside risk in the FLI.

The bank's total performing book (stage 1 and 2) coverage ratio decreased marginally to 131 bps (December 2018: 133 bps; June 2019: 131 bps).

The total balance sheet impairment coverage ratio decreased to 75.0% (December 2018: 85.9%; June 2019: 79.8%), reflecting:

- the impact of a high proportion of technically cured customers (customers who are fewer than three payments in arrears, but do not meet the bank's stringent curing definitions of 12 consecutive payments), which carry lower coverage ratios, specifically in the retail unsecured and VAF advances books;
- an increase in highly collateralised NPLs in commercial, e.g. agriculture and commercial property finance;
- the restructure and positive credit migration of certain highly collateralised corporate exposures during the period and new stage 3 migrations being fully guaranteed or highly collateralised;
- the sale of >$700 million of RMB CIB advances from the bank to RMB Mauritius following a group restructure; and
- certain limited model refinements implemented during the period.

Income statement impairment charge

The bank's income statement credit impairment charge increased 19% period-on-period, resulting in a bank credit loss ratio of 107 bps, compared to 93 bps at December 2018 and 95 bps at June 2019.

Retail impairments reflected an increase of 15% period-on-period to 194 bps (December 2018: 176 bps; June 2019: 183 bps). The corporate and commercial impairment charge increased 46% to 35 bps (December 2018: 24 bps; June 2019: 20 bps).

Post write-off recoveries of R1 290 million (December 2018: R1 249 million; June 2019: R2 416 million) remained resilient. The change to a later write-off point for retail unsecured NPLs in terms of IFRS 9 will impact these recoveries going forward.

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES	
SA retail	> SA retail advances grew 7%. Retail secured advances growth of 5% benefited from the growth in residential mortgages, offset by a marginal increase of 1% in VAF. This was further supported by ongoing growth in SA retail unsecured of 15%, however the growth rate has slowed since June 2019. > Fifteen per cent of the retail unsecured growth is due to the extension of the write-off period, which resulted in R1 760 million NPL formation in gross advances (December 2018: R1 943 million; June 2019: R3 593 million).	
Residential mortgages	> Total residential mortgages increased 6% period-on-period, above nominal house price inflation of 3.5% driven by the following: – premium residential mortgages reflected 7% growth, benefiting from new client acquisition, up-sell initiatives and strong demand in private bank mortgage lending, which grew 16%; and – growth in affordable housing slowed to 3% on the back of lower client demand.	
Card (excluding Discovery card)	> Underpinned by targeted client acquisition, client migration as well as increased limits and utilisation in the premium segment resulted in advances growth of 21%. However, as previously disclosed, some of the cohorts originated, particularly in the second six months of 2019, supported some of this growth and are expected to continue to grow at an elevated level into default. Growth in the consumer segment was marginally negative, given reduced risk appetite.	

STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE

A further analysis of the R3 734 million increase in retail NPLs is provided below.

	SA retail (excluding Discovery card)		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	2 243	17	10
Debt review	(646)	(16)	(3)
Technical cures/curing rules	377	10	2
Write-off point extension	1 760	91	7
Total NPLs	3 734	16	16

The R1 760 million increase in NPLs due to the change in write-off point is further analysed below.

	R million
Card (excluding Discovery card)	307
FNB loans	1 246
DirectAxis	149
FNB retail other	58
Total write-offs	1 760

- The SA retail impairment charge increased to 201 bps, driven by card and personal loans.
- The maturing of the IFRS 9 write-off policy increased the impairment charge by 12 bps, while the lengthening of the write-off point provided relief in the six months to December 2018.

- Residential mortgage NPLs increased 12% period-on-period, reflecting a normalisation of the credit cycle. NPLs in the affordable housing book increased 16%, driven by book growth over the last two financial years and a normalisation of the credit cycle. Premium mortgage lending reflects a 12% NPL increase on the back of historical book growth.

- The impairment charge increased to 22 bps (December 2018: 9 bps; June 2019: 11 bps), reflecting a normalisation of the credit cycle and strong book growth in premium.

- The increase in operational NPLs reflects new business strain given the seasoning of the book following strong advances growth over previous years. It also includes the cohorts previously mentioned. As previously communicated, the bank received some relief in NPL formation during the period due to the maturing of the write-off and curing definitions and reinstating cure for debt review accounts. Debt-review and technical cure NPLs comprise 8% of NPLs.
- The increase in NPLs since December 2018 is analysed below.

	Card (excluding Discovery card)		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	804	84	47
Debt review	(103)	(32)	(6)
Technical cures/curing rules	(40)	(87)	(2)
Write-off point extension	307	83	18
Total NPLs	968	57	57

- Card reported a charge of 4.25% (December 2018: 2.93%; June 2019: 3.68%).
- Further risk cuts have been implemented to mitigate increasing arrears and elevated vintages.

Credit highlights continued

PRODUCT	ADVANCES	
FNB personal loans	> Strong growth of 21% period-on-period, driven by historical book growth, particularly in the premium segment (+30%), slowing to an annualised rate of 7% during the six-month period to 31 December 2019. Consumer segment personal loans advances showed growth of 7%. The lengthening of the write-off point contributed 30% of the 21% growth in advances. Overall advances growth has trended down in line with reduced risk appetite.	
DirectAxis loans	> Resilient advances growth of 5% despite increased market competition. The business continues to focus on lower-risk segments and repeat business.	
Retail other	> Driven by cross-sell against the increases in transactional banking accounts (primarily overdrafts).	
FNB commercial	> Advances growth of 10% was driven by targeted new client acquisition in the business segment, resulting in growth of 11% in business core lending, i.e. SME transactional overdrafts, 7% in agriculture, 15% in commercial property finance and 11% in asset-based finance.	

STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE

- The increase in operational NPLs reflects new business strain given the seasoning of the book following strong advances growth over previous years, as well as the impact of certain collection process inefficiencies and breakdowns which resulted in increased roll rates into stage 3. Debt-review and technical cure NPLs comprise 20% of NPLs.
- The increase in FNB personal loans NPLs since December 2018 is analysed below.

	FNB loans		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	357	35	15
Debt review (D7)	(32)	(5)	(1)
Technical cures/curing rules	76	49	3
Write-off point extension	1 246	>100	50
Total NPLs	**1 647**	**67**	**67**

- FNB loans reported a credit loss ratio of 8.10% (December 2018: 7.03%; June 2019: 6.39%), reflecting the impact of higher operational NPLs, the impact of collection process inefficiencies, slowing post write-off recoveries and the impact of online disputes.

- DirectAxis NPLs have decreased 16% since December 2018, in part benefiting from more conservative credit extension, reinstating cure on performing debt review and the sale of a portion of the NPL book during the reporting period.

	DirectAxis loans		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	(191)	(18)	(8)
Debt review	(367)	(42)	(15)
Technical cures/curing rules	16	19	1
Write-off point extension	149	34	6
Total NPLs	**(393)**	**(16)**	**(16)**

- The DirectAxis credit loss ratio of 8.57% (December 2018: 8.50%; June 2019: 8.93%) reflects the benefit of more risk cutbacks in credit origination and the impact of the NPL book sale during the period.

- NPLs grew 47%, reflecting material increases in highly collateralised NPLs in agriculture in South Africa and migration of a number of highly collateralised commercial property counters during the period. In addition, strong book growth resulted in an increase in business core lending (unsecured) NPLs over the last 12 months.

- FNB commercial's impairment charge increased 57%, reflecting origination strain off the strong book growth over the last two financial years, change in mix of NPLs with a higher proportion of transactional NPLs, and the current constrained macro environment resulting in a credit loss ratio of 111 bps. The impairment charge for the period is above TTC. Additional risk cuts have been implemented, especially in the SME unsecured originations.

Credit highlights continued

PRODUCT	ADVANCES	
RMB CIB*	> The SA core advances book contracted period-on-period, given the settlement of certain high-value counters, continued disciplined origination in a constrained macroeconomic environment and the sale of >$700 million of cross-border advances to RMB Mauritius.	
WesBank VAF (SA)	> New business production in retail SA VAF reflected a muted increase of 3%, reflecting the lengthening of vehicle replacement cycles, further risk cuts in origination, increased competitive pressures and the challenging macroeconomic environment. > Corporate new business volumes contracted 4%, also reflecting the difficult macro environment, risk cuts in high-risk categories/industries, and the fact that a portion of business now reflects in FNB (own-banked clients). Overall corporate VAF advances (between WesBank and FNB) increased 1%.	
MotoNovo VAF (back book)	> MotoNovo's back book decreased 71%, mainly due to the securitisation of the book in the current period and the run-down as new origination takes place through Aldermore.	

* *Core advances.*

	STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE
	> NPLs increased >100% since December 2018, reflecting the migration of certain distressed counters. A significant component of these NPLs is highly collateralised or guaranteed.	> The RMB investment banking (SA) portfolio incurred a 7 bps charge (December 2018: 6 bps), benefiting from proactive provisioning in prior periods. RMB has maintained a conservative performing book (stage 1 and 2 advances) impairment coverage ratio of ±67 bps.
	> WesBank retail VAF NPLs increased 2%, primarily reflecting the negative impact of a protracted recovery period as clients are increasingly opting for legal court orders rather than voluntary terminations. NPL growth was further impacted by a lower number of NPL accounts with higher values. These negative impacts were partially offset by a marginal increase in the value of write-offs and slightly lower technical cures.	> The retail VAF portfolio reflected an improvement of 3% to 154 bps (December 2018: 159 bps; June 2019: 194 bps), benefiting from tightening appetite in high-risk origination, and seasonal fluctuations.
	> MotoNovo back book NPLs have improved 23% in pound terms (23% in rand) since December 2018, reflecting the benefit of risk cutbacks in origination in 2017 and 2018, an improved collections process, securitisations and the run-down of the book.	> The credit experience in the MotoNovo VAF (back book) was positively impacted by the securitisation of the book in the current period, the run-down and a strong focus on collections, resulting in a credit loss ratio of 92 bps (December 2018: 311 bps; June 2019: 230 bps).

Credit highlights continued

The table below provides an overview of the restructured debt-review and operational stage 3/NPL balances, technical cures and the impact of the lengthening of the write-off point.

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs
31 December 2019				
Residential mortgages	**5 955**	**2 645**	**–**	**486**
Card (excluding Discovery)	**1 756**	**6**	**678**	**219**
Personal loans	**1 367**	**231**	**1 938**	**587**
DirectAxis loans	**888**	**100**	**587**	**510**
Retail other	**1 164**	**49**	**500**	**346**
FNB retail NPLs	**11 130**	**3 031**	**3 703**	**2 148**
WesBank VAF (SA)	**4 535**	**1 301**	**–**	**1 154**
Discovery card	**95**	**–**	**–**	**44**
Total NPLs	**26 826**	**4 332**	**3 703**	**3 346**

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs
31 December 2018				
Residential mortgages	5 281	2 279	–	521
Card (excluding Discovery)	952	46	371	322
Personal loans	1 010	155	692	619
DirectAxis loans	1 079	84	438	877
Retail other	923	33	442	268
FNB Retail NPLs	9 245	2 597	1 943	2 607
WesBank VAF (SA)	4 177	1 358	–	1 341
Discovery card	110	–	–	32
Total NPLs	20 644	3 955	1 943	3 980

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage3/NPLs prior to May 2016, as well as other types of restructured exposures and special arrangements undertaken by the bank, that are non-performing.*

Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
9 086	**12**	**13**	**29**	**–**	**5**
2 659	**57**	**84**	**–**	**25**	**8**
4 123	**67**	**35**	**6**	**47**	**14**
2 085	**(16)**	**(18)**	**5**	**28**	**24**
2 059	**24**	**26**	**2**	**24**	**17**
20 012	**22**	**20**	**15**	**19**	**11**
6 990	**2**	**9**	**19**	**–**	**17**
139	**(2)**	**(14)**	**–**	**–**	**32**
38 207	**25**	**30**	**11**	**10**	**9**

Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
8 081	2	2	28	–	6
1 691	66	42	3	22	19
2 476	62	25	6	28	25
2 478	32	11	3	18	35
1 666	59	20	2	27	16
16 392	22	10	16	12	16
6 876	3	1	20	–	20
142	1	13	–	–	23
30 522	18	13	13	6	13

Credit highlights continued

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs	
30 June 2019					
Residential mortgages	5 611	2 477	–	550	
Card (excluding Discovery)	1 297	16	745	214	
Personal loans	1 074	229	1 660	458	
DirectAxis loans	959	87	494	882	
Retail other	952	53	694	283	
FNB Retail NPLs	9 893	2 862	3 593	2 387	
WesBank VAF (SA)	4 308	1 331	–	1 235	
Discovery card	86	3	–	48	
Total NPLs	22 746	4 196	3 593	3 670	

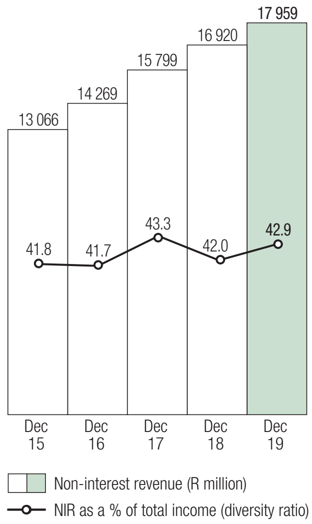
* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage3/NPLs prior to May 2016, as well as other types of restructured exposures and special arrangements undertaken by the bank, that are non-performing.*

	Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
	8 638	9	8	29	–	6
	2 272	>100	93	1	33	9
	3 421	>100	33	7	49	13
	2 422	29	(2)	4	20	36
	1 982	89	24	3	35	14
	18 735	40	17	15	19	13
	6 874	3	4	19	–	18
	137	(3)	(11)	2	–	35
	34 205	32	24	12	11	11

Non-interest revenue – up 6%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 8%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2019**	2018	% change	2019
Fee, commission and insurance income		**13 695**	13 306	3	26 276
– Fee and commission income	1	**13 480**	13 033*	3	25 716*
– Insurance commission income	2	**215**	273*	(21)	560
Markets, client and other fair value income	3	**1 691**	1 683	–	3 917
Investment income		**138**	27	>100	105
Other non-interest revenue	4	**2 435**	1 904	28	4 143
Non-interest revenue		**17 959**	16 920	6	34 441

* *Restated following the reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 121 to 132.*

The notes referred to in the table above are detailed in the pages that follow.

The NIR performance reflects ongoing, albeit lower, fee and commission income growth, driven by strong electronic transaction volumes and ongoing customer acquisition. Overall growth was negatively impacted by certain fee concessions to clients of approximately R270 million period-on-period. Fee, commission and insurance income represents 76% (December 2018: 79%; June 2019: 76%) of NIR.

The structural shift in the bank's diversity ratio, despite ongoing growth in NIR, results from a number of specific strategic actions outlined below.

NII

- Focus on growing retail and commercial deposit businesses.
- Targeted origination strategies to main-banked customers resulted in sustained advances growth and change in mix.
- Repricing strategies.

NIR

- Incremental loss of NIR due to lower fees charged on digital transactions and fee reductions, offset by sustained customer acquisition, resulting in increased transaction volumes and fees.
- Incrementally increasing contribution from new initiatives such as FML.

NOTE 1 – FEE AND COMMISSION INCOME – UP 3%

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Bank fee and commission income	**14 617**	14 099	4	27 862
– Card commissions	**2 452**	2 248	9	4 432
– Cash deposit fees	**857**	908	(6)	1 702
– Commission on bills, drafts and cheques	**1 282**	1 284	–	2 571
– Bank charges	**10 026**	9 659	4	19 157
– Commitment fees	**688**	701	(2)	1 364
– Other bank charges*	**9 338**	8 958	4	17 793
Knowledge-based fees	**524**	636	(18)	1 167
Management and fiduciary fees	**730**	602**	21	1 177
– Investment management fees	**320**	296**	8	581
– Management fees from associates and joint ventures	**400**	282	42	574
– Other management and brokerage fee income	**10**	24	(58)	22
Other non-bank commissions	**368**	402	(8)	754
Gross fee and commission income	**16 239**	15 739	3	30 960
Fee and commission expenditure	**(2 759)**	(2 706)**	2	(5 244)**
– Transaction-related fees	**(613)**	(779)	(21)	(1 336)
– Commission paid	**(129)**	(171)	(25)	(292)
– Customer loyalty programmes	**(1 063)**	(909)**	17	(1 892)**
– Cash sorting, handling and transport charges	**(485)**	(414)	17	(860)
– Card and cheque book related	**(207)**	(238)	(13)	(477)
– Other	**(262)**	(195)	34	(387)
Total fee and commission income	**13 480**	13 033	3	25 716

* *Other bank charges include annual and monthly administrative fees, fees for customer transaction processing (e.g. SASwitch fees), cash withdrawal fees, debit order charges, internet banking fees and fees for the utilisation of other banking services.*

** *Restated following the reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 121 to 132.*

KEY DRIVERS

- FNB delivered 7% growth in NIR despite customer transaction volumes migrating to cheaper electronic channels with lower fees charged and certain fee concessions. This was driven by growth in main-banked clients, increased cross-sell and up-sell and transaction volume growth.
- As part of the annual pricing review, FNB decreased certain fee categories as part of its ongoing pre-emptive strategies to improve the customer value proposition as competition increases. This, together with lowering cash and ATM withdrawal fees, impacted NIR by approximately R270 million.
- FNB transaction volumes increased 8%. Electronic volumes increased 8%, whilst manual volumes decreased 3% period-on-period. Branch and cash centre transaction volumes decreased 25% and 8%, respectively.

%	Increase in transaction volumes
ATM/ADT	**(2)**
Internet banking	**(9)**
Banking app	**35**
Mobile (excluding prepaid)	**1**
Point-of-sale merchants	**14**
Card swipes	**9**

- Knowledge-based fees remained satisfactory considering the tough macroeconomic environment. The decrease was driven by lower structuring, arranging and advisory fees as a result of lower corporate activity and deal volumes.
- The bank's management and fiduciary fee income was impacted by moderate growth in assets under management (AUM), subdued market performance and a switch by customers to new generation products which offer value to customers at lower fees.
- Fee and commission expenses grew stronger than fee and commission income reflecting increased customer rewards and cash handling fees. Rewards are a core component of the customer value proposition and over the period reward costs have increased due to more customers earning eBucks, and a higher number of airport lounge visits. In addition, free airtime rewards were introduced.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – DOWN 21%

R million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Insurance commission	**70**	134*	(48)	278
Insurance brokerage	**145**	139	4	282
Total insurance commission income	**215**	273	(21)	560

* *Restated following the reallocation from insurance income to fee and commission income. Refer to pages 121 to 132.*

KEY DRIVERS

> Insurance income declined 21% and reflects the run-down of the MotoNovo business in the bank.

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – FLAT

R million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Client	**834**	734	14	1 720
Markets	**621**	696	(11)	1 585
Other	**236**	253	(7)	612
Total markets, client and other fair value income	**1 691**	1 683	–	3 917

KEY DRIVERS

> The overall markets and client businesses' performance for the period under review was muted, impacted by a reduction in currency volatility offset by an increase in corporate hedging solutions.
> Client revenues saw an improved performance in the current period as a result of an increase in corporate desire for hedging activities.
> Market activities were impacted by lower levels of currency volatility and a benign inflation environment.
> The decline in other fair value income was due to mark-to-market movements on external and internal intercompany foreign exchange (FX) hedges, which will pull to par over the duration of the instrument and eliminate at a group level. The net total return swap (TRS) fair value income was flat period-on-period.

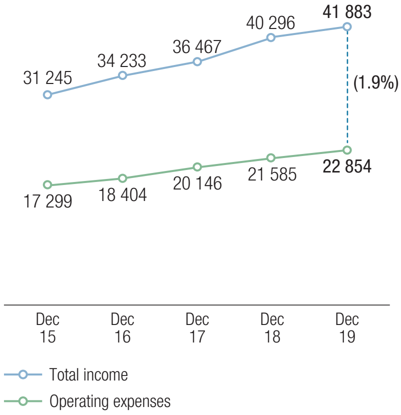
NOTE 4 – OTHER NON-INTEREST REVENUE – UP 28%

KEY DRIVERS

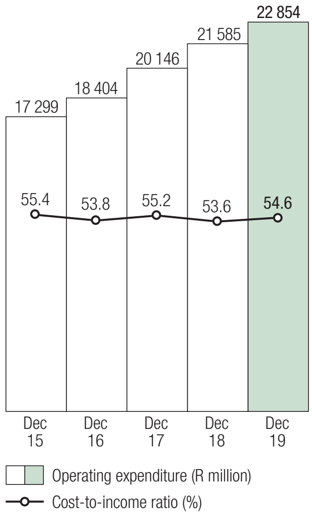
> A significant component other non-interest revenue items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank, in particular, showing strong growth in the FML book.
> The remaining other non-interest revenue item relates to various intercompany charges to other FirstRand group companies for the provision of services. These eliminate at a group level.

Operating expenses – up 6%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9. No restatements have been included in the figures for December 2015 to December 2017.

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Staff expenditure	**13 385**	12 415	8	25 669
– Direct staff expenditure	**9 348**	8 476	10	17 103
– Other staff-related expenditure	**4 037**	3 939	2	8 566
Depreciation of property and equipment	**1 604**	1 226	31	2 499
Amortisation of intangible assets	**80**	52	54	135
Advertising and marketing	**873**	707	23	1 513
Insurance	**113**	130	(13)	251
Lease charges	**226**	518*	(56)	1 044*
Professional fees	**879**	830	6	1 697
Audit fees	**165**	167	(1)	348
Computer expenses	**1 236**	1 191	4	2 363
Repairs and maintenance	**586**	591	(1)	1 246
Telecommunications	**177**	180	(2)	349
Cooperation agreements and joint ventures	**249**	380	(34)	638
Property	**431**	419	3	822
Business travel	**203**	206	(1)	401
Assets costing less than R7 000	**200**	172	16	332
Stationery and printing	**69**	86	(20)	154
Donations	**250**	251	–	259
Other expenditure	**2 128**	2 064	3	3 755
Total operating expenses	**22 854**	21 585	6	43 475

* *Restated following the reclassification of customer loyalty expenses to fee and commission expenses. Refer to pages 121 to 132.*

KEY DRIVERS

- Cost growth of 6% reflects focused cost management while continuing investment spend on new initiatives, technology and platforms.
- Staff costs, which comprise 59% (December 2018: 58%; June 2019: 59%) of the bank's operating expenses, increased 8%.

	% CHANGE	REASONS
Direct staff costs	10	Impacted by unionised increases in South Africa at an average of 7.2% in August 2019 and a 9% increase in staff complement across the bank.
Other staff-related expenditure	2	Variable costs reflect the slowing growth in earnings and NIACC in the current period, offset by increased pension fund and medical aid costs in line with salary and headcount increases. Normalised share-based payment expenses were flat period-on-period given the decrease in the group's share price and forfeitures, offset by higher grant values.

- The 31% increase in depreciation was driven by the adoption of IFRS 16 (refer to pages 121 to 132), which increased the depreciation charge for the period by c. R290 million. In addition, strong growth in WesBank's FML book, including a significant deal concluded during the period, increased the depreciation charge by c. R70 million.
- The increase in audit fees stabilised following the adoption of IFRS 9 during the June 2019 financial year.
- Computer expenses growth of 4% reflects increased licence fees and continued spend on projects related to various electronic platforms, cybersecurity and credit-related reporting upgrades.
- Cooperation agreements and joint venture costs decreased 34%, impacted by the ongoing migration of Discovery cards and weaker performance in WesBank's underlying alliances.
- Other expenses include various items, such as entertainment, bank charges, subscriptions and memberships and intercompany charges which eliminate at a group level. The most significant growth was in bank charges due to increased regulatory fees and higher legal fees.

03

balance sheet analysis and financial resource management

Economic view of the balance sheet

The structure of the balance sheet reflects the bank's long-term strategy to increase balance sheet resilience, diversify credit exposures across sectors and segments, increase market liquidity, and reduce reliance on institutional funding.

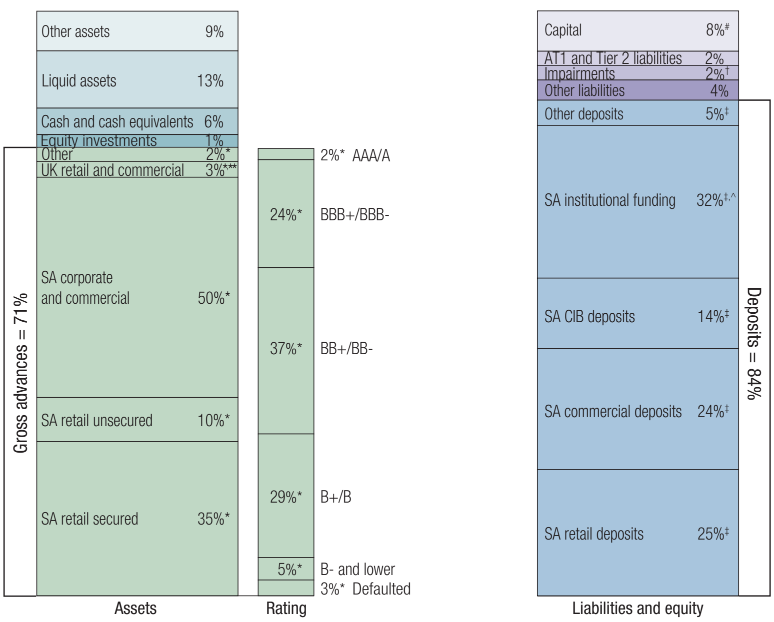
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 71% of total assets. The composition of the gross advances portfolio consists of SA retail secured (35%), SA retail unsecured (10%), SA corporate and commercial (50%), UK retail and commercial (3%), and other (2%). At December 2019, total NPLs amounted to R38 207 million (4.21% as a percentage of advances) with a credit loss ratio of 107 bps.

Cash and cash equivalents, and liquid assets represent 6% and 13%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low.

FRB's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The bank has, however, continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the bank's institutional funding was 37 months at December 2019 (December 2018: 36 months).

The bank's capital ratios exceeded stated targets with a CET1 ratio of 13.7%, a Tier 1 ratio of 14.4% and a total capital adequacy ratio of 17.1%. Gearing decreased to 13.5 times (December 2018: 14.0 times).

ECONOMIC VIEW OF THE BALANCE SHEET



* *As a proportion of gross advances.*

** *Based on advances originated in London branch (including MotoNovo back book).*

\# *Ordinary equity.*

† *Includes impairment (IFRS 9 provisions) of advances and investment securities.*

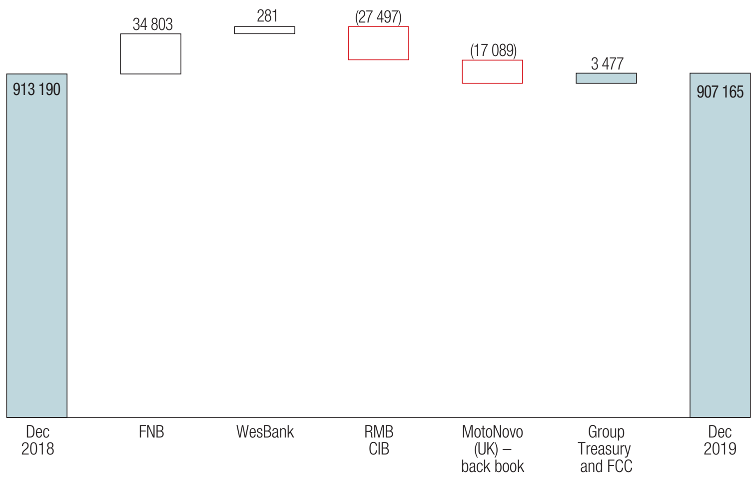
‡ *As a proportion of deposits.*

^ *Includes CIB institutional funding.*

Note: Derivative, securities lending and short trading position assets and liabilities have been netted off.

Gross advances – down 1%

GROSS ADVANCES GROWTH BY BUSINESS
R million



ADVANCES

	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Gross advances	**907 165**	913 190	(1)	921 846
Impairment of advances	**(28 640)**	(26 207)	9	(27 303)
Net advances	**878 525**	886 983	(1)	894 543

Gross and net advances decreased 1% impacted by securitisation transactions, and a contraction in RMB CIB, including a 17% decrease in repo advances.

Growth rates in retail SA VAF and FNB consumer were subdued reflecting a combination of tightening in credit appetite, especially in higher-risk origination buckets, a constrained macro environment, and increased competitive pressures.

RMB advances contracted period-on-period given the settlement of certain high-value counters, continued disciplined origination in a constrained macroeconomic environment and the sale of >$700 million of cross-border advances to RMB Mauritius.

Credit

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances		
	As at 31 December		
R million	2019	2018	% change
Retail	**420 149**	412 619	2
Retail – secured	**327 233**	329 791	(1)
Residential mortgages	**223 979**	210 484	6
VAF	**103 254**	119 307	(13)
– WesBank (SA)	**96 541**	95 932	1
– MotoNovo (UK)*	**6 713**	23 375	(71)
Retail – unsecured	**92 916**	82 828	12
Card	**33 498**	29 113	15
– FNB	**30 098**	24 799	21
– Discovery	**3 400**	4 314	(21)
Personal loans	**41 204**	36 733	12
– FNB	**24 216**	20 072	21
– DirectAxis loans	**16 580**	15 826	5
– MotoNovo (UK)	**408**	835	(51)
Retail other	**18 214**	16 982	7
Corporate and commercial	**447 484**	465 430	(4)
FNB commercial	**107 400**	97 521	10
WesBank corporate	**29 868**	30 196	(1)
RMB investment banking**,#	**230 805**	258 396	(11)
RMB corporate banking**,#	**59 728**	64 673	(8)
HQLA corporate advances#,†	**19 683**	14 644	34
FCC (including Group Treasury)	**39 532**	35 141	12
Securitisation notes	**25 923**	25 994	–
Other	**13 609**	9 147	49
Total advances‡	**907 165**	913 190	(1)
Of which:			
Accrual book	**839 955**	843 445	–
Fair value book	**67 210**	69 745	(4)

* *MotoNovo VAF (UK) back book = £364 million (-71% from December 2018: £1 276 million; -71% from June 2019: £1 274 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Corporate and investment banking including HQLA advances total R310 216 million (December 2018: R337 713 million; June 2019: R324 891 million).

† *Managed by the Group Treasurer.*

‡ *Included in advances are repo advances of R37 016 million (December 2018: R43 430 million; June 2019: R44 263 million).*

	Advances							
	As at 31 December						% composition 2019	As at 30 June
	2019			2018				
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		2019
	363 123	29 363	27 663	360 579	27 937	24 103	46	425 130
	288 377	22 262	16 594	291 589	22 573	15 629	36	334 832
	203 787	11 106	9 086	190 332	12 071	8 081	24	217 164
	84 590	11 156	7 508	101 257	10 502	7 548	12	117 668
	79 231	10 320	6 990	80 122	8 934	6 876	11	94 751
	5 359	836	518	21 135	1 568	672	1	22 917
	74 746	7 101	11 069	68 990	5 364	8 474	10	90 298
	29 103	1 597	2 798	25 971	1 309	1 833	3	32 443
	25 919	1 520	2 659	21 872	1 236	1 691	3	28 115
	3 184	77	139	4 099	73	142	–	4 328
	30 910	4 082	6 212	28 839	2 919	4 975	5	39 947
	17 898	2 195	4 123	15 992	1 604	2 476	3	23 357
	12 623	1 872	2 085	12 051	1 297	2 478	2	16 012
	389	15	4	796	18	21	–	578
	14 733	1 422	2 059	14 180	1 136	1 666	2	17 908
	410 395	26 545	10 544	411 311	47 700	6 419	49	457 964
	94 678	6 935	5 787	85 749	7 847	3 925	12	105 128
	27 785	1 533	550	28 028	1 697	471	3	27 945
	214 309	13 210	3 286	224 129	32 923	1 344	25	249 804
	53 940	4 867	921	58 964	5 030	679	7	57 932
	19 683	–	–	14 441	203	–	2	17 155
	39 489	43	–	35 141	–	–	5	38 752
	25 923	–	–	25 994	–	–	3	27 854
	13 566	43	–	9 147	–	–	2	10 898
	813 007	55 951	38 207	807 031	75 637	30 522	100	921 846
	746 960	54 943	38 052	739 685	73 338	30 422	93	844 850
	66 047	1 008	155	67 346	2 299	100	7	76 996

Credit continued

The table below shows assets under agreement to resell that are included in the RMB corporate and investment banking loan books and HQLA.

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2019	2018*	% change	2019	2019
Corporate and investment banking advances**	**310 216**	337 713	(8)	**100**	324 891
Less: assets under agreement to resell	**(33 256)**	(39 903)	(17)	**(11)**	(41 117)
RMB advances net of assets under agreement to resell	**276 960**	297 810	(7)	**89**	283 774

* *Restated to include HQLA.*

** *Include HQLA advances.*

STRATEGY VIEW OF CORPORATE AND INVESTMENT BANKING ADVANCES

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2019	2018	% change	2019	2019
RMB investment banking	**230 805**	258 396	(11)	**84**	249 804
Less: assets under agreement to resell	**(32 758)**	(39 017)	(16)	**(12)**	(40 464)
RMB investment banking core advances	**198 047**	219 379	(10)	**72**	209 340
– South Africa	**177 895**	188 301	(6)	**65**	180 059
– Cross-border (rest of Africa)	**20 152**	31 078	(35)	**7**	29 281
RMB corporate banking	**59 728**	64 673	(8)	**21**	57 932
Less: assets under agreement to resell	**(498)**	(886)	(44)	**–**	(653)
RMB corporate banking core advances	**59 230**	63 787	(7)	**21**	57 279
– South Africa	**41 276**	51 754	(20)	**15**	43 357
– Cross-border (rest of Africa)	**17 954**	12 033	49	**6**	13 922
HQLA corporate advances*	**19 683**	14 644	34	**7**	17 155
CIB total core advances	**276 960**	297 810	(7)	**100**	283 774
CIB core advances – South Africa**	**238 854**	254 699	(6)	**86**	240 571
CIB core advances – rest of Africa#	**38 106**	43 111	(12)	**14**	43 203
CIB total core advances	**276 960**	297 810	(7)	**100**	283 774

* *Managed by the Group Treasurer.*

** *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

\# *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances and RMB CB cross-border core advances.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December				As at 30 June
R million	**2019**	2018	% change	**% composition 2019**	2019
Sector analysis					
Agriculture	**40 173**	35 410	13	**4**	39 002
Banks	**21 499**	16 344	32	**2**	20 068
Financial institutions	**153 665**	149 218	3	**17**	161 302
Building and property development	**50 322**	49 120	2	**6**	50 028
Government, Land Bank and public authorities	**19 212**	22 709	(15)	**2**	23 438
Individuals	**406 185**	396 709	2	**45**	409 307
Manufacturing and commerce	**106 186**	107 226	(1)	**12**	107 274
Mining	**13 794**	11 480	20	**2**	10 611
Transport and communication	**21 538**	24 199	(11)	**2**	22 778
Other services	**74 591**	100 775	(26)	**8**	78 038
Total advances	**907 165**	913 190	(1)	**100**	921 846
Geographical analysis					
South Africa	**842 614**	820 201	3	**94**	837 764
Rest of Africa	**31 659**	36 973	(14)	**3**	30 476
UK	**11 902**	28 076	(58)	**1**	28 338
Other Europe	**10 862**	15 641	(31)	**1**	13 974
North America	**3 793**	4 304	(12)	**–**	1 945
South America	**4**	3	33	**–**	178
Australasia	**5**	2	>100	**–**	2
Asia	**6 326**	7 990	(21)	**1**	9 169
Total advances	**907 165**	913 190	(1)	**100**	921 846

Credit continued

NOTE 2: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs		
	As at 31 December		
R million	2019	2018	% change
Retail	**27 663**	24 103	15
Retail – secured	**16 594**	15 629	6
Residential mortgages	**9 086**	8 081	12
VAF	**7 508**	7 548	(1)
– WesBank (SA)	**6 990**	6 876	2
– MotoNovo (UK)*	**518**	672	(23)
Retail – unsecured	**11 069**	8 474	31
Card	**2 798**	1 833	53
– FNB	**2 659**	1 691	57
– Discovery	**139**	142	(2)
Personal loans	**6 212**	4 975	25
– FNB	**4 123**	2 476	67
– DirectAxis loans	**2 085**	2 478	(16)
– MotoNovo (UK)	**4**	21	(81)
Retail other	**2 059**	1 666	24
Corporate and commercial	**10 544**	6 419	64
FNB commercial	**5 787**	3 925	47
WesBank corporate	**550**	471	17
RMB investment banking**	**3 286**	1 344	>100
RMB corporate banking**	**921**	679	36
HQLA corporate advances#	**–**	–	–
FCC (including Group Treasury)	**–**	–	–
Securitisation notes	**–**	–	–
Other	**–**	–	–
Total stage 3/NPLs	**38 207**	30 522	25
Of which:			
Accrual book	**38 052**	30 422	25
Fair value book	**155**	100	55

* *MotoNovo VAF (UK) back book NPLs = £28.1 million (-23% from December 2018: £36.7 million; -16% from June 2019: £33.3 million).*

** *Includes activities in India and represents the in-country balance sheet.*

\# *Managed by the Group Treasurer.*

Stage 3/NPLs		Stage 3/NPLs as a % of advances		
% composition	As at 30 June	As at 31 December		As at 30 June
2019	2019	2019	2018	2019
72	26 350	6.58	5.84	6.20
44	16 111	5.07	4.74	4.81
24	8 638	4.06	3.84	3.98
20	7 473	7.27	6.33	6.35
19	6 874	7.24	7.17	7.25
1	599	7.72	2.87	2.61
28	10 239	11.91	10.23	11.34
7	2 409	8.35	6.30	7.43
7	2 272	8.83	6.82	8.08
–	137	4.09	3.29	3.17
16	5 848	15.08	13.54	14.64
11	3 421	17.03	12.34	14.65
5	2 422	12.58	15.66	15.13
–	5	0.98	2.51	0.87
5	1 982	11.30	9.81	11.07
28	7 855	2.36	1.38	1.72
16	4 556	5.39	4.02	4.33
1	524	1.84	1.56	1.88
9	2 434	1.42	0.52	0.97
2	341	1.54	1.05	0.59
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
100	34 205	4.21	3.34	3.71
100	34 027	4.53	3.61	4.03
–	178	0.23	0.14	0.23

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLS

R million	Stage 3/NPLs		
	As at 31 December		
	2019	2018	% change
Sector analysis			
Agriculture	**1 985**	1 415	40
Financial Institutions	**221**	148	49
Building and property development	**1 131**	1 030	10
Government, Land Bank and public authorities	**1 126**	558	>100
Individuals	**26 653**	22 964	16
Manufacturing and commerce	**3 258**	1 232	>100
Mining	**674**	643	5
Transport and communication	**580**	285	>100
Other services	**2 579**	2 247	15
Total stage 3/NPLs	**38 207**	30 522	25
Geographical analysis			
South Africa	**36 765**	28 967	27
Other Africa	**265**	248	7
UK	**522**	694	(25)
Other Europe	**–**	–	–
North America	**589**	552	7
Asia	**66**	61	8
Total stage 3/NPLs	**38 207**	30 522	25

Stage 3/NPLs		Stage 3/NPLs as a % of advances		
% composition	As at 30 June	As at 31 December		As at 30 June
2019	2019	**2019**	2018	2019
5	1 781	**4.94**	4.00	4.57
1	224	**0.14**	0.10	0.14
3	1 154	**2.25**	2.10	2.31
3	79	**5.86**	2.46	0.34
69	25 162	**6.56**	5.79	6.15
9	2 779	**3.07**	1.15	2.59
2	660	**4.89**	5.60	6.22
2	337	**2.69**	1.18	1.48
6	2 029	**3.46**	2.23	2.60
100	34 205	**4.21**	3.34	3.71
96	32 702	**4.36**	3.53	3.90
1	268	**0.84**	0.67	0.88
1	604	**4.39**	2.47	2.13
–	–	**–**	–	–
2	566	**15.53**	12.83	29.10
–	65	**1.04**	0.76	0.71
100	34 205	**4.21**	3.34	3.71

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2019		
R million	Stage3/NPLs	Security held and expected recoveries	Specific impairment
Retail	27 663	14 629	13 034
Retail – secured	16 594	12 303	4 291
Residential mortgages	9 086	7 322	1 764
VAF	7 508	4 981	2 527
– WesBank (SA)	6 990	4 670	2 320
– MotoNovo (UK)	518	311	207
Retail – unsecured	11 069	2 326	8 743
Card	2 798	692	2 106
– FNB	2 659	678	1 981
– Discovery	139	14	125
Personal loans	6 212	1 203	5 009
– FNB	4 123	686	3 437
– DirectAxis	2 085	517	1 568
– MotoNovo (UK)	4	–	4
Retail other	2 059	431	1 628
Corporate and commercial	10 544	6 357	4 187
FNB commercial	5 787	3 099	2 688
WesBank corporate	550	348	202
RMB investment banking*	3 286	2 192	1 094
RMB corporate banking*	921	718	203
HQLA corporate advances**	–	–	–
FCC (including Group Treasury)	–	–	–
Securitisation notes	–	–	–
Other	–	–	–
Total	38 207	20 986	17 221

* *Includes activities in India and represents the in-country balance sheet.*

** *Managed by the Group Treasurer.*

	As at 31 December 2018			As at 30 June 2019		
	Stage 3/NPLs	Security held and expected recoveries	Specific impairment	Stage3/NPLs	Security held and expected recoveries	Specific impairment
	24 103	13 094	11 009	26 350	14 261	12 089
	15 629	11 304	4 325	16 111	11 862	4 249
	8 081	6 261	1 820	8 638	6 967	1 671
	7 548	5 043	2 505	7 473	4 895	2 578
	6 876	4 654	2 222	6 874	4 531	2 343
	672	389	283	599	364	235
	8 474	1 790	6 684	10 239	2 399	7 840
	1 833	323	1 510	2 409	540	1 869
	1 691	316	1 375	2 272	524	1 748
	142	7	135	137	16	121
	4 975	1 170	3 805	5 848	1 414	4 434
	2 476	490	1 986	3 421	710	2 711
	2 478	679	1 799	2 422	704	1 718
	21	1	20	5	–	5
	1 666	297	1 369	1 982	445	1 537
	6 419	2 927	3 492	7 855	4 263	3 592
	3 925	1 820	2 105	4 556	2 253	2 303
	471	294	177	524	345	179
	1 344	526	818	2 434	1 417	1 017
	679	287	392	341	248	93
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	30 522	16 021	14 501	34 205	18 524	15 681

Credit continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge			
	Six months ended 31 December			Year ended 30 June
R million	2019	2018	% change	2019
Retail	**4 105**	3 578	15	7 574
Retail – secured	**1 047**	1 222	(14)	2 610
Residential mortgages	**243**	93	>100	232
VAF	**804**	1 129	(29)	2 378
– WesBank (SA)	**736**	757	(3)	1 834
– MotoNovo (UK)*	**68**	372	(82)	544
Retail – unsecured	**3 058**	2 356	30	4 964
Card	**660**	385	71	1 027
– FNB	**618**	349	77	937
– Discovery	**42**	36	17	90
Personal loans	**1 665**	1 288	29	2 652
– FNB	**963**	655	47	1 296
– DirectAxis loans	**698**	652	7	1 379
– MotoNovo (UK)	**4**	(19)	(>100)	(23)
Retail other	**733**	683	7	1 285
Corporate and commercial	**783**	537	46	883
FNB commercial	**589**	376	57	750
WesBank corporate	**75**	78	(4)	82
RMB investment banking**	**90**	71	27	26
RMB corporate banking**	**29**	12	>100	25
HQLA corporate advances#	**–**	–	–	–
FCC (including Group Treasury)	**1**	3	(67)	3
Securitisation notes	**4**	3	33	(3)
Other	**(3)**	–	–	6
Total impairment charge	**4 889**	4 118	19	8 460
Portfolio impairment charge	**1 281**	1 398	(8)	1 764
Specific impairment charge	**3 608**	2 720	33	6 696

* *MotoNovo VAF (UK) back book impairment charge = £3.7 million (-82% from December 2018: £20.3 million; June 2019: £29.7 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Managed by the Group Treasurer.

As a % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2019	2018	2019	2019
1.94	1.76	1.83	1.91
0.63	0.75	0.79	0.84
0.22	0.09	0.11	0.13
1.46	1.90	2.01	2.11
1.54	1.59	1.94	2.26
0.92	3.11	2.30	1.49
6.68	5.93	5.96	6.03
4.00	2.74	3.45	4.17
4.25	2.93	3.68	4.44
2.17	1.66	2.07	2.50
8.21	7.38	7.26	7.12
8.10	7.03	6.39	5.90
8.57	8.50	8.93	9.13
1.62	(4.06)	(2.85)	(1.13)
8.12	8.31	7.60	6.90
0.35	0.24	0.20	0.15
1.11	0.78	0.75	0.74
0.52	0.50	0.27	0.03
0.07	0.06	0.01	(0.04)
0.10	0.04	0.05	0.04
–	–	–	–
0.01	0.02	0.01	–
0.03	0.02	(0.01)	(0.04)
(0.05)	–	0.05	0.12
1.07	0.93	0.95	0.95
0.28	0.32	0.20	0.08
0.79	0.61	0.75	0.87

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS (STAGE 1 AND 2)

	Total portfolio impairments						
	As at 31 December			As at 31 December			
				2019		2018	
R million	**2019**	2018	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
Portfolio impairments							
Retail	**7 595**	7 305	4	**3 482**	**4 113**	3 979	3 326
Retail – secured	**2 859**	2 870	–	**914**	**1 945**	1 145	1 725
Residential mortgages	**961**	664	45	**376**	**585**	278	386
VAF	**1 898**	2 206	(14)	**538**	**1 360**	867	1 339
– WesBank (SA)	**1 780**	1 793	(1)	**521**	**1 259**	660	1 133
– MotoNovo (UK)*	**118**	413	(71)	**17**	**101**	207	206
Retail – unsecured	**4 736**	4 435	7	**2 568**	**2 168**	2 834	1 601
Card	**1 064**	858	24	**662**	**402**	571	287
– FNB	**983**	751	31	**607**	**376**	495	256
– Discovery	**81**	107	(24)	**55**	**26**	76	31
Personal loans	**2 398**	2 358	2	**1 152**	**1 246**	1 429	929
– FNB	**1 202**	1 360	(12)	**572**	**630**	835	525
– DirectAxis loans	**1 173**	915	28	**563**	**610**	526	389
– MotoNovo (UK)	**23**	83	(72)	**17**	**6**	68	15
Retail other	**1 274**	1 219	5	**754**	**520**	834	385
Corporate and commercial	**3 622**	4 200	(14)	**1 742**	**1 880**	1 590	2 610
FNB commercial	**1 403**	1 459	(4)	**704**	**699**	695	764
WesBank corporate	**174**	184	(5)	**108**	**66**	102	82
RMB investment banking**	**1 524**	1 972	(23)	**723**	**801**	751	1 221
RMB corporate banking**	**521**	585	(11)	**207**	**314**	42	543
HQLA corporate advances#	**–**	–	–	**–**	**–**	–	–
FCC (including Group Treasury)	**202**	201	–	**200**	**2**	201	–
Securitisation notes	**26**	27	(4)	**26**	**–**	27	–
Other	**176**	174	1	**174**	**2**	174	–
Total portfolio impairments	**11 419**	11 706	(2)	**5 424**	**5 995**	5 770	5 936

* *MotoNovo VAF (UK) back book portfolio impairments = £6.4 million (-72% from December 2018: £22.5 million; -65% from June 2019: £18.3 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Managed by the Group Treasurer.

Total portfolio impairments							
	Performing book coverage ratios (% of performing advances)						
As at 30 June	As at 31 December						As at 30 June
2019	**Stage 1**	**Stage 2**	**2019**	Stage 1	Stage 2	2018	2019
7 658	**0.96**	**14.01**	**1.94**	1.10	11.91	1.88	1.92
3 037	**0.32**	**8.74**	**0.92**	0.39	7.64	0.91	0.95
870	**0.18**	**5.27**	**0.45**	0.15	3.20	0.33	0.42
2 167	**0.64**	**12.19**	**1.98**	0.86	12.75	1.97	1.97
1 838	**0.66**	**12.20**	**1.99**	0.82	12.68	2.01	2.09
329	**0.32**	**12.08**	**1.90**	0.98	13.14	1.82	1.47
4 621	**3.44**	**30.53**	**5.79**	4.11	29.85	5.96	5.77
1 014	**2.27**	**25.17**	**3.47**	2.20	21.93	3.15	3.38
902	**2.34**	**24.74**	**3.58**	2.26	20.71	3.25	3.49
112	**1.73**	**33.77**	**2.48**	1.85	42.47	2.56	2.67
2 419	**3.73**	**30.52**	**6.85**	4.96	31.83	7.42	7.09
1 367	**3.20**	**28.70**	**5.98**	5.22	32.73	7.73	6.86
1 019	**4.46**	**32.59**	**8.09**	4.36	29.99	6.85	7.50
33	**4.37**	**40.00**	**5.69**	8.54	83.33	10.20	5.76
1 188	**5.12**	**36.57**	**7.89**	5.88	33.89	7.96	7.46
3 763	**0.42**	**7.08**	**0.83**	0.39	5.47	0.92	0.84
1 509	**0.74**	**10.08**	**1.38**	0.81	9.74	1.56	1.50
159	**0.39**	**4.31**	**0.59**	0.36	4.83	0.62	0.58
1 500	**0.34**	**6.06**	**0.67**	0.34	3.71	0.77	0.61
595	**0.38**	**6.45**	**0.89**	0.07	10.80	0.91	1.03
–	**–**	**–**	**–**	–	–	–	–
201	**0.51**	**4.65**	**0.51**	0.57	–	0.57	0.52
22	**0.10**	**–**	**0.10**	0.10	–	0.10	0.08
179	**1.28**	**4.65**	**1.29**	1.90	–	1.90	1.64
11 622	**0.67**	**10.71**	**1.31**	0.71	7.85	1.33	1.31

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET STAGE 3/SPECIFIC IMPAIRMENTS AND COVERAGE RATIOS

	Total stage 3/specific impairments			
	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Specific impairments				
Retail	**13 034**	11 009	18	12 089
Retail – secured	**4 291**	4 325	(1)	4 249
Residential mortgages	**1 764**	1 820	(3)	1 671
VAF	**2 527**	2 505	1	2 578
– WesBank (SA)	**2 320**	2 222	4	2 343
– MotoNovo (UK)*	**207**	283	(27)	235
Retail – unsecured	**8 743**	6 684	31	7 840
Card	**2 106**	1 510	39	1 869
– FNB	**1 981**	1 375	44	1 748
– Discovery	**125**	135	(7)	121
Personal loans	**5 009**	3 805	32	4 434
– FNB	**3 437**	1 986	73	2 711
– DirectAxis loans	**1 568**	1 799	(13)	1 718
– MotoNovo (UK)	**4**	20	(80)	5
Retail other	**1 628**	1 369	19	1 537
Corporate and commercial	**4 187**	3 492	20	3 592
FNB commercial	**2 688**	2 105	28	2 303
WesBank corporate	**202**	177	14	179
RMB investment banking**	**1 094**	818	34	1 017
RMB corporate banking**	**203**	392	(48)	93
HQLA corporate advances#	**–**	–	–	–
FCC (including Group Treasury)	**–**	–	–	–
Securitisation notes	**–**	–	–	–
Other	**–**	–	–	–
Total stage 3/specific impairments/implied loss given default	**17 221**	14 501	19	15 681

* *MotoNovo VAF (UK) back book specific impairments = £11.2 million (-27% from December 2018: £15.4 million; -14% from June 2019: £13.1 million).*

** *Includes activities in India and represents the in-country balance sheet.*

Managed by the Group Treasurer.

Total stage 3/specific impairments		
Coverage ratios (% of stage3/NPLs)		
As at 31 December		As at 30 June
2019	2018	2019
47.1	45.7	45.9
25.9	27.7	26.4
19.4	22.5	19.3
33.7	33.2	34.5
33.2	32.3	34.1
40.0	42.1	39.2
79.0	78.9	76.6
75.3	82.4	77.6
74.5	81.3	76.9
89.9	95.1	88.3
80.6	76.5	75.8
83.4	80.2	79.2
75.2	72.6	70.9
100.0	95.2	100.0
79.1	82.2	77.5
39.7	54.4	45.7
46.4	53.6	50.5
36.7	37.6	34.2
33.3	60.9	41.8
22.0	57.7	27.3
–	–	–
–	–	–
–	–	–
–	–	–
45.1	47.5	45.8

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET TOTAL IMPAIRMENTS AND COVERAGE RATIOS

	Balance sheet impairments					
	As at 31 December					
				2019		
	2019	2018	% change	**Stage 1**	**Stage 2**	**Stage 3**
Total impairments						
Retail	**20 629**	18 314	13	**3 482**	**4 113**	**13 034**
Retail – secured	**7 150**	7 195	(1)	**914**	**1 945**	**4 291**
Residential mortgages	**2 725**	2 484	10	**376**	**585**	**1 764**
VAF	**4 425**	4 711	(6)	**538**	**1 360**	**2 527**
– WesBank (SA)	**4 100**	4 015	2	**521**	**1 259**	**2 320**
– MotoNovo (UK)*	**325**	696	(53)	**17**	**101**	**207**
Retail – unsecured	**13 479**	11 119	21	**2 568**	**2 168**	**8 743**
Card	**3 170**	2 368	34	**662**	**402**	**2 106**
– FNB	**2 964**	2 126	39	**607**	**376**	**1 981**
– Discovery	**206**	242	(15)	**55**	**26**	**125**
Personal loans	**7 407**	6 163	20	**1 152**	**1 246**	**5 009**
– FNB	**4 639**	3 346	39	**572**	**630**	**3 437**
– DirectAxis loans	**2 741**	2 714	1	**563**	**610**	**1 568**
– MotoNovo (UK)	**27**	103	(74)	**17**	**6**	**4**
Retail other	**2 902**	2 588	12	**754**	**520**	**1 628**
Corporate and commercial	**7 809**	7 692	2	**1 742**	**1 880**	**4 187**
FNB commercial	**4 091**	3 564	15	**704**	**699**	**2 688**
WesBank corporate	**376**	361	4	**108**	**66**	**202**
RMB investment banking**	**2 618**	2 790	(6)	**723**	**801**	**1 094**
RMB corporate banking**	**724**	977	(26)	**207**	**314**	**203**
HQLA corporate advances#	**–**	–	–	**–**	**–**	**–**
FCC (including Group Treasury)	**202**	201	–	**200**	**2**	**–**
Securitisation notes	**26**	27	(4)	**26**	**–**	**–**
Other	**176**	174	1	**174**	**2**	**–**
Total impairments/total impairment coverage ratio	**28 640**	26 207	9	**5 424**	**5 995**	**17 221**

* *MotoNovo VAF (UK) back book impairments = £17.6 million (-54% from December 2018: £38.0 million; -44% from June 2019: £31.4 million).*

** *Includes activities in India and represents the in-country balance sheet.*

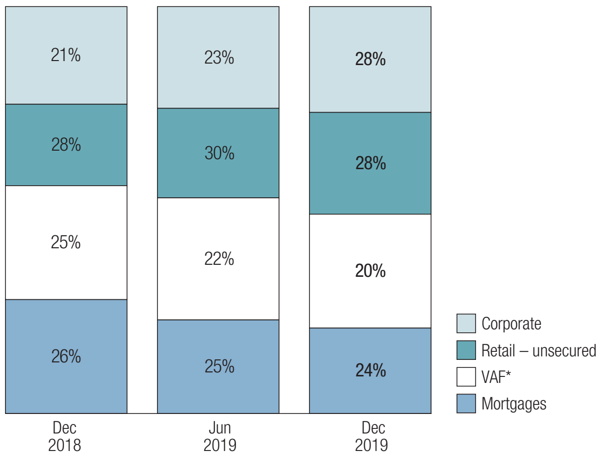
Managed by the Group Treasurer.

Balance sheet impairments						
As at 31 December				Coverage ratios (% of stage 3/NPLs)		
2018			As at 30 June	As at 31 December		As at 30 June
Stage 1	Stage 2	Stage 3	2019	**2019**	2018	2019
3 979	3 326	11 009	19 747	**74.6**	76.0	74.9
1 145	1 725	4 325	7 286	**43.1**	46.0	45.2
278	386	1 820	2 541	**30.0**	30.7	29.4
867	1 339	2 505	4 745	**58.9**	62.4	63.5
660	1 133	2 222	4 181	**58.7**	58.4	60.8
207	206	283	564	**62.7**	103.6	94.2
2 834	1 601	6 684	12 461	**121.8**	131.2	121.7
571	287	1 510	2 883	**113.3**	129.2	119.7
495	256	1 375	2 650	**111.5**	125.7	116.6
76	31	135	233	**148.2**	170.4	170.1
1 429	929	3 805	6 853	**119.2**	123.9	117.2
835	525	1 986	4 078	**112.5**	135.1	119.2
526	389	1 799	2 737	**131.5**	109.5	113.0
68	15	20	38	**675.0**	490.5	760.0
834	385	1 369	2 725	**140.9**	155.3	137.5
1 590	2 610	3 492	7 355	**74.1**	119.8	93.6
695	764	2 105	3 812	**70.7**	90.8	83.7
102	82	177	338	**68.4**	76.6	64.5
751	1 221	818	2 517	**79.7**	207.6	103.4
42	543	392	688	**78.6**	143.9	201.8
–	–	–	–	**–**	–	–
201	–	–	201	**–**	–	–
27	–	–	22	**–**	–	–
174	–	–	179	**–**	–	–
5 770	5 936	14 501	27 303	**75.0**	85.9	79.8

Credit continued

The graph below provides the NPL distribution over the last three financial periods across all portfolios.

NPL DISTRIBUTION



* *VAF includes the MotoNovo back book.*

RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet amortised cost impairments and fair value credit adjustments.

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2019**	2018	2019	**2019**	2018	2019	**2019**	2018	2019
Non-performing book	**17 221**	14 497	15 681	**–**	4	–	**17 221**	14 501	15 681
Performing book	**11 106**	11 434	11 307	**313**	272	315	**11 419**	11 706	11 622
Total impairments	**28 327**	25 931	26 988	**313**	276	315	**28 640**	26 207	27 303

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Opening balance	**27 303**	15 429	77	15 429
IFRS 9 adjustments	**–**	7 649	(100)	7 649
Restated opening balance	**27 303**	23 078	18	23 078
(Disposals)/acquisitions	**(210)**	30	(>100)	(155)
Exchange rate difference	**7**	50	(86)	3
Bad debts written off	**(5 151)***	(2 827)	82	(7 388)
Net new impairments created	**5 694**	5 166	10	10 251
Net interest recognised on stage 3 advances	**997**	710	40	1 514
Closing balance	**28 640**	26 207	9	27 303

* *During the reporting period the impact of the extension of the group's write-off point from six to 12 months started to mature, leading to a significant increase in bad debts written off in the retail portfolios.*

INCOME STATEMENT IMPAIRMENTS

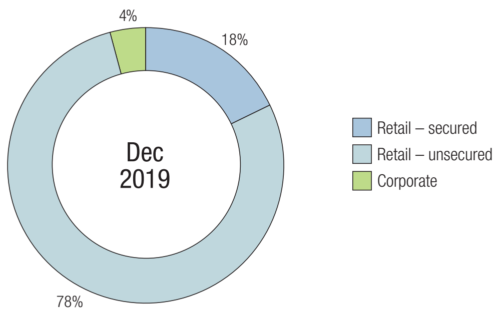
The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Specific impairment charge	**4 468**	3 783	18	8 515
– Specific impairment charge – amortised cost	**4 468**	3 783	18	8 515
– Credit fair value adjustments – non-performing book	**–**	–	–	–
Portfolio impairment charge	**1 226**	1 383	(11)	1 736
– Portfolio impairment charge – amortised cost	**1 228**	1 387	(11)	1 701
– Credit fair value adjustments – performing book	**(2)**	(4)	(50)	35
Total impairments before recoveries and modifications	**5 694**	5 166	10	10 251
Modification losses	**485**	201	>100	625
Recoveries of bad debts written off	**(1 290)**	(1 249)	3	(2 416)
Total impairments	**4 889**	4 118	19	8 460

IMPACT OF POST WRITE-OFF RECOVERIES

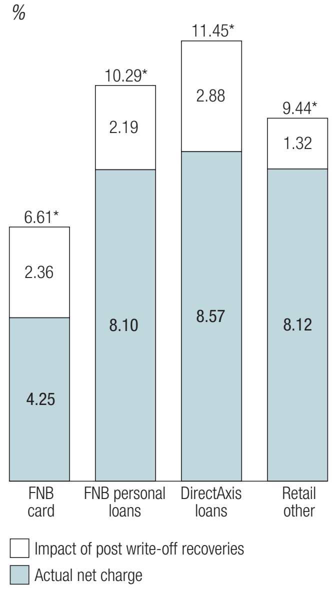
Post write-off recoveries amounted to R1 290 million (December 2018: R1 249 million; June 2019: R2 416 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES

%



* *Gross of recoveries (%).*

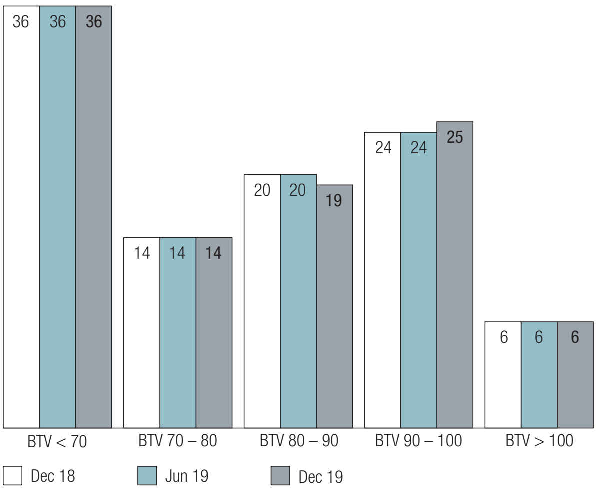
Credit continued

RISK ANALYSIS

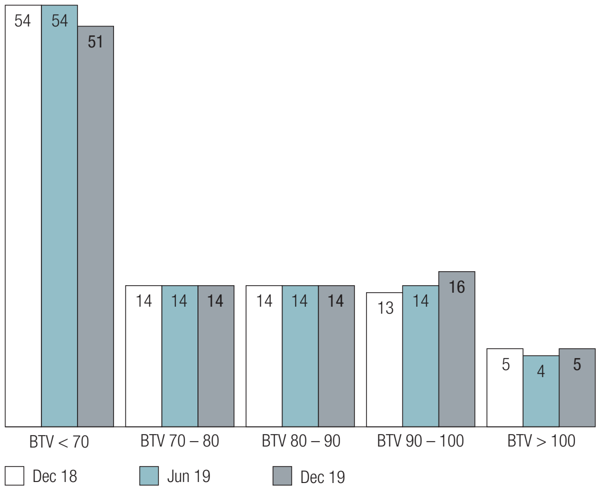
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

Loan-to-value (LTV) ratios for new business are an important consideration in the credit origination process. The bank, however, places more emphasis on counterparty creditworthiness as opposed to relying only on the underlying security. LTVs have increased due to increased loan extension to main-banked clients with higher LTVs offered to better-rated existing clients.

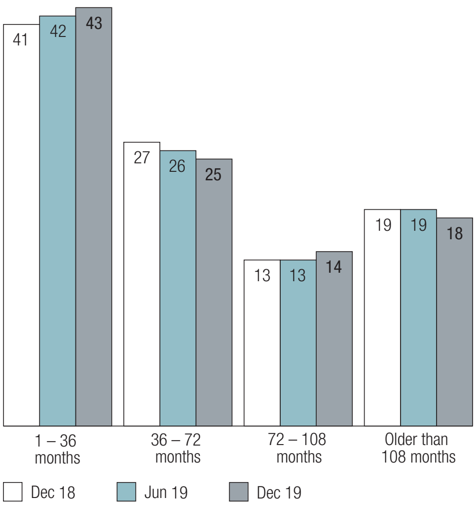
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%

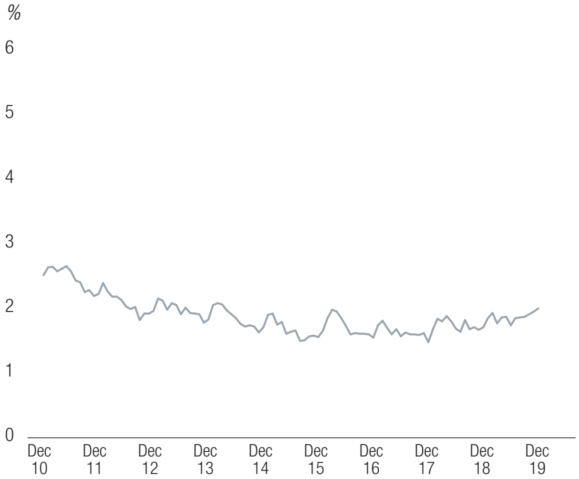


FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



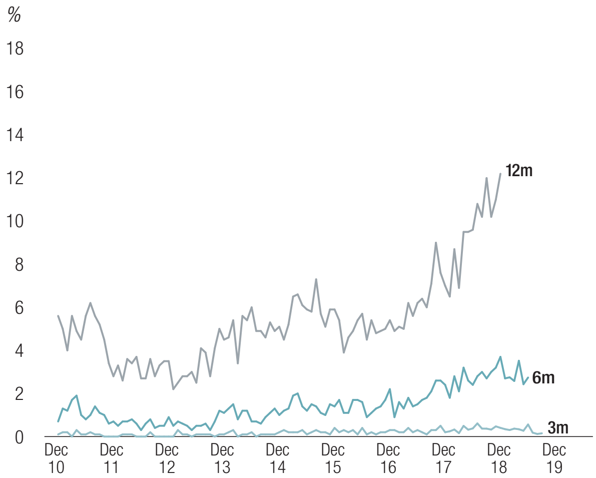
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances.

FNB HOMELOANS ARREARS



The graph below shows the three-, six- and 12-month vintages of new credit cards sales by FNB Card. During the past 18 months, there has been a sharp increase in the 12-month vintages. The current 12-month peaks are outside of the group's desired risk profile levels given the historic cohort of business written together with the lag in the speed with which certain scorecards were adjusted for the deterioration in the external environment, which resulted in higher-than-expected default rates in some portfolio segments. Actions have been taken to improve the risk profile. Focus has been on risk cuts and improved collections processes in electronic channels. The more recent vintages (three and six months) provide an early indication that the portfolios have stabilised. Vintages on limit increases show a better picture than on new credit cards sales, which result in an improved picture for the blended card portfolio.

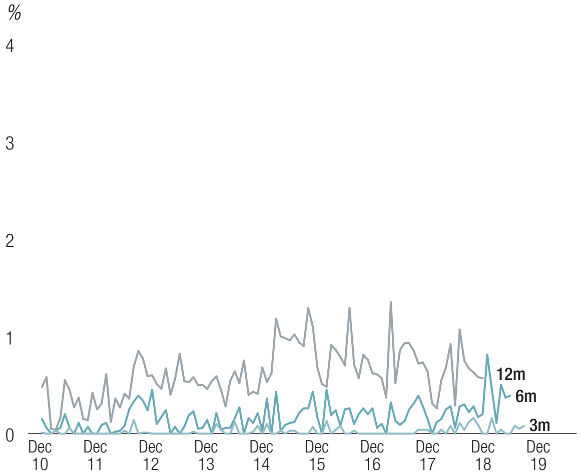
FNB CARD VINTAGE ANALYSIS



Note: The above vintage has been restated to reflect a retail card analysis. Discovery and commercial have been excluded from the data above.

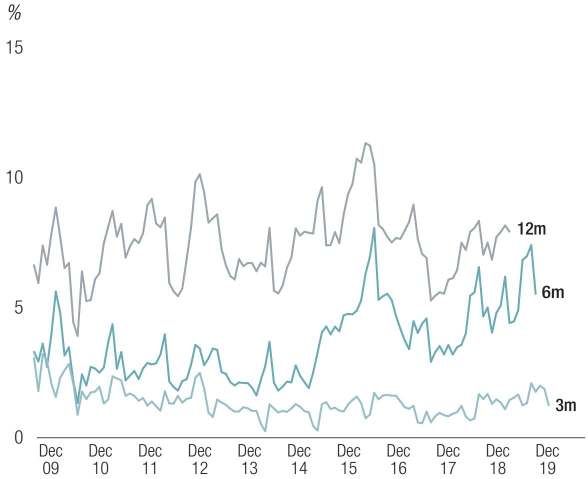
Vintages in FNB HomeLoans have remained stable as collections continued to be strong, normalisation is expected given historical book growth.

FNB HOMELOANS VINTAGE ANALYSIS



FNB personal loans origination strategy remains focused on increased penetration into the main-banked base with customer experience as a focal point. The 12-month vintage increase towards year-end is due to seasonality as well as pressure in collections in the last quarter of 2019. As part of the continuous risk management, mitigation actions were implemented during late 2018 and 2019 resulting in an improvement in the overall quality of new business as well as the performance of the three- and six-month tranches. The overall performance remains within internal thresholds and are aligned to the underwriting strategy changes implemented during 2018.

FNB PERSONAL LOANS VINTAGE ANALYSIS



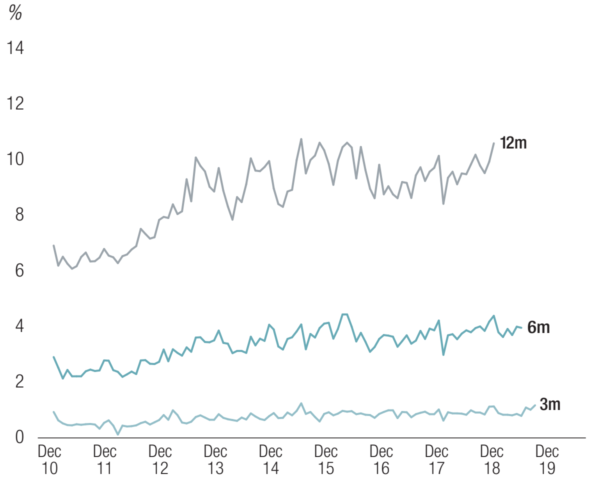
Note: Personal loans vintage has been restated to normalise for "take a break" (in January customers do not need to make a payment). The vintage points were therefore restated to accommodate fewer payments due when the period includes a "take a break" month.

Credit continued

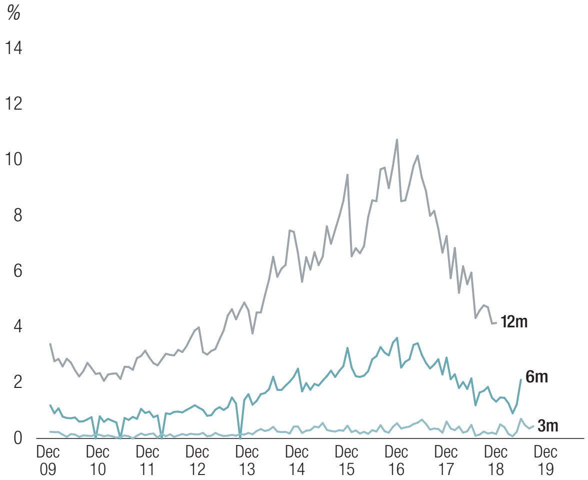
Despite increased volatility in performance, on an annualised basis, DirectAxis loans vintages have continued to perform in line with TTC expectations since December 2013, while the business continued to see growth in disbursements. This is due to active credit origination management within the portfolio and the deliberate strategy of targeting lower-risk customers through direct marketing campaigns.

Retail SA VAF experienced an increase in the volume of customers with balloons reaching the end of term during 2019 and requesting to refinance the balloon. Refinancing balloons is a time-consuming and operationally intensive process and in several instances the refinance was only concluded after the balloon due date. Due to the strict curing definition, these refinanced balloons are treated as NPLs, leading to a significant increase in the six-month vintages. These defaults are technical in nature and the business is currently investigating streamlining the process.

DIRECTAXIS LOANS VINTAGE ANALYSIS

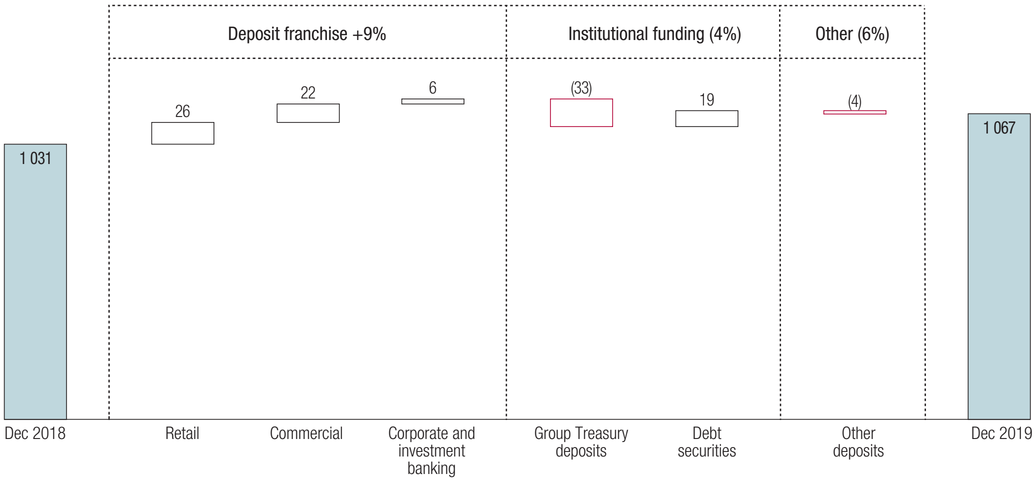


WESBANK RETAIL VAF VINTAGE ANALYSIS



Deposits – up 4%

FUNDING PORTFOLIO GROWTH BY SEGMENT
R billion



KEY DRIVERS

- FNB's deposits increased 10%:
  - retail deposits grew 11% supported by ongoing new customer acquisition and money management engagements with customers to simplify savings outcomes; and
  - commercial deposits increased 10% driven by proactive client engagement and digitisation.
- RMB CIB has seen growth in its deposit base driven by operational deposits from an increase in the existing client base.
- Institutional funding declined and was driven by:
  - a decrease in the demand for fixed deposits and negotiable certificates of deposit (NCDs) from institutional investors and redemptions of foreign currency funding, which was partly offset by
  - an increase in debt securities, attributable to taps of existing senior bonds, and issuances of new bonds and floating rate notes (FRNs) to meet the bank's liquidity requirements.
- The overall reduction in other deposits was due to reduced client demand for repurchase agreements, partly offset by an increase in cash collateral received.

Funding and liquidity

The group aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits. The group's objective is to maintain and enhance its deposit market share by appropriately pricing for deposits and rewarding depositors, thus creating a natural liquidity buffer. As a consequence of the liquidity risk introduced by its business activities, the group aims to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The group continues to offer innovative and competitive products to further grow its deposit franchise whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the group.

FUNDING MANAGEMENT

South Africa is characterised by a low discretionary savings rate and a higher degree of contractual savings captured by institutions (pension funds, provident funds and asset managers). A portion of these contractual savings translates into banks' institutional funding which has higher liquidity risk than funding raised through banks' deposit franchises. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. This risk is, however, to some extent mitigated by the following:

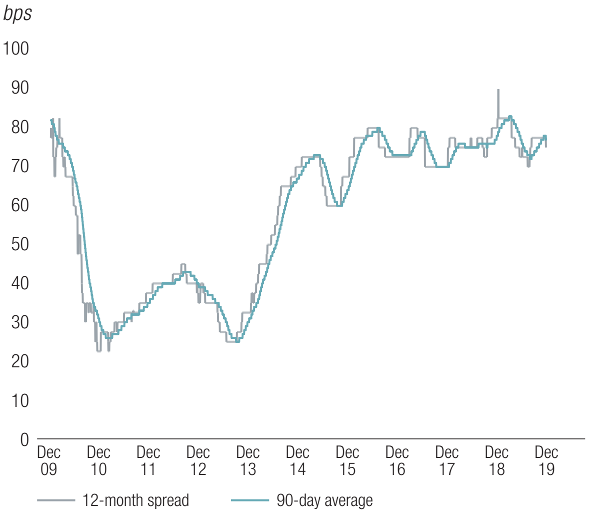
- concentration of customer current accounts with the large South African banks;
- South Africa's closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- prudential exchange control framework; and
- low dependency of South African banks on foreign currency funding.

Considering the structural features of the South African market described above, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, which also enables it to meet Basel III liquidity requirements. Consequently, the group aims to fund the balance sheet in an efficient manner, as set out in its asset and liability management framework, in consideration of regulatory and rating agency requirements.

In line with the South African banking industry, the bank raises a large amount of funding from the institutional market. To maximise efficiency and flexibility in accessing institutional funding opportunities, both domestic and international debt programmes have been established. The bank's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This strategy enables the bank to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

The following graph is indicative of the market cost of institutional funding, measured as the spread paid on the bank's 12-month funding instruments. Short-dated funding costs continue to remain elevated, compared to the peak of 87.5 bps reached during the global financial crisis in 2009.

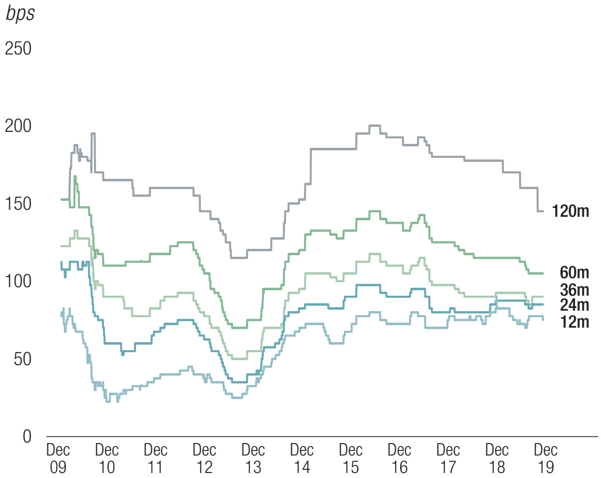
12-MONTH MID-MARKET FUNDING SPREAD



Sources: Bloomberg (RMBP screen) and Reuters.

The following graph illustrates that longer-dated funding spreads remain elevated from a historical perspective. Since 2016, however, funding spreads for maturities greater than five years have starting trending downwards.

LONG-TERM FUNDING SPREADS



Sources: Bloomberg (RMBP screen) and Reuters.

The additional liquidity required by banks due to money supply constraints introduced by the liquidity coverage ratio (LCR), and the central bank's open market operations without a commensurate increase in savings flows, have ultimately resulted in structurally higher funding costs for the industry overall.

Funding measurement and activity

FirstRand Bank remains the primary debt-issuing entity in the group and generates a greater proportion of its funding from deposits in comparison to the South African industry aggregate. Its funding profile also reflects the structural features described previously.

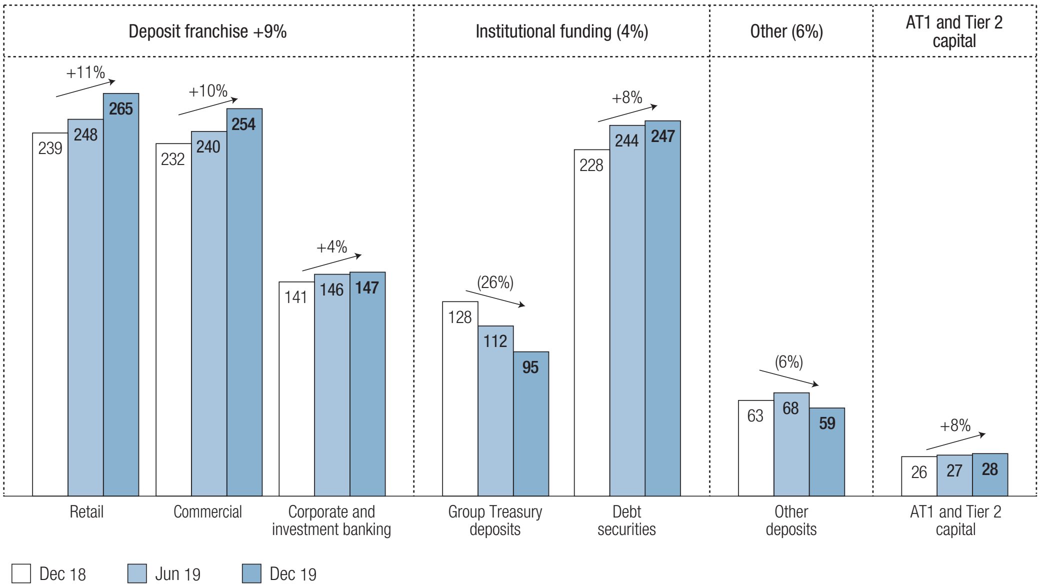
The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise is the most efficient and stable source of funding, representing 61% of total bank funding liabilities at December 2019 (December 2018: 58%).

The primary focus remains on growing the bank's deposit franchise across all market segments, with continued emphasis on savings and investment products. The bank continues to develop and refine its product offering to attract a greater proportion of available liquidity with improved risk-adjusted pricing for source and behaviour. In addition to customer deposits, the bank accesses the domestic money markets daily and the capital markets from time to time. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis, with strong support from domestic and international investors.

Funding and liquidity continued

The following graph provides a segmental analysis of the bank's funding base.

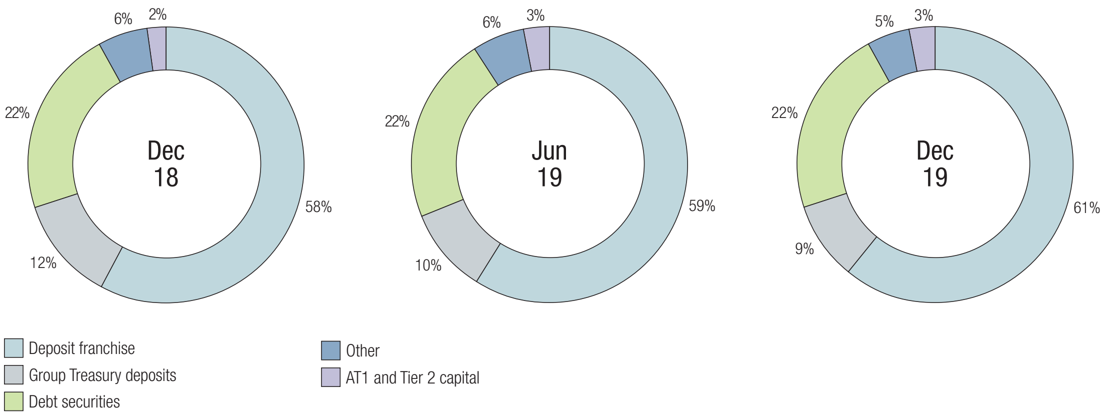
FUNDING PORTFOLIO GROWTH
R billion



Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

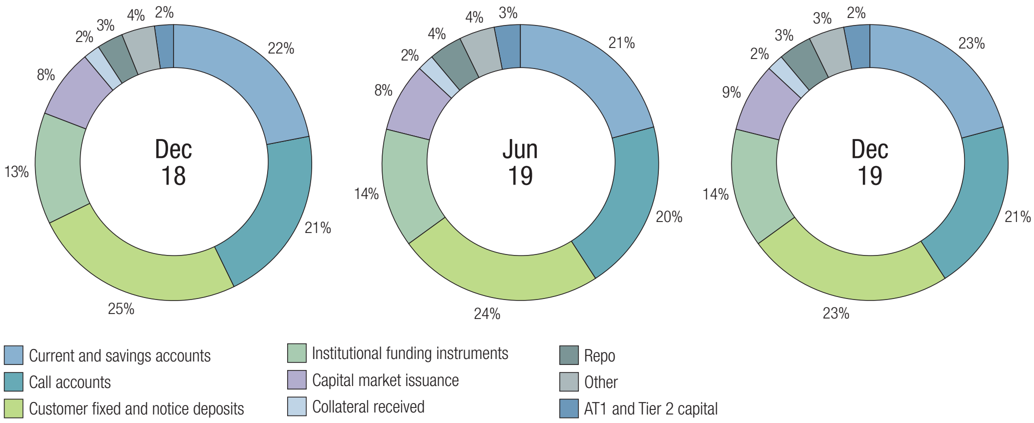
The graphs below show that the bank's funding mix has remained relatively stable over the last year.

FUNDING MIX



The following graph illustrates the bank's funding instruments by type.

FUNDING BY INSTRUMENT TYPE



The bank's strategy to grow its deposit and transactional banking franchise naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's transactional and savings requirements, when viewed in aggregate, overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

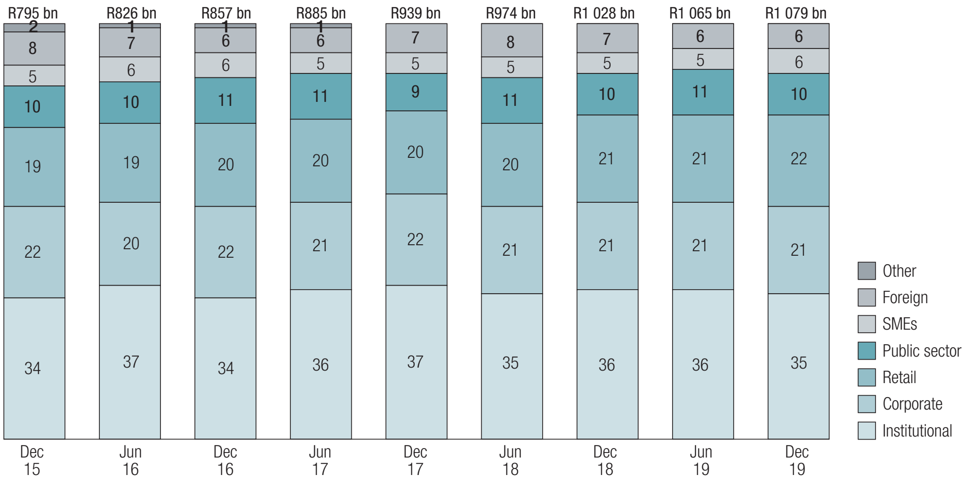
The table below provides an analysis of the bank's (excluding foreign branches) funding sources by counterparty type.

	As at 31 December					As at 30 June
	2019				2018	2019
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**	Total	Total
Institutional funding	**35.2**	**9.9**	**6.4**	**18.9**	36.5	36.1
Deposit franchise	**64.8**	**51.1**	**8.4**	**5.3**	63.5	63.9
Corporate	**21.1**	**18.2**	**2.1**	**0.8**	20.6	20.3
Retail	**21.6**	**17.0**	**3.2**	**1.4**	20.5	20.8
SMEs	**5.5**	**4.5**	**0.7**	**0.3**	5.1	5.3
Governments and parastatals	**10.2**	**8.4**	**1.2**	**0.6**	9.8	11.1
Foreign	**6.3**	**2.9**	**1.2**	**2.2**	7.4	6.3
Other	**0.1**	**0.1**	**–**	**–**	0.1	0.1
Total	**100.0**	**61.0**	**14.8**	**24.2**	100.0	100.0

Funding and liquidity continued

FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*

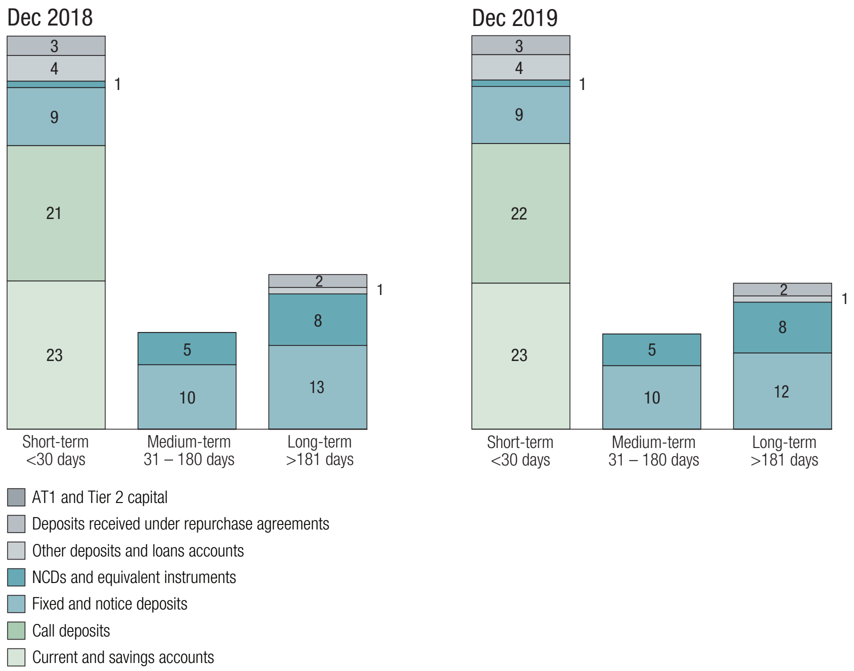
%



* *Excludes foreign branches.*

FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM

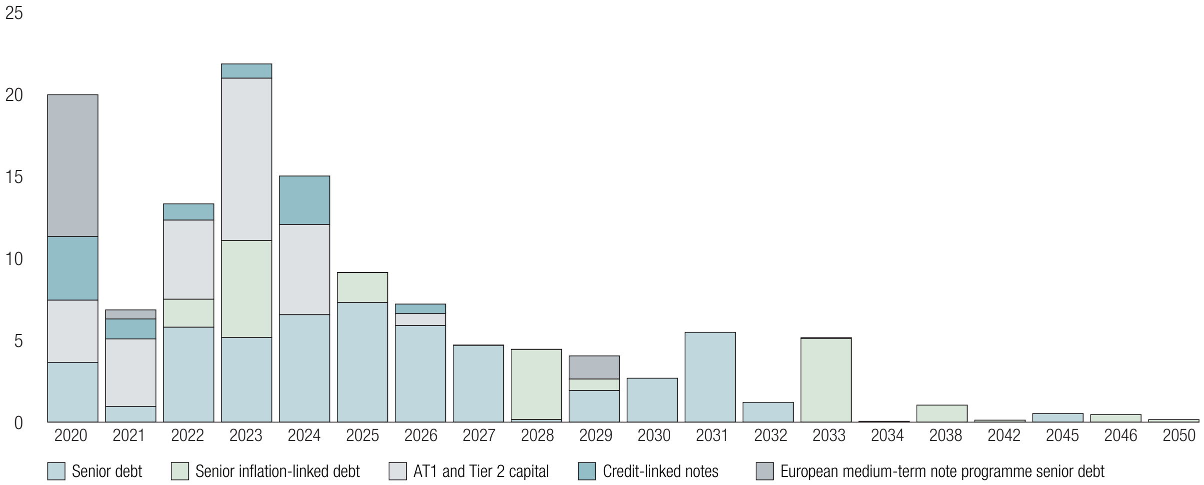
%



The maturity profile of the bank's capital market instruments is depicted in the following chart. The bank does not have significant instrument-specific concentration risk in any one year and seeks to efficiently issue across the maturity spectrum, taking pricing and investor demand into consideration.

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF FIRSTRAND BANK*

R billion



* *Includes foreign branches.*

Funds transfer pricing

The group operates a funds transfer pricing framework which incorporates liquidity costs and benefits as well as regulatory friction costs into product pricing and performance measurement for all on- and off-balance sheet activities. Where fixed-rate commitments are undertaken (fixed-rate loans or fixed-rate deposits), transfer pricing also includes the relevant hedges to immunise business against interest rate risk. Businesses are effectively incentivised to:

- enhance and preserve funding stability;
- ensure that asset pricing is aligned to liquidity risk appetite;
- reward liabilities in accordance with behavioural characteristics and maturity profile; and
- manage contingencies with respect to potential funding drawdowns.

FOREIGN CURRENCY BALANCE SHEET

The active management of foreign currency liquidity risk remains a focus given the group's operations in the UK and rest of Africa.

MotoNovo

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform. New business is funded via a combination of on-balance sheet deposits, institutional and structured funding.

MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. This book is being run down. The foreign currency funding capacity currently allocated to the MotoNovo back book can ultimately be redeployed into the group's other growth strategies as required.

Funding and liquidity continued

Risk management approach

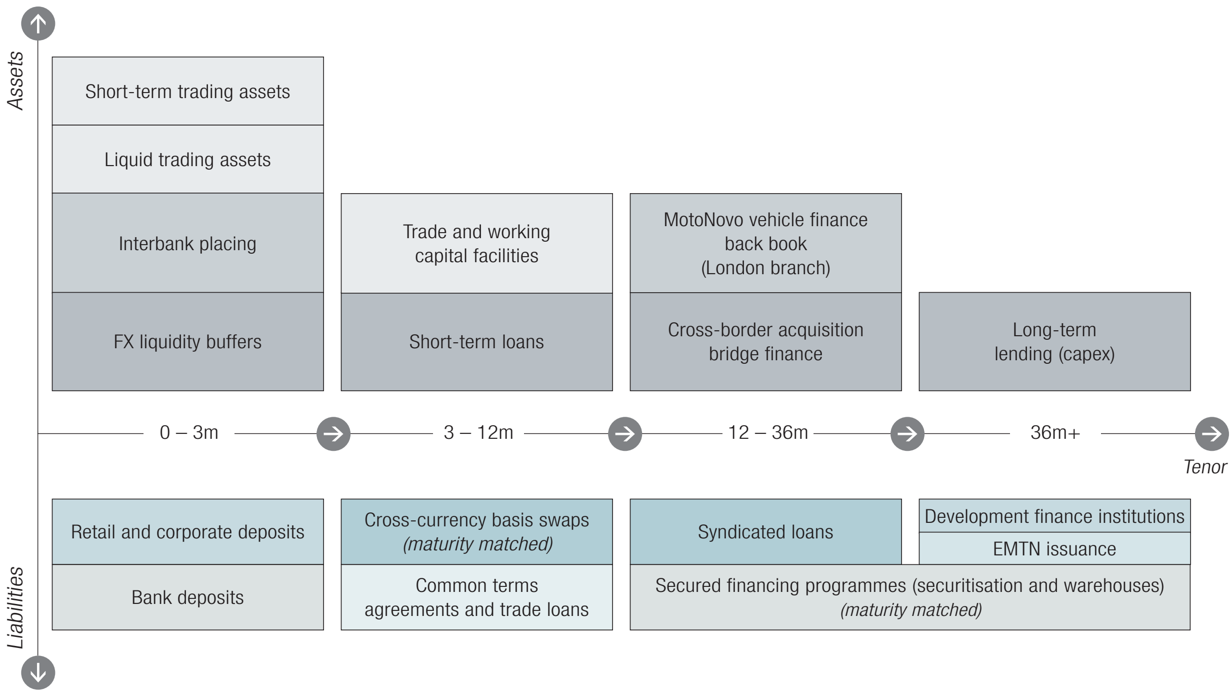
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 6/2010*, issued by the SARB. From a risk management perspective, the group utilises its own foreign currency balance sheet measures based on its economic risk assessment and has set internal limits below those allowed by the macro-prudential limits framework. This limit applies to the group's exposure to branches, foreign currency assets and guarantees.

FirstRand's foreign currency activities, specifically lending and trade finance, have steadily increased over the past few years. It is, therefore, important to have a sound framework for the assessment and management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing.

Philosophy on foreign currency external debt

The key determinants of an institution's ability to fund and refinance foreign currency exposures is sovereign risk and its associated external financing requirement. The group's framework for the management of external debt considers sources of sovereign risk, foreign currency funding capacity, and the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the group considers the external debt of all South African entities (private and public sector, and financial institutions), as all these entities utilise the South African system's capacity, namely confidence and export receipts. The group thus employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than that allowed by regulations.

GRAPHICAL REPRESENTATION OF THE BANK'S FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK POSITION

The following table provides details on the bank's available sources of liquidity.

COMPOSITION OF LIQUID ASSETS*

	As at 31 December	
R billion	**2019**	2018
Cash and deposits with central banks	**33**	32
Government bonds and bills	**160**	126
Other liquid assets	**57**	42
Total liquid assets	**250**	200

* *Includes foreign branches.*

Liquidity buffers are actively managed via the group's pool of high-quality liquid assets that are available as protection against unexpected liquidity stress events or market disruptions, and to facilitate the changing liquidity needs of the operating businesses. The composition and quantum of available liquid resources are defined behaviourally, considering both the funding liquidity-at-risk and the market liquidity depth of these resources. In addition, overlays above liquidity requirements are determined based on stress testing and scenario analysis of cash inflows and outflows.

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The portfolio of high-quality liquid assets is continuously assessed to ensure optimal composition, cost and quantum.

Liquidity ratios for the bank at December 2019 are summarised below.

%	LCR*	NSFR*
Regulatory minimum**	100	100
Actual	166	117

* *The LCR is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2019 for FirstRand Bank South Africa. The bank's LCR and NSFR reflect South African operations only.*

** *On 1 January 2019, the LCR requirement stepped up to the end-state minimum of 100% from 90%.*

Funding from institutional clients is a significant contributor to the bank's net cash outflows as measured under the LCR. Other significant contributors to cash outflows are corporate funding and off-balance sheet facilities granted to clients. The bank continues to execute on strategies to increase funding sourced through its deposit franchise and reduce reliance on institutional funding sources, as well as offer facilities more efficiently.

Capital

The group actively manages capital aligned to its strategy, risk appetite and profile. The optimal level and composition of capital is determined after taking the following into account:

- prudential requirements, including any prescribed buffer;
- rating agencies' considerations;
- investor expectations;
- peer comparison;
- strategic and organic growth plans;
- economic and regulatory capital requirements;
- proposed regulatory, tax and accounting changes;
- macro environment and stress test impacts; and
- issuance of capital instruments.

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which include expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FRB actively manages its capital stack to ensure a more efficient capital structure, which is closely aligned with the bank's internal targets.

The bank continues to focus on economic capital (EC) to ensure it remains solvent at a specified confidence level of 99.93% and that it can deliver on its commitment to stakeholders over a one-year time horizon. EC is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses.

PERIOD UNDER REVIEW

The bank's capital and leverage ratios at December 2019 exceeded internal targets and are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.5	9.3	11.5	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits				
FRB including foreign branches	**13.7**	**14.4**	**17.1**	**7.5**
FRB excluding foreign branches	13.5	14.2	17.1	7.1
Actual – excluding unappropriated profits				
FRB including foreign branches	12.5	13.1	15.9	6.8
FRB excluding foreign branches	11.3	12.1	15.0	6.0

* *Excludes the bank-specific capital requirements, but includes the countercyclical buffer requirement.*

During the period under review, the group revised its targets to incorporate:

- the deteriorating macros; and
- the higher minimum capital requirement following the increase in the countercyclical buffer for UK exposures.

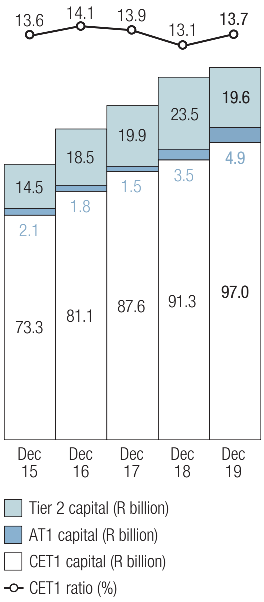
The PA has not implemented any CCyB requirement for South African exposures. However, the bank is required to calculate the CCyB requirement on private sector exposures in foreign jurisdictions where these buffers are applicable. The CCyB requirement for the bank at December 2019 was 4 bps, and mainly relates to the bank's UK exposures. The Financial Stability Committee increased the UK CCyB buffer to 2% from 1%, effective December 2020.

The capital and leverage information included in the following sections relate to FRB including foreign branches.

Capital

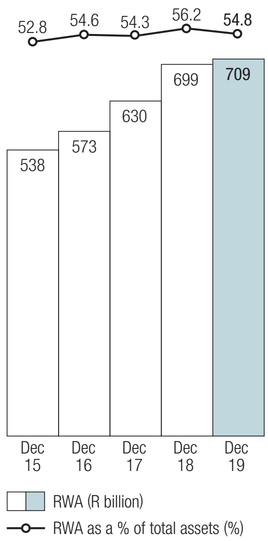
The graphs below show the historical overview of capital adequacy and RWA.

CAPITAL ADEQUACY*



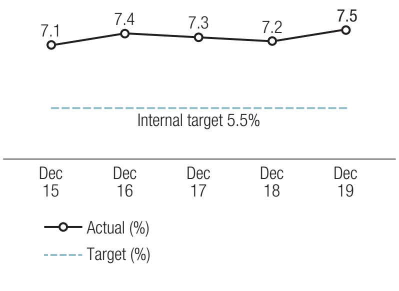
** Includes unappropriated profits.*

RWA HISTORY



LEVERAGE

LEVERAGE*



** Includes unappropriated profits.*

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios and is a function of the Tier 1 capital measure, and total on- and off-balance sheet exposures. The increase in the leverage ratio to December 2019 mainly relates to an increase in the Tier 1 capital measure.

Note: Periods prior to 1 July 2018 are reported on an IAS 39 basis and post 1 July 2018 figures are based on IFRS 9.

Capital continued

Supply of capital

The tables below summarise the bank's qualifying capital components and related movements.

COMPOSITION OF CAPITAL*

	As at 31 December		As at 30 June
R million	**2019**	2018	2019
CET1 capital	**96 976**	91 320	93 886
Tier 1 capital	**101 836**	94 785	98 006
Total qualifying capital	**121 518**	118 255	117 836

* *Includes unappropriated profits of R8.7 billion.*

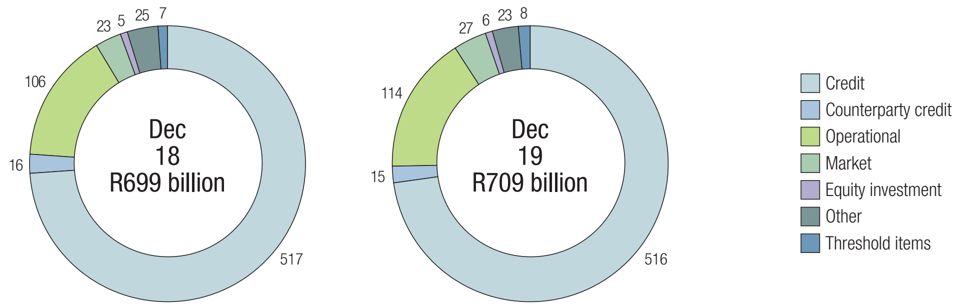
KEY DRIVERS: DECEMBER 2019 vs DECEMBER 2018

CET1	▲	> Ongoing internal capital generation through earnings, partly offset by the transitional impact of IFRS 9. > One-off realisation relating to the Discovery transaction (±R1.5 billion) included in December 2018.
AT1	▲	> AT1 issuances (R3.5 billion) in 2019, partly offset by the redemption of non-cumulative non-redeemable (NCNR) preference shares not compliant with Basel III.
Tier 2	▼	> Redemption of the $172.5 million Tier 2 instrument held by the International Finance Corporation in April 2019, and a R1.7 billion Basel III instrument during June 2019. > Issuance of FRB26 and FRB27 (R2.6 billion) to manage rollover of the Tier 2 instruments redeemed in June 2019.

Demand for capital

The charts and table below summarise the RWA movements from December 2018 to December 2019.

RWA ANALYSIS
R billion



KEY DRIVERS: DECEMBER 2019 vs DECEMBER 2018		
Credit	↓	> Reduced volumes, limited credit risk migration and exchange risk appreciation. > Transfer of dollar exposures from the bank to RMB's Mauritius platform (in FRI).
Counterparty credit	↓	> Decrease in volumes and mark-to-market movements.
Operational	↑	> Recalibration of risk scenarios and increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach. > Increase in gross income for entities on the standardised approach.
Market	↑	> Volumes, mark-to-market movements, as well as model recalibrations.
Other assets	↓	> Decrease in other assets, partly offset by an increase in property, plant and equipment mainly related to the implementation of IFRS 16.
Threshold items	↑	> Increase in investments in financial and banking entities (subject to 250% risk weighting). > Increase in deferred income tax assets due to IFRS 9.

Capital continued

Capital adequacy position for the bank and its foreign branches

The bank's registered foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. It remains the group's principle that entities must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the in-country regulatory minimum.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by branches in excess of targeted levels is returned to FRB, usually in the form of a return of profits. During the current period, no restrictions were experienced on the repayment of such profits to the bank.

The RWA and capital adequacy positions for the bank and its foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FRB AND ITS FOREIGN BRANCHES

	As at 31 December				As at 30 June
	2019			2018	2019
	RWA* R million	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)					
FirstRand Bank**,#	**708 978**	**14.4**	**17.1**	16.9	16.8
FirstRand Bank South Africa**	**663 454**	**14.2**	**17.1**	16.4	16.8
FirstRand Bank London	**42 614**	**12.6**	**13.3**	15.7	12.2
FirstRand Bank India	**2 856**	**23.5**	**23.8**	34.9	29.8
FirstRand Bank Guernsey†	**229**	**16.5**	**16.5**	12.7	16.7

* *RWA for entities outside of South Africa converted to rands using the closing rate at 31 December 2019.*

** *Includes unappropriated profits.*

Includes foreign branches.

† *Trading as FNB Channel Islands.*

Economic capital

EC is incorporated in the bank's internal target assessment, specifically focusing on the level of CET1 capital required to cover economic risk of the bank. A granular bottom-up calculation, incorporating correlations, concentration risk or diversification benefit attributable to the bank's aggregate portfolio, forms the basis for the risk-based capital methodology. The bank continues to enhance the use of EC by facilitating risk-based decisions, including risk-based capital allocation.

The assessment of economic risk aligns with the bank's economic capital framework that sets out the following:

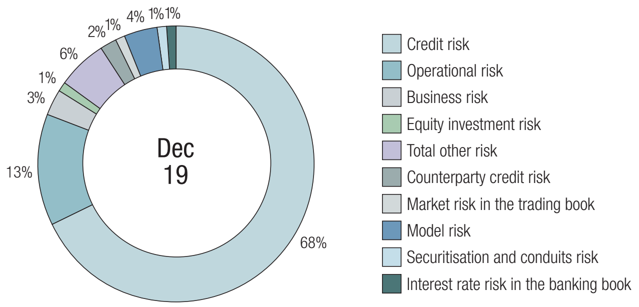
- the risk universe;
- consistent standards and measurements for each risk type, where relevant;
- continuous refinements of risk drivers, sensitivities and correlations;
- transparency and verifiable results, subject to rigorous governance processes; and
- alignment and integration with the bank's risk and capital frameworks.

Regular reviews of the economic capital position are carried out across the businesses, which enable efficient portfolio optimisation across the bank, including, but not limited to, capital resource management and portfolio behaviour. For the period under review, the bank reported an EC multiple (economic supply of capital/economic capital requirements) of 1.9 times on a post-diversification basis.

The bank's diversified EC incorporates inter-risk aggregation/diversification, while intra-risk aggregation/diversification is included within a specific risk type. Various approaches, which vary in complexity, are used in aggregating risk types.

The following graph unpacks the EC requirement per risk type (post diversification) at December 2019.

BANKS ECONOMIC CAPITAL PER RISK TYPE (POST DIVERSIFICATION)*



* *Excludes foreign branches.*

Regulatory update

BASEL III REFORMS	The PA issued *Guidance Note 6 of 2019, Proposed implementation dates in respect of specified regulatory reforms*. The impact on the bank capital position depends on the final implementation by the PA given that it may apply some national discretion. The bank continues to participate in the Basel Committee on Banking Supervision quantitative impact studies to assess and understand the impact of such reforms. The following reforms are effective 1 October 2020: > standardised approach for measuring counterparty credit risk (SA-CCR) exposures; > capital requirement for banks' exposures to central counterparties; and > capital requirements for equity exposure of investments in funds. The proposed implementation dates for the revised securitisation framework and large exposures framework is January 2021.
LCR	South African banks are required to meet an LCR requirement of 100%. To fully comply with the LCR requirement, the bank holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market. To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). *Guidance Note 5 of 2019, Continued provision of a committed liquidity facility by South African Reserve Bank to banks*, was released on 27 August 2019, and provides revised guidelines and conditions relating to the continued provision of the CLF, specifically covering the period from 1 December 2019 to 30 November 2020. The guidance note also reiterates the PA's intention to phase out the CLF, by 1 December 2021. The PA will, in consultation with banks, investigate possible alternatives to the CLF, if necessary.
RESOLUTION FRAMEWORK	The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019, which provides more clarity on the regulator's approach to further enhance financial stability in the country. The discussion paper outlines the objectives of the resolution framework, and planning and conducting a resolution with an emphasis on open-bank resolution. This is applicable to systemically important financial institutions. The discussion paper is a first draft and likely to be revised and expanded in future. Comments received on the discussion paper will assist the SARB in drafting the regulatory standards for resolution once the FSLAB is promulgated. The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are loss-absorbing financial instruments that are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open-bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity, but has not detailed how the quantum of required flac will be calculated for relevant institutions, nor the deadline for compliance. PwC, appointed by the World Bank and the SARB, has circulated a survey to analyse various aspects relevant to flac instruments. The survey is expected to be completed during the first quarter of 2020.
FINANCIAL CONGLOMERATES	The Financial Sector Regulation Act empowers the PA to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates. On 4 March 2020, the PA published draft financial conglomerate standards for a second round of informal consultation. The amendments to the standards have been based on comments received during the July 2018 consultation process, as well as developments in the regulatory approach to financial institutions. The next round of comments are due in April 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted and consulted on.

Credit ratings

The ratings of South Africa-based banks are constrained by the country's sovereign rating. This is due to the direct and indirect impact of sovereign distress on domestic banks' operations. The following tables summarise the credit ratings of the South African sovereign and FirstRand Bank Limited at 9 March 2020.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

	Outlook	Foreign currency rating	Local currency rating
S&P	Negative	BB	BB+
Moody's	Negative	Baa3	Baa3

Sources: S&P Global Ratings and Moody's Investors Service.

FIRSTRAND BANK LIMITED RATINGS

		Counterparty rating*		National scale rating		Standalone credit rating**
	Outlook	Long-term	Short-term	Long-term	Short-term	
S&P	Negative	BB	B	zaAA	zaA-1+	bbb-
Moody's	Negative	Baa3	P-3	Aaa.za	P-1.za	baa3

* *Relates to the issuer credit rating for S&P, and long-term bank deposit ratings for Moody's.*

** *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.*

Sources: S&P Global Ratings and Moody's Investors Service.

FirstRand Bank's standalone credit ratings continue to reflect its strong market position in South Africa, as well as its focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

04

ifrs information

Presentation

BASIS OF PRESENTATION

The condensed financial statements contained in this *Analysis of financial results booklet* are prepared in accordance with:

- the JSE Limited Listings Requirements;
- requirements of the Companies Act no 71 of 2018;
- framework concepts and the recognition and measurement requirements of IFRS;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; and
- as a minimum contain the information required by IAS 34.

The condensed interim report for the six months ended 31 December 2019 has not been audited or independently reviewed by the bank's external auditors.

Any forecast financial information contained herein has not been reviewed or reported on by the bank's external auditors.

ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the condensed interim financial report are in terms of IFRS and are consistent with those applied for the year ended 30 June 2019, except for the adoption of IFRS 16 that became effective in the current year.

The condensed 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.

Effective 1 July 2019, the bank adopted IFRS 16, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees which impacted the bank's accounting policies for lessees, impacting the bank's financial results as at 1 July 2019.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those leasing transactions. Under IFRS 16, the accounting treatment of leases by the lessee has changed fundamentally as it eliminates the dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases.

In addition, the bank adopted the amendment to IAS 12 relating to recognising the income tax consequences of dividends. The amendment clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity according to where the past transactions or events were recognised that gave rise to the distributable reserves from which the dividends were declared.

The other new or amended IFRS that became effective for the six months ended 31 December 2019 had no impact on the bank's reported earnings, financial position, reserves or accounting policies. For more details on the impact of adopting the new and amended standards, please refer to pages 121 to 132.

NORMALISED RESULTS

The bank 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 and described in the *Analysis of financial results for the year ended 30 June 2019*, remain unchanged.

This *pro forma* financial information, which is the responsibility of the bank'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 bank's financial position, changes in equity, and results of operations or cash flows.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Margin-related items included in fair value income

In terms of IFRS the bank is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified from NIR to NII includes the following items:

- the margin on the wholesale advances book in RMB;
- fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent to the US dollar funding and liquidity pool.

IAS 19 Remeasurement of plan assets

In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

Cash-settled share-based payments and the economic hedge

The bank entered into a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share schemes.

In terms of IFRS 9, the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR.

In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

When calculating normalised results, the bank defers the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the bank.

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.

Headline earnings adjustments

All adjustments required by *Circular 01/2019 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 117.

Condensed income statement – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Net interest income before impairment of advances	**23 877**	24 236**	(1)	47 470
Impairment and fair value of credit on advances	**(4 889)**	(4 118)	19	(8 460)
– Impairment on amortised cost advances	**(4 891)**	(4 122)	19	(8 425)
– Fair value of credit on advances	**2**	4	(50)	(35)
Net interest income after impairment of advances	**18 988**	20 118	(6)	39 010
Non-interest revenue*	**17 718**	17 996	(2)	35 812
– Net fee and commission income	**13 480**	13 033	3	25 716
– Fee and commission income	**16 239**	15 739**	3	30 960
– Fee and commission expense	**(2 759)**	(2 706)**	2	(5 244)**
– Insurance income	**215**	273**	(21)	560
– Fair value gains or losses	**1 564**	935	67	3 214
– Fair value gains or losses	**4 166**	3 249	28	7 965
– Interest expense on fair value activities	**(2 602)**	(2 314)	12	(4 751)
– Gains less losses from investing activities	**138**	1 956	(93)	2 033
– Other non-interest revenue	**2 321**	1 799	29	4 289
Income from operations	**36 706**	38 114	(4)	74 822
Operating expenses	**(22 615)**	(21 544)**	5	(43 459)**
Income before indirect tax	**14 091**	16 570	(15)	31 363
Indirect tax	**(399)**	(572)	(30)	(829)
Profit before income tax	**13 692**	15 998	(14)	30 534
Income tax expense	**(3 114)**	(3 721)	(16)	(7 407)**
Profit for the period	**10 578**	12 277	(14)	23 127
Attributable to				
Ordinary equityholders	**10 253**	12 126	(15)	22 644
Other equity instrument holders	**325**	151**	>100	483**
Profit for the period	**10 578**	12 277	(14)	23 127

* *Non-interest revenue on the face of the income statement has been expanded to show more granular information to align with industry practice. The following line items, previously included in the notes to the annual financial statements, are now included on the face of the income statement: fee and commission income and fee and commission expense, insurance income, fair value gains or losses and the related interest expense on fair value activities, gains less losses from investing activities and other non-interest revenue. The additional information is also presented for the comparative year. Management believes the additional information provides more relevant information given the differing nature of the line items.*

** *Restated following the adoption of IAS 12 amendments, the reclassification of coupon payments of AT1 instruments, reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 121 to 132.*

Condensed statement of other comprehensive income – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Profit for the period	**10 578**	12 277*	(14)	23 127*
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(264)**	77	(>100)	498
(Losses)/gains arising during the period	**(160)**	566	(>100)	943
Reclassification adjustments for amounts included in profit or loss	**(206)**	(459)	(55)	(251)
Deferred income tax	**102**	(30)	(>100)	(194)
FVOCI debt reserve	**(11)**	5	(>100)	7
(Losses)/gains arising during the period	**(15)**	8	(>100)	11
Reclassification adjustments for amounts included in profit or loss	**–**	(1)	(100)	(1)
Deferred income tax	**4**	(2)	(>100)	(3)
Exchange differences on translating foreign operations	**(34)**	149	(>100)	42
(Losses)/gains arising during the period	**(30)**	149	(>100)	58
Deferred income tax	**(4)**	–	–	(16)
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**1**	–	–	1
Gains arising during the period	**1**	–	–	1
Remeasurements on defined benefit post-employment plans	**(37)**	(34)	9	(201)
Losses arising during the period	**(51)**	(47)	9	(279)
Deferred income tax	**14**	13	8	78
Other comprehensive (loss)/income for the period	**(345)**	197	(>100)	347
Total comprehensive income for the period	**10 233**	12 474	(18)	23 474
Attributable to				
Ordinary equityholders	**9 908**	12 323	(20)	22 991
Other equity instrument holders	**325**	151*	>100	483*
Total comprehensive income for the period	**10 233**	12 474	(18)	23 474

* *Restated for coupon payments on AT1 instruments and the adoption of IAS 12 amendments. Refer to pages 121 to 132.*

Condensed statement of financial position – IFRS

R million	As at 31 December 2019	As at 31 December 2018	As at 30 June 2019
ASSETS			
Cash and cash equivalents	**76 894**	59 311	77 887
Derivative financial instruments	**46 453**	33 778	43 181
Commodities	**19 369**	17 815	21 176
Investment securities	**192 548**	167 823	176 942
Advances	**878 525**	886 983	894 543
– Advances to customers	**816 019**	825 218	831 097
– Marketable advances	**62 506**	61 765	63 446
Accounts receivable	**5 428**	7 569	4 963
Current tax asset	**127**	797	–
Amounts due by holding company and fellow subsidiaries	**52 744**	51 001	53 027
Investments in associates	**66**	66	66
Property and equipment*	**18 117**	15 406	15 352
Intangible assets	**677**	463	636
Deferred income tax asset	**3 273**	2 571	3 631
Total assets	**1 294 221**	1 243 583	1 291 404
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**3 372**	6 042	5 355
Derivative financial instruments	**50 823**	40 652	48 053
Creditors, accruals and provisions	**13 405**	14 186**	16 035
Current tax liability	**59**	114	1 043
Deposits	**1 067 160**	1 030 827	1 058 439
Employee liabilities	**8 303**	8 018	11 517
Other liabilities*	**5 108**	3 279	3 322
Amounts due to holding company and fellow subsidiaries	**20 612**	20 436	25 784
Tier 2 liabilities	**22 331**	23 965**	22 428
Total liabilities	**1 191 173**	1 147 519	1 191 976
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**80 514**	73 991	77 655
Capital and reserves attributable to ordinary equityholders	**97 322**	90 799	94 463
Other equity instruments	**5 726**	5 265**	4 965
Total equity	**103 048**	96 064	99 428
Total equity and liabilities	**1 294 221**	1 243 583	1 291 404

* *The bank has elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information is prepared on an IAS 17 basis. Refer to pages 121 to 132 for more details.*

** *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments. Refer to pages 121 to 132.*

Condensed statement of cash flows – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	Year ended 30 June 2019
Cash flows from operating activities			
Interest and fee commission receipts	**65 629**	63 147	128 388
Trading and other income	**2 140**	1 686	4 302
Interest payments	**(27 032)**	(29 270)*	(52 649)
Other operating expenses	**(19 375)**	(18 317)	(35 082)
Dividends received	**266**	326	640
Dividends paid	**(7 374)**	(5 754)	(13 070)
Taxation paid	**(4 442)**	(3 768)	(8 018)
Cash generated from operating activities	**9 812**	8 050	24 511
Movements in operating assets and liabilities	**(8 752)**	(18 582)	(13 240)
Liquid assets and trading securities	**(14 851)**	(8 038)	(16 183)
Advances	**10 526**	(47 536)	(64 534)
Deposits	**9 041**	51 266	79 911
Movement in accounts receivable and creditors	**(2 296)**	(1 187)	2 676
Employee liabilities	**(5 628)**	(4 819)	(4 962)
Other operating liabilities	**(5 544)**	(8 268)	(10 148)
Net cash generated from operating activities	**1 060**	(10 532)	11 271
Cash flows from investing activities			
Acquisition of property and equipment	**(3 221)**	(1 668)	(3 271)
Proceeds on disposal of property and equipment	**385**	484	840
Acquisition of intangible assets	**(122)**	(132)	(447)
Net cash outflow from investing activities	**(2 958)**	(1 316)	(2 878)
Cash flows from financing activities			
Proceeds on the issue of other liabilities	**3 125**	830	936
Redemption of other liabilities	**(2 979)**	(63)	(73)
Proceeds from issue of Tier 2 liabilities	**–**	–	2 625
Capital repaid on Tier 2 liabilities	**–**	(3 423)	(7 488)
Proceeds from issue of AT1 equity instruments	**761**	2 265	1 965
Net cash inflow/(outflow) from financing activities	**907**	(391)	(2 035)
Net increase in cash and cash equivalents	**(991)**	(12 239)	6 358
Cash and cash equivalents at the beginning of the period	**77 887**	71 511	71 511
Effect of exchange rate changes on cash and cash equivalents	**(2)**	39	18
Cash and cash equivalents at the end of the period	**76 894**	59 311	77 887
Mandatory reserve balances included above**	**26 041**	24 234	25 559

* *Interest payments relating to Tier 2 liabilities (R510 million) and other liabilities (-R3 483 million) have been reclassified from financing activities and included in interest payments under cash generated from operating activities to align with how the bank is classifying interest payments in the cash flow statement.*

** *Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is available for use by the bank subject to certain restrictions and limitations levelled by the central banks within the countries of operation. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.*

Condensed statement of changes in equity – IFRS

for the six months ended 31 December 2019

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2018	4	16 804	**16 808**	(714)	343
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
AT1 capital issued during the period	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(34)	77
Balance as at 31 December 2018	4	16 804	**16 808**	(748)	420
Balance as at 1 July 2019	4	16 804	**16 808**	(915)	841
Adjustment for adoption of IFRS 16	–	–	**–**	–	–
Restated balance as at 1 July 2019	4	16 804	**16 808**	(915)	841
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
AT1 capital issued during the period	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(37)	(264)
Balance as at 31 December 2019	4	16 804	**16 808**	(952)	577

* *Other reserves include FVOCI reserve.*

** *Other equity instruments at 31 December 2019 include R5 726 million AT1 instruments and Rnil preference shares. NCNR preference shares were reflected separately at 30 June 2018 and were redeemed during the year ended 30 June 2019.*

Restated following the reclassification of AT1 instruments and the coupon payments on these instruments, and the adoption of IAS 12 amendments. Refer to pages 121 to 132.

Ordinary share capital and ordinary equityholders' funds					
Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equityholders**	**Other equity instruments****	**Total equity**
731	1 405	65 544	**67 309**	**3 000**	**87 117**
–	–	(5 641)	**(5 641)**	**–**	**(5 641)**
–	–	–	**–**	**(151)#**	**(151)**
–	–	–	**–**	**2 265#**	**2 265**
149	5	12 126	**12 323**	**151#**	**12 474**
880	1 410	72 029	**73 991**	**5 265**	**96 064**
773	1 413	75 543	**77 655**	**4 965**	**99 428**
–	–	–	**–**	**–**	**–**
773	1 413	75 543	**77 655**	**4 965**	**99 428**
–	–	(7 049)	**(7 049)**	**–**	**(7 049)**
–	–	–	**–**	**(325)**	**(325)**
–	–	–	**–**	**761**	**761**
(34)	(10)	10 253	**9 908**	**325**	**10 233**
739	1 403	78 747	**80 514**	**5 726**	**103 048**

Statement of headline earnings – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Profit for the period (refer to page 110)	**10 578**	12 277	(14)	23 127
Other equity instrument holders	**(325)**	(151)	>100	(483)
Earnings attributable to ordinary equityholders	**10 253**	12 126	(15)	22 644
Adjusted for	**6**	(1 544)	(>100)	(1 475)
Gain on investment activities of a capital nature	**–**	(1 928)*	(100)	(1 928)*
Loss/(gain) on the disposal of property and equipment	**8**	(66)	(>100)	(53)
Impairment of intangible assets	**–**	–	–	63
Impairment of assets in terms of IAS 36	**–**	–	–	19
Tax effects of adjustments	**(2)**	450*	(100)	424*
Headline earnings	**10 259**	10 582	(3)	21 169

* *Includes the impact of the gain on the Discovery transaction of c. R1.9 billion (c. R1.5 billion after tax).*

Reconciliation from headline to normalised earnings

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Headline earnings	**10 259**	10 582	(3)	21 169
Adjusted for	**30**	12	>100	(17)
TRS and IFRS 2 liability remeasurement*	**76**	64	19	80
IAS 19 adjustment	**(46)**	(52)	(12)	(97)
Normalised earnings	**10 289**	10 594	(3)	21 152

* *The bank uses a TRS with external parties to 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 decreased R5.75 and increased R1.67 in the prior period.

This results in a mark-to-market volatility period-on-period being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 109.

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2019

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	**23 924**	(91)	–	–	44	**23 877**
Impairment charge	**(4 889)**	–	–	–	–	**(4 889)**
Net interest income after impairment of advances	**19 035**	(91)	–	–	44	**18 988**
Non-interest revenue	**17 959**	91	–	(8)	(324)	**17 718**
Income from operations	**36 994**	–	–	(8)	(280)	**36 706**
Operating expenses	**(22 854)**	–	64	–	175	**(22 615)**
Income before indirect tax	**14 140**	–	64	(8)	(105)	**14 091**
Indirect tax	**(399)**	–	–	–	–	**(399)**
Profit before income tax	**13 741**	–	64	(8)	(105)	**13 692**
Income tax expense	**(3 127)**	–	(18)	2	29	**(3 114)**
Profit for the period	**10 614**	–	46	(6)	(76)	**10 578**
Attributable to						
Other equity instrument holders	**(325)**	–	–	–	–	**(325)**
Ordinary equityholders	**10 289**	–	46	(6)	(76)	**10 253**
Headline and normalised earnings adjustments	**–**	–	(46)	6	76	**36**
Normalised earnings attributable to ordinary equityholders of the bank	**10 289**	–	–	–	–	**10 289**

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2018

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	23 376	822	–	–	38	24 236
Impairment charge	(4 118)	–	–	–	–	(4 118)
Net interest income after impairment of advances	19 258	822	–	–	38	20 118
Non-interest revenue	16 920	(822)	–	1 994	(96)	17 996
Income from operations	36 178	–	–	1 994	(58)	38 114
Operating expenses	(21 585)	–	72	–	(31)	(21 544)
Income before indirect tax	14 593	–	72	1 994	(89)	16 570
Indirect tax	(572)	–	–	–	–	(572)
Profit before income tax	14 021	–	72	1 994	(89)	15 998
Income tax expense	(3 276)	–	(20)	(450)	25	(3 721)
Profit for the period	10 745	–	52	1 544	(64)	12 277
Attributable to						
Other equity instrument holders	(151)	–	–	–	–	(151)
Ordinary equityholders	10 594	–	52	1 544	(64)	12 126
Headline and normalised earnings adjustments	–	–	(52)	(1 544)	64	(1 532)
Normalised earnings attributable to ordinary equityholders of the bank	10 594	–	–	–	–	10 594

Reconciliation of normalised to IFRS condensed income statement

for the year ended 30 June 2019

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	46 935	454	–	–	81	47 470
Impairment charge	(8 460)	–	–	–	–	(8 460)
Net interest income after impairment of advances	38 475	454	–	–	81	39 010
Non-interest revenue	34 441	(454)	–	1 981	(156)	35 812
Income from operations	72 916	–	–	1 981	(75)	74 822
Operating expenses	(43 475)	–	135	(82)	(37)	(43 459)
Income before indirect tax	29 441	–	135	1 899	(112)	31 363
Indirect tax	(829)	–	–	–	–	(829)
Profit before income tax	28 612	–	135	1 899	(112)	30 534
Income tax expense	(6 977)	–	(38)	(424)	32	(7 407)
Profit for the year	21 635	–	97	1 475	(80)	23 127
Attributable to						
Other equity instrument holders	(483)	–	–	–	–	(483)
Ordinary equityholders	21 152	–	97	1 475	(80)	22 644
Headline and normalised earnings adjustments	–	–	(97)	(1 475)	80	(1 492)
Normalised earnings attributable to ordinary equityholders of the bank	21 152	–	–	–	–	21 152

Restatement and changes in presentation of prior year numbers

IMPACT OF REVISED ACCOUNTING STANDARDS – IFRS 16

The bank adopted IFRS 16 during the current period, with the most significant impact on the accounting treatment of leases where the bank is the lessee. The standard requires lessees to recognise a right-of use asset (ROUA) and corresponding lease liability in respect of all leases that were classified as operating leases under IAS 17. The standard does allow for certain exemptions from this treatment for short-term leases and leases where the underlying asset is considered to be of low value.

As permitted by IFRS 16, the bank did not restate comparative information and elected to apply the modified retrospective approach on the date of initial application (DIA), being 1 July 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA, was recognised. The bank elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made, as well as any operating lease liabilities from the straight-lining of lease liabilities that were raised under IAS 17.

The table below reconciles the operating lease commitments recognised under IAS 17 to the lease liabilities recognised on the statement of financial position as at 1 July 2019.

R million	Note	Amount
Operating lease commitments disclosed as at 30 June 2019 under IAS 17	1	2 120
Less: short term leases	2	(357)
Less: low-value leases	3	(45)
Less: variable rate leases (payments not based on a rate or index)	4	(43)
Add: adjusted for treatment of extension and termination options	5	333
Total qualifying operating leases subject to IFRS 16		2 008
Less: discounted using the bank's incremental borrowing rate	6	(377)
Additional lease liability recognised as at 1 July 2019 (included in other liabilities)		1 631

The table below sets out a breakdown of the total amount of ROUA recognised as at 1 July 2019.

R million	Note	Amount
ROUA recognised on DIA (equal to the present value of lease liability)		1 631
Add: prepayments	7	4
Less: operating lease straight-lining liability	7	(93)
ROUA recognised after adjustments		1 542
Add: property held under finance leases under IAS 17	9	868
Total ROUA as at 1 July 2019 (included in PPE)		2 410

The ROUA is classified for as property and equipment. The recognition of additional assets of R1 542 million on the statement of financial position, leads to additional capital requirements and resulted in a decrease of 3 bps in the CET1 ratio of the bank.

The recognition of the lease liability and ROUA impacted the amounts recognised in the bank's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From the DIA, the following amounts will be recognised in the income statement under IFRS 16:

- interest expense on the lease liability;
- depreciation charge on the ROUA recognised over the lease term; and
- rental charge recognised in operating expenses for variable rate leases and assets classified as short-term or low-value in terms of the bank's policy.

The adoption of IFRS 16 had no impact on the amount of the net deferred tax recognised.

Restatement and changes in presentation of prior year numbers continued

Notes

NOTE	ADJUSTMENT	DESCRIPTION OF FIRSTRAND POLICY
1	Operating lease commitments under IAS 17	The bank applied the practical expedient in IFRS 16 C3 and did not reassess the definition of a lease in its current lease contracts, but applied the requirements of IFRS 16 to all leases recognised as operating leases under IAS 17.
2	Short-term leases	IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The bank applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition. The bank defines short-term leases as any lease that has a term of 12 months or less and where the terms of the lease contain: > no extension periods that the bank is reasonably certain to exercise which would result in the lease term being longer than 12 months; and > no purchase option.
3	Low-value leases	IFRS 16 provides an exemption for leases of assets that are low-value in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied on an asset-by-asset basis and is at the election of the lessee. This exemption has been applied to all classes of leases, excluding property, at DIA and to new leases entered into after the DIA that meet the bank's definition of a low-value lease.
4	Variable rate leases (payments not based on a rate or index)	Under IAS 17, certain variable lease payments were included in the value of operating lease commitments disclosed in the annual financial statements. Under IFRS 16 variable lease payments that are not linked to a rate or an index are not capitalised and are expensed when incurred.
5	Extension and termination options	The bank's policy is to include extension and termination options for certain property leases where there is a reasonably certain expectation that the lease will be renewed. As such the value of these extension and termination options are taken into consideration in the determination of the lease liability. In assessing whether it is reasonably certain that the option will be exercised, past practices observed for similar types of leases and the economic reasons for electing those options are used to conclude whether it is reasonably certain that the option will be exercised or not.
6	Discounting using the group's incremental borrowing rate	IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The bank used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics. The range of incremental borrowing rates is indicative of: > duration of the lease; > credit risk of the business that is the lessee; and > currency of the lease for the subsidiaries and branches outside of South Africa. The range of incremental borrowing rates can be broken down as follows based on the currency of the lease: Currency: Range Rand: 7.87% – 8.62% Pound: 2.13% – 2.89% US dollar: 4.44% – 4.46%
7	Prepayments and operating lease straight-lining liability	The bank adjusted the lease prepayments and operating lease liabilities from the straight-lining of lease liabilities that were raised under IAS 17 against the ROUA recognised on the DIA.
8	Property held under finance leases under IAS 17	The bank had property held under finance leases that was included in PPE within the leasehold premises category. No lease liabilities relating to the finance lease was recognised as the lease was prepaid. At transition to IFRS 16, the measurement was retained and the property held under finance lease was reclassified to ROUA.

Refer to page 132 for an extract of the updated accounting policies that resulted from the implementation of IFRS 16.

IMPACT OF REVISED ACCOUNTING STANDARDS – IAS 12

The bank also adopted the amendments that were made to IAS 12 in the current financial year. The amendment clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity according to where the past transactions or events were recognised that gave rise to the distributable reserves from which the dividends were declared. Therefore, if the dividends are declared from retained income arising from profits previously recognised in the income statement, the income tax consequences of the dividend distribution should be recognised in the income statement. The amendment to IAS 12 is required to be applied retrospectively and comparative information has been restated.

The amendment affects the recognition of the income tax deduction on the bank's AT1 instruments included within other equity instruments. The tax impact of the dividends on these instruments was previously recognised directly in equity and is now required to be recognised in the income statement. The amendment resulted in a restatement of income tax and profit attributable to other equityholders in the income statement, as well as the distributions on other equity instruments in the statement of changes in equity.

Dividends on the bank's AT1 instruments are payable quarterly. The bank's AT1 instruments were issued in 2018 and 2019. The implementation of the amended requirements impacted the amounts published at 30 June 2019.

Refer to page 132 for an extract of the updated accounting policies as a result of the implementation of IAS 12.

Restatement and changes in presentation of prior year numbers continued

IMPACT OF REVISED ACCOUNTING STANDARDS – OTHER

The following other new or revised standards became effective for the six months ended 31 December 2019 and had no impact on the bank's reported earnings, financial position, reserves or accounting policies.

NEW/REVISED IFRS	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND BANK
IFRS 9 amendments	**Prepayment features with negative compensation** The International Accounting Standards Board (IASB) issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected include some advances and debt securities which would otherwise be measured at fair value through profit or loss (FVTPL).	The amendment will be considered when the bank issues instruments with these characteristics.
IAS 28	**Long-term interests in associates (amendments to IAS 28)** The amendment clarifies that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture.	The bank assessed the impact of this amendment on the annual financial statements as part of the adoption of IFRS 9 and it currently complies with this amendment.
IFRIC 23	**Uncertainty over income tax treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.	The bank complies with the guidance issued by the IFRS-IC.
Annual improvements 2015 – 2017 cycle	These annual improvements include amendments to: > IFRS 3 and IFRS 11 – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. > IAS 23 – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	The amendments to IFRS 3, IFRS 11 and IAS 23 are not applicable to the bank.

RESTATEMENT OF PRIOR YEAR NUMBERS

Other equity instruments

For the financial period ending 30 June 2019, the following classes of equity were combined to form the equity class named other equity instruments on the face of the statement of financial position:

- non-cumulative non-redeemable (NCNR) preference shares; and
- AT1 capital notes.

The NCNR preference shares were disclosed as a separate class of equity on the face of the statement of financial position at 31 December 2018.

The AT1 instruments issued in November 2018 have been reclassified as equity and the coupon payments as dividends. Previously they were classified as financial liabilities and the coupon payments as NII. Contractually the redemption and coupon payments are at the discretion of the group, resulting in an equity classification in terms of IFRS, even though from an economic perspective, the group continues to view these AT1 instruments as liability in nature. The comparative information for 31 December 2018 has been restated. These instruments were reflected as other equity instruments as at 30 June 2019.

The income statement for the six months ending 31 December 2018 was adjusted for the coupon payment accrued. Since the instrument is now classified as equity and not as a financial liability, the coupon paid in February 2019 and May 2019 was recognised directly in retained earnings as dividends.

Changes in presentation

Management and fiduciary fees

The bank updated the presentation of certain management fees earned. These fees were previously presented in insurance income and were reallocated to management and fiduciary fees, within fee and commission income, to better reflect the nature of the income.

Customer loyalty programme expenses

During the current financial period the nature of various expenses incurred by FNB relating to its customer loyalty programme was reassessed. This resulted in expenses previously recognised as lease charges in operating expenses and other non-interest revenue being reallocated to fee and commission expenses. This is in line with the treatment of other direct and incremental customer loyalty related expenses.

These changes in presentation had no impact on the profit or loss and only affected the presentation of items within non-interest revenue.

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

R million	As previously reported at 31 December 2018	Restatement for other equity instruments	Restatements from insurance to management and fiduciary fees	Restatement for customer loyalty programme expenses	Restated 31 December 2018
Net interest income before impairment of advances	**24 198**	38	–	–	**24 236**
Impairment and fair value of credit on advances	**(4 118)**	–	–	–	**(4 118)**
Net interest income after impairment of advances	**20 080**	38	–	–	**20 118**
Non-interest revenue	**18 110**	–	–	(114)	**17 996**
– Net fee and commission income	**13 004**	–	143	(114)	**13 033**
– Fee and commission income	**15 596**	–	143	–	**15 739**
– Fee and commission expense	**(2 592)**	–	–	(114)	**(2 706)**
– Insurance income	**416**	–	(143)	–	**273**
– Fair value income	**935**	–	–	–	**935**
– Fair value gains or losses	**3 249**	–	–	–	**3 249**
– Interest expense on fair value activities	**(2 314)**	–	–	–	**(2 314)**
– Gains less losses from investing activities	**1 956**	–	–	–	**1 956**
– Other non-interest income	**1 799**	–	–	–	**1 799**
Income from operations	**38 190**	38	–	(114)	**38 114**
Operating expenses	**(21 658)**	–	–	114	**(21 544)**
Income before indirect tax	**16 532**	38	–	–	**16 570**
Indirect tax	**(572)**	–	–	–	**(572)**
Profit before income tax	**15 960**	38	–	–	**15 998**
Income tax expense	**(3 721)**	–	–	–	**(3 721)**
Profit for the period	**12 239**	38	–	–	**12 277**
Attributable to					
Ordinary equityholders	**12 126**	–	–	–	**12 126**
Other equity instrument holders	**113**	38	–	–	**151**
Profit for the period	**12 239**	38	–	–	**12 277**

RESTATED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS

R million	As previously reported at 31 December 2018	Restatements for IAS 12 amendments	Restated 31 December 2018
Profit for the period	**12 239**	38	**12 277**
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**77**	–	**77**
Gains arising during the period	**566**	–	**566**
Reclassification adjustments for amounts included in profit or loss	**(459)**	–	**(459)**
Deferred income tax	**(30)**	–	**(30)**
FVOCI debt reserve	**5**	–	**5**
Gains arising during the period	**8**	–	**8**
Reclassification adjustments for amounts included in profit or loss	**(1)**	–	**(1)**
Deferred income tax	**(2)**	–	**(2)**
Exchange differences on translating foreign operations	**149**	–	**149**
Gains arising during the period	**149**	–	**149**
Deferred income tax	**–**	–	**–**
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**–**	–	**–**
Gains arising during the period	**–**	–	**–**
Remeasurement on defined benefit post-employment plans	**(34)**	–	**(34)**
Losses arising during the period	**(47)**	–	**(47)**
Deferred income tax	**13**	–	**13**
Other comprehensive income for the period	**197**	–	**197**
Total comprehensive income for the period	**12 436**	38	**12 474**
Attributable to			
Ordinary equityholders	**12 323**	–	**12 323**
Other equity instrument holders	**113**	38	**151**
Total comprehensive income for the period	**12 436**	38	**12 474**

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As previously reported at 31 December 2018	Restatement for other equity instruments	Restated 31 December 2018
Total assets	1 243 583	–	1 243 583
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provisions	14 148	38	14 186
Tier 2 liabilities	26 268	(2 303)	23 965
Other liabilities	1 109 368	–	1 109 368
Total liabilities	1 149 784	(2 265)	1 147 519
Equity			
Ordinary shares	4	–	4
Share premium	16 804	–	16 804
Reserves	73 991	–	73 991
Capital and reserves attributable to equityholders	90 799	–	90 799
Other equity instruments	3 000	2 265	5 265
Contingent convertible securities	–	2 265	2 265
NCNR preference shares	3 000	–	3 000
Total equity	93 799	2 265	96 064
Total equity and liabilities	1 243 583	–	1 243 583

RESTATED CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

R million	As previously reported at 30 June 2019	Restatements for IAS 12 amendments	Restatement for customer loyalty programme expenses	Restated 30 June 2019
Net interest income before impairment of advances	**47 470**	–	–	**47 470**
Impairment and fair value of credit on advances	**(8 460)**	–	–	**(8 460)**
Net interest income after impairment of advances	**39 010**	–	–	**39 010**
Non-interest revenue	**36 052**	–	(240)	**35 812**
– Net fee and commission income	**25 956**	–	(240)	**25 716**
– Fee and commission income	**30 960**	–	–	**30 960**
– Fee and commission expense	**(5 004)**	–	(240)	**(5 244)**
– Insurance income	**560**	–	–	**560**
– Fair value income	**3 214**	–	–	**3 214**
– Fair value gains or losses	**7 965**	–	–	**7 965**
– Interest expense on fair value activities	**(4 751)**	–	–	**(4 751)**
– Gains less losses from investing activities	**2 033**	–	–	**2 033**
– Other non-interest income	**4 289**	–	–	**4 289**
Income from operations	**75 062**	–	(240)	**74 822**
Operating expenses	**(43 699)**	–	240	**(43 459)**
Income before indirect tax	**31 363**	–	–	**31 363**
Indirect tax	**(829)**	–	–	**(829)**
Profit before income tax	**30 534**	–	–	**30 534**
Income tax expense	**(7 465)**	58	–	**(7 407)**
Profit for the year	**23 069**	58	–	**23 127**
Attributable to				
Ordinary equityholders	**22 644**	–	–	**22 644**
Other equity instrument holders	**425**	58	–	**483**
Profit for the year	**23 069**	58	–	**23 127**

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS

R million	As previously reported at 30 June 2019	Restatements for IAS 12 amendments	Restated 30 June 2019
Profit for the year	23 069	58	23 127
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	–	498
Gains arising during the year	943	–	943
Reclassification adjustments for amounts included in profit or loss	(251)	–	(251)
Deferred income tax	(194)	–	(194)
FVOCI debt reserve	7	–	7
Gains arising during the year	11	–	11
Reclassification adjustments for amounts included in profit or loss	(1)	–	(1)
Deferred income tax	(3)	–	(3)
Exchange differences on translating foreign operations	42	–	42
Gains arising during the year	58	–	58
Deferred income tax	(16)	–	(16)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	1	–	1
Gains arising during the year	1	–	1
Remeasurement on defined benefit post-employment plans	(201)	–	(201)
Losses arising during the year	(279)	–	(279)
Deferred income tax	78	–	78
Other comprehensive income for the year	347	–	347
Total comprehensive income for the year	23 416	58	23 474
Attributable to			
Ordinary equityholders	22 991	–	22 991
Other equity instrument holders	425	58	483
Total comprehensive income for the year	23 416	58	23 474

The impact on the bank's financial results as at 1 July 2019 (the DIA for IFRS 16) is shown below. The amendments to IAS 12 had no impact on the statement of financial position at 30 June 2019. The income tax impact of the dividends on other equity instruments is recognised in the income statement, where previously it was recognised in reserves.

RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As previously reported at 30 June 2019	Restatement for IFRS 16	Restated 1 July 2019
ASSETS			
Accounts receivable	**4 963**	(4)	**4 959**
Property and equipment	**15 352**	1 542	**16 894**
Other assets	**1 271 089**	–	**1 271 089**
Total assets	**1 291 404**	1 538	**1 292 942**
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provisions (straight-lining liability)	**16 035**	(93)	**15 942**
Current tax liability	**1 043**	–	**1 043**
Tier 2 liabilities	**22 428**	–	**22 428**
Other liabilities	**1 152 470**	1 631	**1 154 101**
Total liabilities	**1 191 976**	1 538	**1 193 514**
Equity			
Ordinary shares	**4**	–	**4**
Share premium	**16 804**	–	**16 804**
Reserves	**77 655**	–	**77 655**
Capital and reserves attributable to ordinary equityholders	**94 463**	–	**94 463**
Other equity instruments	**4 965**	–	**4 965**
Total equity	**99 428**	–	**99 428**
Total equity and liabilities	**1 291 404**	1 538	**1 292 942**

SUMMARY ACCOUNTING POLICIES

The following is an extract from the accounting policies that were updated as a result of the implementation of IFRS 16 and the IAS 12 amendments. The IFRS 16 policies only includes the accounting policies where the bank is the lessee, as IFRS 16 did not have an impact on the accounting policies for transactions where the bank is the lessor.

Restatement and changes in presentation of prior year numbers continued

IFRS 16 – Contracts where the bank is the lessee

The bank leases a variety of properties, equipment and vehicles. Rental agreements typically include fixed periods over which the item is leased, which are individually negotiated and contain a wide range of different terms and conditions. The bank assesses whether a contract is or contains a lease at inception of the contract.

Qualifying leases are recognised as a ROUA and a corresponding liability at the date at which the leased asset is made available for use by the bank.

LEASES WHERE THE GROUP IS THE LESSEE	
At inception	The bank recognises a ROUA and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The bank considers the following as low-value assets – printers, laptops, office furniture, coffee machines, water coolers, SIM cards, POS devices and segways. This assessment is based on the fact that: > the bank can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the bank; > the underlying asset is not highly dependent on, or highly interrelated with, other assets; and > these assets have individual values that are not significant when compared to our other leased assets. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual bank lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from Group Treasury. The ROUAs are measured at the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received are deducted from the cost. Post initial recognition, ROUAs are treated in line with other property and equipment.
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. For short-term and low-value leases, the bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. The bank applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.
Variable lease payments	Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating expenses in the income statement.
Presentation	The lease liability is presented in other liabilities in the statement of financial position. The ROUAs are not presented as a separate line in the statement of financial position, but rather disclosed as ROUA in the property and equipment note.

IAS 12 – Income taxes

The current income tax expense is calculated by adjusting the net profit for the period for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the bank operates. Current income tax arising from distributions made to other equity instruments is recognised in the income statement, as the distributions are made from retained earnings arising from profits previously recognised in the income statement.

Advances

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Category analysis				
Overdrafts and cash management accounts	**72 036**	72 416	(1)	73 823
Term loans	**52 452**	47 188	11	48 218
Card loans	**35 831**	31 272	15	34 829
Instalment sales, hire purchase agreements and lease payments receivable	**129 380**	145 235	(11)	144 623
Property finance	**249 794**	232 283	8	240 650
Personal loans	**51 317**	45 331	13	49 470
Preference share agreements	**41 921**	42 968	(2)	41 808
Assets under agreement to resell	**37 016**	43 430	(15)	44 263
Investment bank term loans	**138 343**	150 985	(8)	144 837
Long-term loans to group associates and joint ventures	**449**	449	–	449
Other	**36 120**	39 868	(9)	35 430
Marketable advances	**62 506**	61 765	1	63 446
Gross value of advances	**907 165**	913 190	(1)	921 846
Impairment and fair value of credit of advances	**(28 640)**	(26 207)	9	(27 303)
Net advances	**878 525**	886 983	(1)	894 543

Note: Refer to note 2 on pages 134 and 135 for a further analysis of advances per class.

NOTE 1 – IMPAIRMENT OF ADVANCES

	Six months ended 31 December						Year ended 30 June		
	2019			2018			2019		
R million	**Total**	**Amortised cost**	**Fair value through profit or loss**	Total	Amortised cost	Fair value through profit or loss	Total	Amortised cost	Fair value through profit or loss
Increase in loss allowance	**(5 694)**	**(5 696)**	**2**	(5 166)	(5 170)	4	(10 251)	(10 216)	(35)
Recoveries of bad debts	**1 290**	**1 290**	**–**	1 249	1 249	–	2 416	2 416	–
Modification loss	**(485)**	**(485)**	**–**	(201)	(201)	–	(625)	(625)	–
Impairment of advances recognised during the period	**(4 889)**	**(4 891)**	**2**	(4 118)	(4 122)	4	(8 460)	(8 425)	(35)

Note: Refer to note 3 on pages 136 and 141 for a reconciliation of the loss allowance per class.

Advances continued

NOTE 2 – ANALYSIS OF ADVANCES PER CLASS

	As at 31 December 2019			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	221 254	223 979	–	(2 725)
Vehicle asset finance*	98 829	103 254	–	(4 425)
Total retail secured	**320 083**	**327 233**	**–**	**(7 150)**
Credit card	30 328	33 498	–	(3 170)
Personal loans	33 797	41 204	–	(7 407)
Other retail	15 312	18 214	–	(2 902)
Total retail unsecured	**79 437**	**92 916**	**–**	**(13 479)**
FNB commercial	103 309	107 370	30	(4 091)
WesBank corporate	29 492	29 868	–	(376)
RMB investment banking	247 870	185 661	64 827	(2 618)
RMB corporate banking	59 004	59 626	102	(724)
Total corporate and commercial	**439 675**	**382 525**	**64 959**	**(7 809)**
Group Treasury and other	39 330	37 282	2 250	(202)
Total advances	**878 525**	**839 956**	**67 209**	**(28 640)**

* *Includes MotoNovo VAF (UK) back book with closing balances of R6 713 million (£364 million); December 2018: R23 375 million (£1 276 million) and June 2019: R22 917 million (£1 274 million).*

	As at 31 December 2018				As at 30 June 2019			
	Total	Amortised cost	Fair value through profit or loss	Loss allowance	Total	Amortised cost	Fair value through profit or loss	Loss allowance
	208 000	210 484	–	(2 484)	214 623	217 164	–	(2 541)
	114 596	119 307	–	(4 711)	112 923	117 668	–	(4 745)
	322 596	329 791	–	(7 195)	327 546	334 832	–	(7 286)
	26 745	29 113	–	(2 368)	29 560	32 443	–	(2 883)
	30 570	36 733	–	(6 163)	33 094	39 947	–	(6 853)
	14 394	16 982	–	(2 588)	15 183	17 908	–	(2 725)
	71 709	82 828	–	(11 119)	77 837	90 298	–	(12 461)
	93 957	97 449	72	(3 564)	101 316	105 054	74	(3 812)
	29 835	30 196	–	(361)	27 607	27 945	–	(338)
	270 250	204 607	68 433	(2 790)	264 442	191 258	75 701	(2 517)
	63 696	64 673	–	(977)	57 244	57 827	105	(688)
	457 738	396 925	68 505	(7 692)	450 609	382 084	75 880	(7 355)
	34 940	33 901	1 240	(201)	38 551	37 636	1 116	(201)
	886 983	843 445	69 745	(26 207)	894 543	844 850	76 996	(27 303)

Impairment of advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

	Fair value			Amortised cost	
				Retail secured	
R million	RMB investment banking	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance
Amount as at 1 July 2019	136	179	315	2 541	4 745
– Stage 1	89	177	266	360	764
– Stage 2	47	2	49	510	1 403
– Stage 3	–	–	–	1 671	2 578
Acquisition/(disposal) of advances	–	–	–	–	(107)
Exchange rate differences	–	–	–	–	15
Bad debts written off	–	–	–	(124)	(1 158)
Current period provision created/(released)*	2	(4)	(2)	279	812
– Stage 1	(30)	(4)	(34)	(126)	(431)
– Stage 2	32	–	32	264	528
– Stage 3	–	–	–	141	715
Interest on stage 3 advances	–	–	–	29	118
Amount as at 31 December 2019	138	175	313	2 725	4 425
– Stage 1	54	175	229	376	538
– Stage 2	84	–	84	585	1 360
– Stage 3	–	–	–	1 764	2 527

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1, or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

	Amortised cost								
	Retail unsecured			Corporate and commercial					
	Credit card	Personal loans	Other retail	FNB commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Group Treasury and other	Total amortised cost
	2 883	6 853	2 725	3 812	338	2 381	688	22	26 988
	631	1 440	724	733	92	696	231	22	5 693
	383	979	464	776	67	668	364	–	5 614
	1 869	4 434	1 537	2 303	179	1 017	93	–	15 681
	–	(90)	–	–	–	(12)	–	(1)	(210)
	–	1	–	–	–	(5)	(4)	–	7
	(783)	(1 672)	(851)	(506)	(57)	–	–	–	(5 151)
	1 000	1 935	833	623	85	93	30	6	5 696
	7	(309)	(32)	(184)	(13)	(8)	(31)	6	(1 121)
	264	661	286	301	29	(50)	66	–	2 349
	729	1 583	579	506	69	151	(5)	–	4 468
	70	380	195	162	10	23	10	–	997
	3 170	7 407	2 902	4 091	376	2 480	724	27	28 327
	662	1 152	754	704	108	669	207	25	5 195
	402	1 246	520	699	66	717	314	2	5 911
	2 106	5 009	1 628	2 688	202	1 094	203	–	17 221

Impairment of advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS *continued*

	Fair value			Amortised cost	
				Retail secured	
R million	RMB investment banking	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance
Amount as at 1 July 2018	106	174	280	2 362	4 557
– Stage 1	93	174	267	269	841
– Stage 2	13	–	13	378	1 328
– Stage 3	–	–	–	1 715	2 388
Acquisition/(disposal) of advances	–	–	–	–	30
Exchange rate differences	–	–	–	119	17
Bad debts written off	–	–	–	(184)	(1 321)
Current period provision created/(released)*	(4)	–	(4)	135	1 244
– Stage 1	(4)	–	(4)	(118)	(90)
– Stage 2	–	–	–	159	407
– Stage 3	–	–	–	94	927
Interest on stage 3 advances	–	–	–	52	184
Amount as at 31 December 2018	102	174	276	2 484	4 711
– Stage 1	67	174	241	278	867
– Stage 2	35	–	35	386	1 339
– Stage 3	–	–	–	1 820	2 505

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1, or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

Amortised cost								
Retail unsecured			Corporate and commercial					
Credit card	Personal loans	Other retail	FNB commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Group Treasury and other	Total amortised cost
1 805	4 688	2 023	3 457	333	2 603	945	25	22 798
535	1 223	637	680	93	527	163	25	4 993
274	1 017	546	879	91	1 284	723	–	6 520
996	2 448	840	1 898	149	792	59	–	11 285
–	–	–	–	–	–	–	–	30
(2)	2	(119)	–	–	32	1	–	50
(177)	(357)	(237)	(448)	(52)	(51)	–	–	(2 827)
694	1 720	791	409	82	82	11	2	5 170
(52)	147	129	(277)	(104)	134	(135)	2	(364)
206	378	204	362	125	(85)	(5)	–	1 751
540	1 195	458	324	61	33	151	–	3 783
48	110	130	146	(2)	22	20	–	710
2 368	6 163	2 588	3 564	361	2 688	977	27	25 931
571	1 429	834	695	102	684	42	27	5 529
287	929	385	764	82	1 186	543	–	5 901
1 510	3 805	1 369	2 105	177	818	392	–	14 501

Impairment of advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS *continued*

	Fair value			Amortised cost	
				Retail secured	
R million	RMB investment banking	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance
Amount as at 1 July 2018	106	174	280	2 362	4 557
– Stage 1	93	174	267	269	841
– Stage 2	13	–	13	378	1 328
– Stage 3	–	–	–	1 715	2 388
Acquisition/(disposal) of advances	–	–	–	–	38
Exchange rate differences	–	–	–	122	(20)
Bad debts written off	–	–	–	(362)	(2 741)
Current period provision created/(released)*	30	5	35	317	2 587
– Stage 1	(76)	(20)	(96)	(96)	(291)
– Stage 2	106	25	131	322	568
– Stage 3	–	–	–	91	2 310
Interest on stage 3 advances	–	–	–	102	324
Amount as at 30 June 2019	136	179	315	2 541	4 745
– Stage 1	89	177	266	360	764
– Stage 2	47	2	49	510	1 403
– Stage 3	–	–	–	1 671	2 578

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1, or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

Amortised cost								
Retail unsecured			Corporate and commercial					
Credit card	Personal loans	Other retail	FNB commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Group Treasury and other	Total amortised cost
1 805	4 688	2 023	3 457	333	2 603	945	25	22 798
535	1 223	637	680	93	527	163	25	4 993
274	1 017	546	879	91	1 284	723	–	6 520
996	2 448	840	1 898	149	792	59	–	11 285
–	–	–	–	–	(193)	–	-	(155)
4	4	(124)	(1)	1	19	1	(3)	3
(611)	(1 518)	(885)	(751)	(104)	(94)	(322)	–	(7 388)
1 540	3 362	1 453	829	99	4	25	–	10 216
16	165	20	(221)	(36)	78	(51)	–	(416)
326	405	273	448	4	(152)	(77)	–	2 117
1 198	2 792	1 160	602	131	78	153	–	8 515
145	317	258	278	9	42	39	–	1 514
2 883	6 853	2 725	3 812	338	2 381	688	22	26 988
631	1 440	724	733	92	696	231	22	5 693
383	979	464	776	67	668	364	–	5 614
1 869	4 434	1 537	2 303	179	1 017	93	–	15 681

Fair value measurements

VALUATION METHODOLOGY

In terms of IFRS, the bank is required to or elects to measure and/or disclose certain assets and liabilities at fair value. The bank has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level, valuation specialists are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each franchise and at an overall bank level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

Fair value measurements are determined by the bank on both a recurring and non-recurring basis.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include:

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the recoverable amount is based on the fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

There were no non-recurring fair value measurements during the current and prior periods.

Financial instruments

When determining the fair value of a financial instrument where it has a bid or ask price (e.g. in a dealer market), the bank uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

Where the bank has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 156, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available, and the price represents actual and regularly occurring market transactions. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Where a valuation model is applied and the bank cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The bank will consider the following in assessing whether a mark-to-model valuation is appropriate:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- an in-house-developed model is based on appropriate assumptions which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness exists of the weaknesses of the models used, which is appropriately reflected in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example to cover the uncertainty of the model valuation. The bank considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 2.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option, market-related discount rate and forward rate
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market-projected forward value.	Spot price of underlying instrument, market interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices
LOANS AND ADVANCES TO CUSTOMERS			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the event that credit spreads for a counterparty are observable or are an insignificant input, loans and advances are classified as level 2 of the fair value hierarchy.	Market interest rate curves and credit spreads

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rate curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place, in which case level 2 classifications are used.	Market transactions
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market-quoted instruments, where available.	Market interest rate curves
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market interest rate curves
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	Market transactions (listed)

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Other deposits	Discounted cash flows	The forward curve adjusted is for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curve and performance of the underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 3.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
LOANS AND ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	The bank has elected to designate certain investment banking advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates. To calculate the fair value of credit the bank uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and, consequently, a reduction of the fair value of the advance. Similarly, an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the case where the fair value of the credit is not significant period-on-period but may become significant in future and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	P/E model and discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the bank has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations.	Third-party valuations used, minority and marketability adjustments

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. There were no non-recurring fair value measurements during the current and prior period.

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Fair value hierarchy

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the bank which are recognised at fair value.

	As at 31 December 2019			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	27	45 604	822	46 453
Advances	–	35 423	31 474	66 897
Investment securities	49 660	28 919	1 734	80 313
Commodities	19 369	–	–	19 369
Amounts due by holding company and fellow subsidiaries	–	2 612	–	2 612
Total assets measured at fair value	69 056	112 558	34 030	215 644
LIABILITIES				
Recurring fair value measurements				
Short trading positions	3 372	–	–	3 372
Derivative financial instruments	65	49 951	807	50 823
Deposits	1 685	51 900	518	54 103
Other liabilities	–	338	278	616
Amounts due to holding company and fellow subsidiaries	–	2 878	–	2 878
Total liabilities measured at fair value	5 122	105 067	1 603	111 792

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the bank which are recognised at fair value.

	As at 31 December 2018			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	795	32 163	820	33 778
Advances	1 102	44 426	23 941	69 469
Investment securities	50 413	11 693	1 340	63 446
Commodities	17 815	–	–	17 815
Amounts due by holding company and fellow subsidiaries	–	1 041	–	1 041
Total assets measured at fair value	70 125	89 323	26 101	185 549
LIABILITIES				
Recurring fair value measurements				
Short trading positions	6 042	–	–	6 042
Derivative financial instruments	603	39 560	490	40 653
Deposits	1 393	52 340	182	53 915
Other liabilities	–	302	344	646
Amounts due to holding company and fellow subsidiaries	–	1 104	–	1 104
Total liabilities measured at fair value	8 038	93 306	1 016	102 360

	As at 30 June 2019			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	75	42 304	802	43 181
Advances	–	44 117	32 564	76 681
Investment securities	34 155	33 312	1 763	69 230
Commodities	21 176	–	–	21 176
Amounts due by holding company and fellow subsidiaries	–	2 333	–	2 333
Total assets measured at fair value	55 406	122 066	35 129	212 601
LIABILITIES				
Recurring fair value measurements				
Short trading positions	5 334	21	–	5 355
Derivative financial instruments	27	47 184	842	48 053
Deposits	1 378	54 637	1 052	57 067
Other liabilities	–	424	322	746
Amounts due to holding company and fellow subsidiaries	–	2 688	–	2 688
Total liabilities measured at fair value	6 739	104 954	2 216	113 909

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Transfers between fair value hierarchy levels

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

	As at 31 December 2019		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**–**	There were no transfers into level 1.
Level 2	**19**	**–**	Certain derivatives have been transferred to level 2 in the current period because the inputs used in the valuation have become observable as maturity is within 12 months.
Level 3	**–**	**(19)**	There were no transfers into level 3.
Total transfers	**19**	**(19)**	

	As at 31 December 2018		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	1 102	–	It is the bank'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	8	–	There were no significant transfers into level 2.
Level 3	–	(1 110)	There were no transfers into level 3.
Total transfers	1 110	(1 110)	

	As at 30 June 2019		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	101	(151)	During the year, the inputs into the yield curves used to fair value derivative trades became observable, warranting a transfer from level 3 to level 2 for these instruments.
Level 3	151	(101)	Derivatives linked to the Botswana pula were valued on an internally created curve, whose inputs are longer observable. These changes in inputs resulted in a transfer out of level 2 to level 3.
Total transfers	252	(252)	

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	**Derivative financial assets**	**Advances**	**Investment securities**	**Derivative financial liabilities**	**Deposits**	**Other liabilities**
Balance as at 1 July 2019	**802**	**32 564**	**1 763**	**842**	**1 052**	**322**
Gains/(losses) recognised in profit or loss	**440**	**627**	**(25)**	**1 252**	**5**	**70**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**1**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(420)**	**(1 653)**	**(5)**	**(1 268)**	**(539)**	**(114)**
Net transfer to level 3	**–**	**–**	**–**	**(19)**	**–**	**–**
Exchange rate differences	**–**	**(64)**	**–**	**–**	**–**	**–**
Balance as at 31 December 2019	**822**	**31 474**	**1 734**	**807**	**518**	**278**

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 1 July 2018	563	47 986	1 336	630	344	1 529
Gains/(losses) recognised in profit or loss	(144)	1 307	–	(99)	(4)	(1 843)
Gains/(losses) recognised in other comprehensive income	–	4	–	–	–	–
Purchases, sales, issue and settlements	401	(24 346)	4	(33)	(158)	658
Net transfer to level 3	–	(1 102)	–	(8)	–	–
Exchange rate differences	–	92	–	–	–	–
Balance as at 31 December 2018	820	23 941	1 340	490	182	344

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 1 July 2018	563	47 987	1 336	630	344	1 529
Gains/(losses) recognised in profit or loss	226	2 003	179	66	(13)	(1 777)
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–
Purchases, sales, issue and settlements	(50)	(17 484)	247	159	721	570
Net transfer to level 3	63	–	–	(13)	–	–
Exchange rate differences	–	58	–	–	–	–
Balance as at 30 June 2019	802	32 564	1 763	842	1 052	322

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are a result of losses, sales and settlements. Decreases in the value of liabilities are a result of gains and settlements.

Gains/losses on advances classified as level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments to changes in currency and base rates. These instruments are funded by liabilities and the inherent risk is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are not readily observable, either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains/losses relating to remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments at FVTPL and fair value through other comprehensive income (FVOCI) debt instruments all gains or losses are recognised in non-interest revenue.

	Six months ended 31 December 2019		Six months ended 31 December 2018		Year ended 30 June 2019	
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets						
Derivative financial instruments	**292**	**–**	35	–	162	–
Advances*	**673**	**–**	997	–	1 929	–
Investment securities	**(25)**	**1**	(22)	–	54	1
Total	**940**	**1**	1 010	–	2 145	1
Liabilities						
Derivative financial instruments	**(489)**	**–**	(248)	–	37	–
Deposits	**11**	**–**	2	–	(3)	–
Other liabilities	**44**	**–**	(27)	–	136	–
Total	**(434)**	**–**	(273)	–	170	–

* *Amount is mainly accrued interest on fair value advances and movements in interest rates that have been economically hedged. These advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for advances in most of RMB's key markets. Inputs relating to interest rates and foreign currencies are regarded as observable.*

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are a result of losses. Decreases in the value of liabilities are a result of gains.

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

The tables below illustrate the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLY POSSIBLE CHANGES ARE APPLIED	REASONABLY POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Credit	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

	Reasonably possible alternative fair value								
	As at 31 December 2019			As at 31 December 2018			As at 30 June 2019		
R million	**Fair value**	**Using more positive assump-tions**	**Using more negative assump-tions**	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets									
Derivative financial instruments	**822**	**829**	**819**	820	821	816	802	814	792
Advances	**31 474**	**31 505**	**31 441**	23 941	24 031	23 847	32 564	32 705	32 419
Investment securities	**1 734**	**1 786**	**1 638**	1 340	1 387	1 251	1 763	1 836	1 647
Total financial assets measured at fair value in level 3	**34 030**	**34 120**	**33 898**	26 101	26 239	25 914	35 129	35 355	34 858
Liabilities									
Derivative financial instruments	**807**	**801**	**810**	490	484	494	842	835	846
Deposits	**518**	**517**	**519**	182	164	200	1 052	1 035	1 070
Other liabilities	**278**	**276**	**281**	344	341	348	322	319	326
Total financial liabilities measured at fair value in level 3	**1 603**	**1 594**	**1 610**	1 016	989	1 042	2 216	2 189	2 242

Fair value measurements continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value in the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or is a reasonable approximation of the fair value.

	As at 31 December 2019	
R million	**Carrying value**	**Total fair value**
Assets		
Advances	**811 629**	**820 102**
Investment securities	**112 235**	**111 543**
Total assets at amortised cost	**923 864**	**931 645**
Liabilities		
Deposits	**1 013 057**	**1 014 897**
Other liabilities	**2 842**	**2 842**
Tier 2 liabilities	**22 331**	**22 954**
Total liabilities at amortised cost	**1 038 230**	**1 040 693**

	As at 31 December 2018	
R million	Carrying value	Total fair value
Assets		
Advances	817 514	826 689
Investment securities	104 377	102 023
Total assets at amortised cost	921 891	928 712
Liabilities		
Deposits	976 912	976 184
Other liabilities	2 586	2 623
Tier 2 liabilities*	23 965	24 215
Total liabilities at amortised cost	1 003 463	1 003 022

* *Restated. Refer to pages 121 to 132 for details.*

	As at 30 June 2019	
R million	Carrying value	Total fair value
Assets		
Advances	817 862	826 917
Investment securities	107 712	107 312
Total assets at amortised cost	925 574	934 229
Liabilities		
Deposits	1 001 372	1 002 090
Other liabilities	2 576	2 575
Tier 2 liabilities	22 428	22 913
Total liabilities at amortised cost	1 026 376	1 027 578

DAY 1 PROFIT OR LOSS

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

	As at 31 December		As at 30 June
R million	**2019**	2018	2019
Opening balance	**51**	54	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current period*	**198**	6	32
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(56)**	(9)	(35)
Closing balance	**193**	51	51

* *Impacted by refinements to the cash flow hedge accounting model following the adoption of IFRS 9.*

Contingencies and commitments

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**43 369**	35 926	21	49 443
Letters of credit	**8 344**	9 573	(13)	8 386
Total contingencies	**51 713**	45 499	14	57 829
Irrevocable commitments	**114 506**	112 606	2	117 028
Committed capital expenditure	**2 243**	1 749	28	3 315
Operating lease commitments	**–**	2 259	(100)	2 119
Other	**7**	1	>100	6
Total contingencies and commitments	**168 469**	162 114	4	180 297
Legal proceedings				
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. Provision made for liabilities that are expected to materialise.	**310**	73	>100	71

Events after the 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.

Summary segment report

	For the six months ended 31 December 2019											
	FNB					RMB						
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Profit for the period before tax	10 891	(220)	**10 671**	767	**11 438**	2 182	761	**2 943**	(640)	**13 741**	(49)	**13 692**
Total assets	427 456	706	**428 162**	126 521	**554 683**	410 786	61 292	**472 078**	267 460	**1 294 221**	–	**1 294 221**
Total liabilities*	421 202	926	**422 128**	126 881	**549 009**	408 754	61 562	**470 316**	171 848	**1 191 173**	–	**1 191 173**

* *Total liabilities are net of interdivisional balances.*

	For the six months ended 31 December 2018											
	FNB					RMB						
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Profit for the period before tax	10 382	(159)	**10 223**	753	**10 976**	2 628	709	**3 337**	(292)	**14 021**	1 977	**15 998**
Total assets	395 283	894	**396 177**	125 396	**521 573**	401 277	69 190	**470 467**	251 543	**1 243 583**	–	**1 243 583**
Total liabilities*	389 546	1 052	**390 598**	125 769	**516 367**	398 679	69 546	**468 225**	162 927	**1 147 519**	–	**1 147 519**

* *Total liabilities are net of interdivisional balances.*

	For the year ended 30 June 2019											
	FNB					RMB						
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Profit for the year before tax	21 255	(362)	**20 893**	1 251	**22 144**	5 789	1 490	**7 279**	(811)	**28 612**	1 922	**30 534**
Total assets	411 372	594	**411 966**	121 816	**533 782**	407 507	60 197	**467 704**	289 918	**1 291 404**	–	**1 291 404**
Total liabilities*	394 934	955	**395 889**	121 690	**517 579**	402 578	59 603	**462 181**	212 216	**1 191 976**	–	**1 191 976**

* *Total liabilities are net of interdivisional balances.*

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supplementary information

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, GG Gelink, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, AT Nzimande, LL von Zeuner, T Winterboer

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Namibia

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Woodmead, Sandton
2052

Listed financial instruments of the bank

LISTED DEBT INSTRUMENTS

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB13	ZAG000116286	FRB18	ZAG000135229	FRB23	ZAG000146754
FRB14	ZAG000116294	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB15	ZAG000124199	FRB20	ZAG000135385	FRB25	ZAG000157512
FRB16	ZAG000127622	FRB21	ZAG000140856	FRB26	ZAG000159955
FRB17	ZAG000127630	FRB22	ZAG000141219	FRB27	ZAG000159963
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX25	ZAG000152828
FRBZ02	ZAG000072711	FRJ26	ZAG000156969	FRX26	ZAG000112160
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX27	ZAG000142506
FRJ20	ZAG000109596	FRJ29	ZAG000156951	FRX28	ZAG000152836
FRJ21	ZAG000115858	FRJ022	ZAG000163775	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Listed financial instruments of the bank continued

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS133	ZAG000126541	FRS175	ZAG000149451
FRS37	ZAG000077793	FRS134	ZAG000126574	FRS176	ZAG000149444
FRS43	ZAG000078643	FRS135	ZAG000126608	FRS177	ZAG000152885
FRS46	ZAG000079807	FRS136	ZAG000126780	FRS180	ZAG000154147
FRS49	ZAG000081787	FRS137	ZAG000127549	FRS182	ZAG000154386
FRS51	ZAG000086117	FRS138	ZAG000127556	FRS183	ZAG000154568
FRS62	ZAG000090614	FRS142	ZAG000130782	FRS184	ZAG000155490
FRS64	ZAG000092529	FRS143	ZAG000130790	FRS186	ZAG000156522
FRS81	ZAG000100892	FRS145	ZAG000134263	FRS187	ZAG000156514
FRS85	ZAG000104985	FRS146	ZAG000134636	FRS188	ZAG000156506
FRS87	ZAG000105420	FSR147	ZAG000135724	FRS192	ZAG000157850
FRS90	ZAG000106410	FRS149	ZAG000136573	FRS193	ZAG000157892
FRS100	ZAG000111634	FRS150	ZAG000136615	FRS194	ZAG000160516
FRS101	ZAG000111774	FRS151	ZAG000136987	FRS195	ZAG000160524
FRS103	ZAG000111840	FRS152	ZAG000136995	FRS197	ZAG000161373
FRS104	ZAG000111857	FRS153	ZAG000137670	FRS198	ZAG000161365
FRS108	ZAG000113515	FRS158	ZAG000145012	FRS199	ZAG000161381
FRS109	ZAG000113564	FRS159	ZAG000145020	FRS200	ZAG000161571
FRS110	ZAG000113663	FRS160	ZAG000145038	FRS201	ZAG000162025
FRS112	ZAG000115395	FRS161	ZAG000145046	FRS202	ZAG000162066
FRS114	ZAG000116070	FRS162	ZAG000145111	FRS204	ZAG000162538
FRS119	ZAG000118951	FRS163	ZAG000145129	FRS205	ZAG000162546
FRS120	ZAG000119298	FRS164	ZAG000145160	FRS206	ZAG000163304
FRS121	ZAG000120643	FRS165	ZAG000145178	FRS207	ZAG000164385
FRS122	ZAG000121062	FRS167	ZAG000145764	FRS208	ZAG000164377
FRS123	ZAG000121328	FRS168	ZAG000145772	FRS209	ZAG000164344
FRS124	ZAG000122953	FRS169	ZAG000145780	RMBI01	ZAG000050865
FRS126	ZAG000125188	FRS170	ZAG000145954	RMBI02	ZAG000052986
FRS127	ZAG000125394	FRS171	ZAG000147448		
FRS129	ZAG000125865	FRS172	ZAG000147455		
FRS131	ZAG000126186	FRS173	ZAG000148180		
FRS132	ZAG000126194	FRS174	ZAG000148198		

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes					
FRC169	ZAG000104852	FRC258	ZAG000146580	FRC299	ZAG000159575
FRC178	ZAG000107897	FRC261	ZAG000147653	FRC300	ZAG000159674
FRC181	ZAG000108549	FRC262	ZAG000147646	FRC301	ZAG000159872
FRC207	ZAG000117649	FRC264	ZAG000149345	FRC302	ZAG000160029
FRC208	ZAG000117656	FRC265	ZAG000149485	FRC303	ZAG000160425
FRC209	ZAG000118613	FRC267	ZAG000150004	FRC304	ZAG000160565
FRC212	ZAG000121054	FRC271	ZAG000151556	FRC305	ZAG000160920
FRC213	ZAG000121047	FRC272	ZAG000151564	FRC306	ZAG000160938
FRC221	ZAG000121229	FRC274	ZAG000151952	FRC307	ZAG000161597
FRC225	ZAG000121435	FRC275	ZAG000152372	FRC308	ZAG000161605
FRC233	ZAG000128752	FRC276	ZAG000152430	FRC309	ZAG000161738
FRC234	ZAG000130816	FRC277	ZAG000153552	FRC310	ZAG000161936
FRC236	ZAG000135211	FRC278	ZAG000153560	FRC311	ZAG000161977
FRC237	ZAG000135203	FRC279	ZAG000153578	FRC312	ZAG000161985
FRC238	ZAG000135237	FRC280	ZAG000153776	FRC313	ZAG000161993
FRC239	ZAG000135245	FRC282	ZAG000154063	FRC314	ZAG000162033
FRC240	ZAG000135252	FRC283	ZAG000154394	FRC315	ZAG000163155
FRC241	ZAG000135393	FRC284	ZAG000154642	FRC316	ZAG000163460
FRC242	ZAG000135401	FRC285	ZAG000155201	FRC317	ZAG000163551
FRC243	ZAG000135419	FRC286	ZAG000156548	FRC318	ZAG000163684
FRC244	ZAG000135427	FRC287	ZAG000156860	FRC319	ZAG000163700
FRC245	ZAG000135468	FRC288	ZAG000156852	FRC320	ZAG000163718
FRC246	ZAG000135476	FRC289	ZAG000157108	FRC321	ZAG000163759
FRC247	ZAG000135484	FRC290	ZAG000157447	FRC322	ZAG000163783
FRC248	ZAG000135450	FRC291	ZAG000157629	FRC323	ZAG000163874
FRC249	ZAG000135542	FRC292	ZAG000157777	FRC324	ZAG000164021
FRC250	ZAG000135559	FRC293	ZAG000158783	FRC325	ZAG000164302
FRC251	ZAG000141813	FRC294	ZAG000158791	FRC326	ZAG000164310
FRC252	ZAG000142225	FRC295	ZAG000159310	FRC327	ZAG000164880
FRC254	ZAG000144825	FRC296	ZAG000159369	FRC328	ZAG000164898
FRC256	ZAG000145806	FRC297	ZAG000159351		
FRC257	ZAG000146564	FRC298	ZAG000159427		

Preference share

Bond code	ISIN code
Class A cumulative redeemable non-participating preference shares	
FRBP01	ZAE000279469

Other

Bond code	ISIN code	Bond code	ISIN code
FRK02	ZAE000275533	FRPT01	ZAE000205480

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1178685084	XS1810806395
XS0610341967	
XS1225512026	

OTHER

JSE

Instrument code	ISIN code
Exchange traded funds	
DCCUSD	ZAE000234977
DCCUS2	ZAE000251179
KCCGLD	ZAE000195830

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period.
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Accrued and fair value
ALM	Asset and liability management
ALSI	All-share index
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BSE	Botswana Stock Exchange
C&TB	Corporate and transactional banking
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CIS	Collective investment scheme
CLF	Committed liquidity facility
DA	DirectAxis
DIA	Date of initial application
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
EC	Economic capital
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
FCC/GTSY	FirstRand Corporate Centre and Group Treasury
FCTR	Foreign currency translation reserve
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRN	Floating rate notes
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GDPR	General Data Protection Regulations
GHL	Ghana Home Loans
HQLA	High-quality liquid assets

IB	Investment banking
IB&A	Investment banking and advisory
IFRS	International Financial Reporting Standards
IFRS-IC	IFRS Interpretation Committee
IM	Investment management
INV	Investing
ISP	Interest in suspense
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LSE	London Stock Exchange
LTV	Loan to value
M&S	Markets and structuring
Moody's	Moody's Investors Service
MTM	Mark-to-market
NAV	Net asset value
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NIACC	Net income after cost of capital
NII	Net interest income
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
P/E	Price/earnings
PPE	Property and equipment
ROA	Return on assets
ROE	Return on equity
ROUA	Right-of-use asset
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium enterprises
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
WIM	Wealth and investment management

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

FirstRand Bank

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