



2019

analysis of financial results
for the year ended 30 June

about this report

This report covers the audited summary consolidated financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2019. Some of the information relating to the statement of financial position as at 1 July 2018 was restated following the adoption of IFRS 9 and IFRS 15. The restated information is included in the IFRS 9 transition report and the analysis of financial results for the six months ended 31 December 2018, available on the group's website at www.firstrand.co.za/investors/other-shareholder-documents/ and www.firstrand.co.za/investors/financial-results/.

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

Normalised results include a summary consolidated income statement, statement of comprehensive income, statement of financial position and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 147 and 148. Detailed reconciliations of normalised to IFRS results are provided on pages 158 to 163. Commentary is based on normalised results, unless indicated otherwise.

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



FirstRand

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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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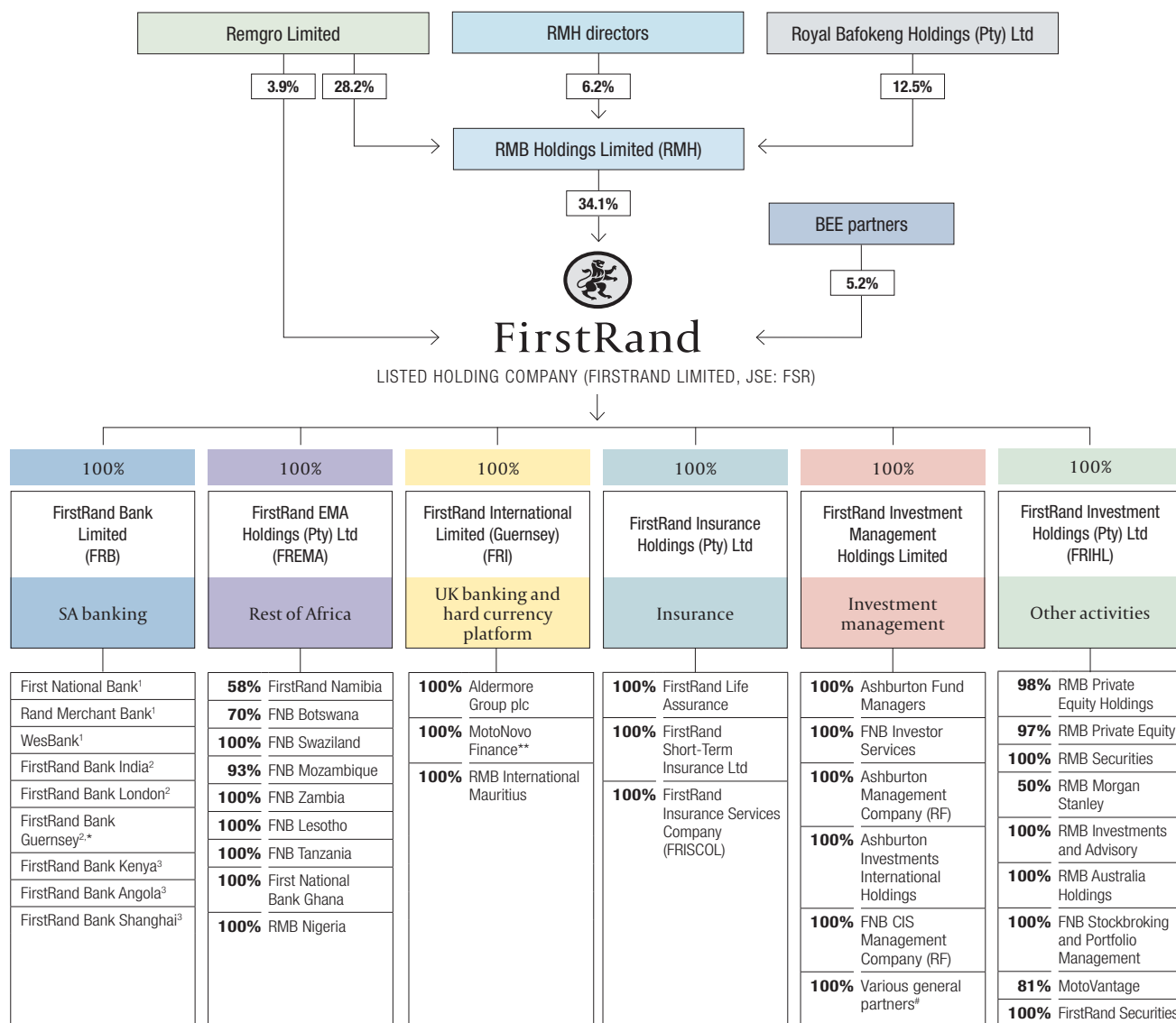
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01

overview
of results

Simplified group and shareholding structure



1. Division.

2. Branch.

3. Representative office.

DirectAxis is a business unit of FirstRand Bank Limited.

* Trading as FNB Channel Islands.

** Wholly-owned subsidiary of Aldermore Group plc.

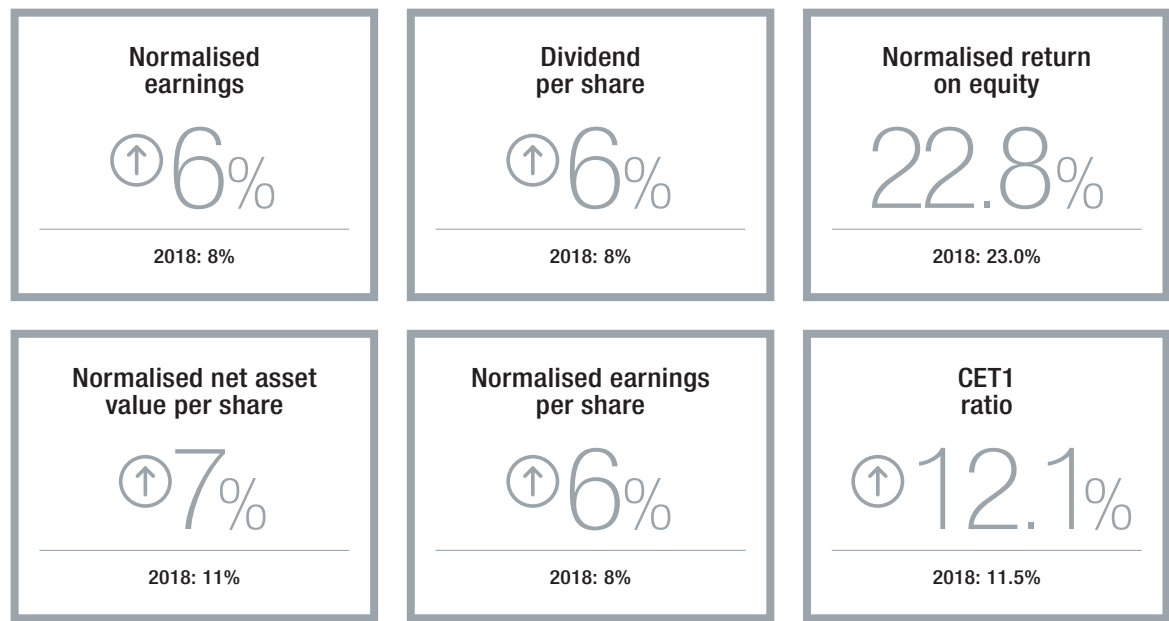
[#] Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.

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.

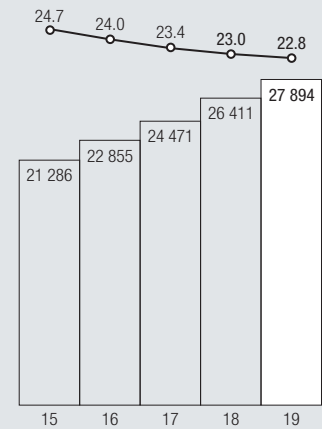


FIRSTRAND'S PORTFOLIO of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products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

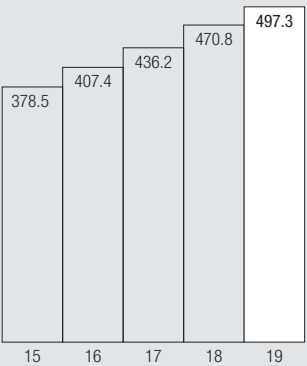


Track record

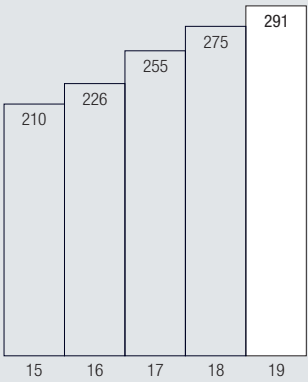
NORMALISED EARNINGS (R million)
AND ROE (%)
CAGR 7%



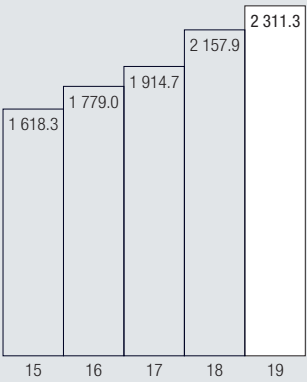
DILUTED NORMALISED
EARNINGS PER SHARE (cents)
CAGR 7%



DIVIDEND
PER SHARE (cents)
CAGR 8%



NORMALISED NET ASSET
VALUE PER SHARE (cents)
CAGR 9%



Note: 30 June 2015 to 2018 figures are prepared on an IAS 39 basis. 30 June 2019 figures are prepared on an IFRS 9 basis.

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 158 to 163. IFRS 9 and IFRS 15 were adopted effective 1 July 2018 and the statement of financial position as at 1 July 2018 was restated. Other comparatives were not restated, as allowed by IFRS 9 and IFRS 15. The income statement and statement of comprehensive income for the year ended 30 June 2018 and earnings-related ratios were not restated. The column headings indicate the basis of presentation.

FirstRand disclosed comprehensive IFRS 9 transition information on 21 November 2018 in the transition report. The IFRS 9 and IFRS 15 transition information was also included in the analysis of financial results for the six months ended 31 December 2018. Both reports are available on the group's website at www.firststrand.co.za/investors/other-shareholder-documents/ and www.firststrand.co.za/investors/financial-results/. The transition information is not included in this report.

<i>R million</i>	Group (including Aldermore)			
	Year ended 30 June		% change	As at 1 July
	2019 IFRS 9	2018 IAS 39		2018 IFRS 9
Earnings performance				
Normalised earnings per share (cents)				
– Basic	497.3	470.8	6	
– Diluted	497.3	470.8	6	
Headline earnings per share (cents)				
– Basic	497.2	472.7	5	
– Diluted	497.2	472.7	5	
Earnings per share (cents) – IFRS				
– Basic	538.6	473.3	14	
– Diluted	538.6	473.3	14	
Attributable earnings – IFRS (refer page 150)	30 211	26 546	14	
Headline earnings	27 887	26 509	5	
Normalised earnings	27 894	26 411	6	
Normalised net asset value	129 650	121 046	7	115 561*
Normalised net asset value per share (cents)	2 311.3	2 157.9	7	2 060.1
Average normalised net asset value	122 606	114 984	7	
Market capitalisation	384 530	358 390	7	
Ordinary dividend per share (cents)	291.0	275.0	6	
Dividend cover (times)	1.71	1.71		
NCNR B preference dividend – paid (cents per share)**	760.0	779.8	(3)	
Ratios and key statistics				
ROE (%)	22.8	23.0		
ROA (%)	1.75	1.92		
Price earnings ratio (times)	13.8	13.6		
Price-to-book ratio (times)	3.0	3.0		3.1
Diversity ratio (%)	42.4	45.0		
Credit impairment charge	10 500	8 567	23	
Stage 3/NPLs as a % of advances	3.33	2.36		2.93
Credit loss ratio (%)	0.88	0.84		
Total impairment coverage ratio (%)	82.6	71.5		86.8
Specific coverage ratio (%)	44.7	37.1		42.8
Performing book coverage ratio (%)	1.31	0.83		1.33
Cost-to-income ratio (%)	51.8	51.2		
Effective tax rate (%)	23.9	21.9		
Share price (closing – rand)	68.55	63.89	7	
Number of employees	48 780	46 284	5	

* The adoption of IFRS 9 and IFRS 15 resulted in a reduction of R5 485 million in normalised net asset value on 1 July 2018.

** 75.56% of FNB prime lending rate.

<i>R million</i>	Group (including Aldermore)			
	As at 30 June		% change	As at 1 July
	2019 IFRS 9	2018 IAS 39		2018 IFRS 9
Balance sheet				
Normalised total assets	1 669 039	1 532 310	9	1 527 592
Advances (net of credit impairment)	1 205 752	1 121 227	8	1 113 398
Average gross loan-to-deposit ratio (%)	89.5	91.1		
Deposits	1 393 104	1 268 244	10	1 267 448
Capital adequacy – IFRS*				
Capital adequacy ratio (%)	15.2	14.7		14.7
Tier 1 ratio (%)	12.9	12.1		11.9
Common Equity Tier 1 ratio (%)	12.1	11.5		11.4
Leverage – IFRS*				
Leverage ratio (%)	7.5	7.1		7.1
Liquidity – IFRS				
Liquidity coverage ratio (%)	122	115		
Net stable funding ratio (%)	118	112		

* Ratios include unappropriated profits, and the transitional Day 1 impact of IFRS 9.

KEY BALANCE SHEET RESULTS, RATIOS AND STATISTICS EXCLUDING ALDERMORE

The effective date of the Aldermore acquisition was 1 April 2018. Any reference to financial information “excluding Aldermore” represents the subtraction of the Aldermore specific information (refer pages 26 and 27) from the group's income statement and statement of financial position (refer pages 8 and 10). No other adjustments relating to the Aldermore acquisition, e.g. costs associated with the amortisation of intangible assets identified on acquisition, have been made.

<i>R million</i>	Group (excluding Aldermore)			
	As at 30 June		% change	As at 1 July
	2019 IFRS 9	2018 IAS 39		2018 IFRS 9
Balance sheet				
Advances (net of credit impairment)	1 015 230	957 810	6	950 159
Deposits	1 194 409	1 094 270	9	1 095 066
Ratios and key statistics				
Stage 3/NPLs as a % of advances	3.72	2.70		3.25
Credit loss ratio (%)	0.99	0.90		
Total impairment coverage ratio (%)	85.1	71.4		89.5
Specific coverage ratio (%)	46.3	37.4		44.4
Performing book coverage ratio (%)	1.50	0.94		1.51

Summary consolidated income statement – normalised

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Net interest income before impairment of advances	60 299	51 254	18
Impairment charge	(10 500)	(8 567)	23
Net interest income after impairment of advances	49 799	42 687	17
Total non-interest revenue	44 308	41 926	6
– Operational non-interest revenue	43 051	41 012	5
– Fee and commission income	30 971	28 529	9
– Insurance income	4 128	3 918	5
– Markets, client and other fair value income	4 735	4 165	14
– Investment income	619	1 959	(68)
– Other non-interest revenue	2 598	2 441	6
– Share of profit of associates and joint ventures after tax	1 257	914	38
Income from operations	94 107	84 613	11
Operating expenses	(54 139)	(47 664)	14
Income before tax	39 968	36 949	8
Indirect tax	(1 280)	(1 077)	19
Profit before tax	38 688	35 872	8
Income tax expense	(9 245)	(7 865)	18
Profit for the year	29 443	28 007	5
Other equity instrument holders	(667)	(466)	43
Non-controlling interests	(882)	(1 130)	(22)
Normalised earnings attributable to ordinary equityholders of the group	27 894	26 411	6

Summary consolidated statement of other comprehensive income – normalised

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Profit for the year	29 443	28 007	5
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	185	>100
Gains arising during the year	829	283	>100
Reclassification adjustments for amounts included in profit or loss	(137)	(26)	>100
Deferred income tax	(194)	(72)	>100
FVOCI reserve/available-for-sale financial assets	(4)	(650)	(99)
Losses arising during the year	(2)	(1 009)	(100)
Reclassification adjustments for amounts included in profit or loss	(4)	91	(>100)
Deferred income tax	2	268	(99)
Exchange differences on translating foreign operations	(444)	1 175	(>100)
(Losses)/gains arising during the year	(428)	1 175	(>100)
Deferred income tax	(16)	–	–
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	45	(72)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	(2)	–	–
Losses arising during the year	(2)	–	–
Remeasurements on defined benefit post-employment plans	(132)	147	(>100)
(Losses)/gains arising during the year	(172)	194	(>100)
Deferred income tax	40	(47)	(>100)
Other comprehensive (loss)/income for the year	(39)	785	(>100)
Total comprehensive income for the year	29 404	28 792	2
Attributable to			
Ordinary equityholders	27 848	27 191	2
Other equity instrument holders	667	466	43
Equityholders of the group	28 515	27 657	3
Non-controlling interests	889	1 135	(22)
Total comprehensive income for the year	29 404	28 792	2

Summary consolidated statement of financial position – normalised

	As at 30 June	As at 1 July	As at 30 June
<i>R million</i>	2019 IFRS 9	2018 IFRS 9*	2018 IAS 39
ASSETS			
Cash and cash equivalents	102 518	96 024	96 024
Derivative financial instruments	47 104	42 499	42 499
Commodities	21 176	13 424	13 424
Investment securities	241 753	211 741	209 004
Advances	1 205 752	1 113 398	1 121 227
– Advances to customers	1 142 845	1 058 168	1 065 997
– Marketable advances	62 907	55 230	55 230
Accounts receivable	8 578	8 847	9 884
Current tax asset	267	850	378
Non-current assets and disposal groups held for sale	–	112	112
Reinsurance assets	196	84	84
Investments in associates	6 369	5 343	5 537
Investments in joint ventures	1 719	1 680	1 680
Property and equipment	17 800	17 936	17 936
Intangible assets	10 491	10 847	10 847
Investment properties	689	754	754
Defined benefit post-employment asset	6	36	36
Deferred income tax asset	4 621	4 017	2 884
Total assets	1 669 039	1 527 592	1 532 310
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 374	9 999	9 999
Derivative financial instruments	52 597	50 954	50 954
Creditors, accruals and provisions	21 922	19 700	19 620
Current tax liability	1 643	438	438
Deposits	1 393 104	1 268 244	1 267 448
Employee liabilities	13 042	11 534	11 534
Other liabilities	5 974	6 989	6 989
Policyholder liabilities	5 263	4 593	4 593
Tier 2 liabilities	24 191	28 439	28 439
Deferred income tax liability	1 359	1 466	1 477
Total liabilities	1 524 469	1 402 356	1 401 491
Equity			
Ordinary shares	56	56	56
Share premium	8 056	8 056	8 056
Reserves	121 538	107 449	112 934
Capital and reserves attributable to ordinary equityholders of the group	129 650	115 561	121 046
Other equity instruments	10 734	5 769	5 769
Non-controlling interests	4 186	3 906	4 004
Total equity	144 570	125 236	130 819
Total equity and liabilities	1 669 039	1 527 592	1 532 310

* Restated, refer to the IFRS 9 transition report on the FirstRand website.

Flow of funds analysis – normalised

	June 2019 IFRS 9 vs 1 July 2018 IFRS 9	June 2018 IAS 39 vs June 2017 IAS 39
<i>R million</i>	12-month movement	12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	19 334	13 597
Working capital movement	4 843	4 818
Short trading positions and derivative financial instruments	(7 587)	(5 766)
Deposits and long-term liabilities	120 612	293 425
Total	137 202	306 074
Application of funds		
Advances	(92 354)	(228 121)
Investments	(8 342)	(8 924)
Cash and cash equivalents	(6 494)	(27 541)
Investment securities (e.g. liquid asset portfolio)	(30 012)	(41 488)
Total	(137 202)	(306 074)

Summary consolidated statement of changes in equity – normalised

for the year ended 30 June

<i>R million</i>	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 2017	56	8 056	8 112	(221)	158	
Net proceeds of issue of share capital	—	—	—	—	—	
Acquisition of subsidiaries	—	—	—	—	—	
AT1 capital issued during the year	—	—	—	—	—	
Movement in other reserves	—	—	—	—	—	
Ordinary dividends	—	—	—	—	—	
Distributions on other equity instruments	—	—	—	—	—	
Transfer from/(to) general risk reserves	—	—	—	—	—	
Changes in ownership interest of subsidiaries	—	—	—	—	—	
Total comprehensive income for the year	—	—	—	147	185	
Vesting of share-based payments	—	—	—	—	—	
Balance as at 30 June 2018	56	8 056	8 112	(74)	343	
Adjustment for adoption of IFRS 9 and IFRS 15	—	—	—	—	—	
Restated balance as at 1 July 2018[†]	56	8 056	8 112	(74)	343	
Net proceeds of issue of share capital	—	—	—	—	—	
Acquisition of subsidiaries	—	—	—	—	—	
AT1 capital issued during the year	—	—	—	—	—	
Movement in other reserves	—	—	—	—	—	
Ordinary dividends	—	—	—	—	—	
Distributions on other equity instruments	—	—	—	—	—	
Transfer (to)/from general risk reserves	—	—	—	—	—	
Changes in ownership interest of subsidiaries	—	—	—	—	—	
Total comprehensive income for the year	—	—	—	(132)	498	
Vesting of share-based payments	—	—	—	—	—	
Balance as at 30 June 2019	56	8 056	8 112	(206)	841	

* Other reserves include the FVOCI reserve.

** Other equity instruments at 30 June 2019 include R4 519 million non-cumulative non-redeemable (NCNR) preference shares, R4 965 million AT1 instruments and contingent convertible securities of R1 250 million.

Headline and normalised earnings adjustments are reflected in the movement in other reserves.

† Restated, refer to the IFRS 9 transition report on the FirstRand website.

	Ordinary share capital and ordinary equityholders' funds								
	Share-based payment reserve	Available- for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equityholders	Other equity instruments**	Non- controlling interests	Total equity
	9	(715)	1 690	462	99 427	100 810	4 519	3 781	117 222
	—	—	—	—	—	—	—	14	14
	—	—	(24)	—	—	(24)	1 250	(22)	1 204
	—	—	—	—	—	—	—	—	—
	7	—	—	191	(181) [#]	17	—	14 [#]	31
	—	—	—	—	(14 921)	(14 921)	—	(923)	(15 844)
	—	—	—	—	—	—	(466)	—	(466)
	—	—	—	18	(18)	—	—	—	—
	—	—	—	—	(139)	(139)	—	5	(134)
	—	(646)	1 166	(72)	26 411	27 191	466	1 135	28 792
	(12)	—	—	—	12	—	—	—	—
	4	(1 361)	2 832	599	110 591	112 934	5 769	4 004	130 819
	—	1 361	—	87	(6 933)	(5 485)	—	(98)	(5 583)
	4	—	2 832	686	103 658	107 449	5 769	3 906	125 236
	—	—	—	—	—	—	—	(4)	(4)
	—	—	1	—	—	1	—	4	5
	—	—	—	—	—	—	4 965	—	4 965
	3	—	—	109	2 091 [#]	2 203	—	7 [#]	2 210
	—	—	—	—	(15 931)	(15 931)	—	(584)	(16 515)
	—	—	—	—	—	—	(667)	—	(667)
	—	—	—	(123)	123	—	—	—	—
	—	—	—	—	(32)	(32)	—	(32)	(64)
	—	—	(447)	35	27 894	27 848	667	889	29 404
	(6)	—	—	—	6	—	—	—	—
	1	—	2 386	707	117 809	121 538	10 734	4 186	144 570

“FirstRand produced quality real growth in earnings despite a challenging operating environment and the high earnings base in 2018 from private equity realisations. The group also delivered a superior ROE of 22.8%.

The underlying growth momentum in FNB, RMB and Aldermore remains strong, and WesBank continues to weather tough conditions.

The group’s strategy to deliver **customer-centric integrated financial services** will ensure future franchise value and sustainable superior returns to shareholders.”

ALAN PULLINGER
CEO

INTRODUCTION

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

The macroeconomic environments in many of the jurisdictions in which the group operates remained challenging in the year to June 2019. Global growth began to slow and downside risks emerged, which, combined with low developed market inflation generally and US inflation specifically, led the US Federal Reserve to signal monetary policy easing to support the economy. These conditions in turn prompted other developed market central banks to halt their planned monetary policy tightening cycles and signal monetary policy easing to cushion their economies into the growth slowdown. Whilst the adjustment of monetary policy expectations provided some support to emerging market assets, this was, to some extent, offset by the increased risks to the global growth outlook.

In South Africa, the government continued to make some progress with implementing governance and institutional reforms, although this did not translate into an improvement in economic conditions.

The real economy remained weak on account of high government indebtedness, ongoing inefficiencies in the large state-owned entities (SOEs) and a lack of government capacity, combined with low private sector confidence and investment. Electricity supply interruptions and the global slowdown placed additional pressure on real GDP growth, which remained below one per cent. These conditions in turn placed significant and sustained pressure on both household and corporate income.

In the rest of the sub-Saharan Africa region, macroeconomic conditions remained relatively stable with a few important exceptions, namely Namibia, eSwatini and Zambia, where the operating environments remained tough. Botswana continued to steadily implement its structural economic reform programme, with the government having sufficient fiscal capacity to gradually lift investment in key sectors. The Nigerian economy continued to recover from its recession.

In the UK, the macro narrative continued to be dominated by the protracted Brexit uncertainty. Although this has weighed somewhat on UK economic activity, the unemployment rate remained low and wages stable. This allowed consumer demand and house prices to hold up reasonably well, placing the economy in a resilient position to deal with the impact of Brexit.

GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. Its 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. In the UK the group aims to build further franchise value through scaling, digitisation and disruption.

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

At the same time, FirstRand is working hard to find other sources of capital-light revenues, and its strategy to deliver integrated financial services to the group's 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 outside of South Africa includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can organically build competitive advantage and scale over time.

In the UK, the integration of MotoNovo with Aldermore was completed in May 2019, and the business is now focused on scaling its existing offerings and unlocking synergies between MotoNovo and Aldermore. The group's financial resource management methodology has also been introduced with the objective to optimise capital and funding deployment for growth in economic profits and sustainable returns.

OVERVIEW OF RESULTS

Despite the constrained macroeconomic backdrop and the high earnings base created in the previous year by significant private equity realisations, FirstRand's portfolio of businesses produced resilient and high-quality topline growth. The group continued to maintain its balance sheet strength and protect its return profile. Normalised earnings for the year ended 30 June 2019 increased 6% with a normalised ROE of 22.8%.

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

- > DirectAxis (DA), previously reported as part of WesBank's earnings, was moved into a personal loans cluster within FNB, alongside the FNB loans business. This has already resulted in faster execution of collaboration between FNB and DA.
- > MotoNovo, the UK-based vehicle finance business, was reported under WesBank's results in June 2018. For the year under review, MotoNovo's back book is included in the results of FCC/Group Treasury (GTSY). The operational performance of MotoNovo (excluding the back book) is included in Aldermore's results for May and June 2019 following the integration.
- > Following the finalisation of the transaction with Discovery, the Discovery card business has been moved out of FNB into GTSY. A further component of the performance of GTSY was approximately R1 037 million of incremental forgone interest on the capital deployed to purchase Aldermore; and
- > There has been a change in the net endowment allocation methodology between GTSY and the operating businesses for the rest of Africa portfolio.

Comparatives for 2018 have been restated to reflect these changes.

In addition, FCC's performance was negatively affected by:

- > the prior year's central credit overlay releases of R280 million (no release in the current year); and
- > the inclusion of a full 12 months of amortisation of intangible assets associated with the acquisition of Aldermore of R439 million (prior year three months of R102 million).

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

SOURCES OF NORMALISED EARNINGS

<i>R million</i>	Year ended 30 June				
	2019 IFRS 9	% composition	2018 IAS 39	% composition	% change
FNB	17 637	63	15 865	60	11
– FNB SA*	17 178		15 592		
– FNB rest of Africa*	459		273		
RMB*	7 086	25	7 353	28	(4)
WesBank*	1 808	7	1 854	7	(2)
Aldermore**	1 658	6	276	1	>100
FCC	244	1	1 414	5	(83)
– MotoNovo	634		734		
– FCC (includes Group Treasury) and other*,#,†	(390)		680		
Other equity instruments	(539)	(2)	(351)	(1)	54
Normalised earnings	27 894	100	26 411	100	6

* 30 June 2018 figures have been restated to reflect the changes in the composition of earnings at an operating business level, as described on page 15. Refer to pages 46 to 49 for a detailed reconciliation.

** After the dividend on the contingent convertible securities of R128 million (2018: R115 million).

Includes FirstRand Limited (company).

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

FNB's results reflect another strong operating performance from its domestic franchise, driven by healthy non-interest revenue (NIR) growth on the back of ongoing customer gains and increased transactional volumes, and high-quality net interest income (NII) growth, particularly from deposit generation. The performance of FNB's rest of Africa portfolio improved significantly. RMB's results were impacted year-on-year by the non-repeat of significant private equity realisations in the second half of the year to June 2018, however, the rest of its portfolio delivered a resilient performance driven by growth in earnings and solid operational leverage. WesBank delivered a subdued performance.

The group's performance to June 2019 includes a full 12 months' contribution of post-tax earnings of R1 658 million from Aldermore. There was, however, only a three-month contribution from Aldermore in the comparative period, therefore the commentary below excludes the consolidated Aldermore operational results, except where explicitly stated otherwise.

Total group NII increased 9% (+18% including Aldermore), underpinned by strong growth in deposits of 10% and solid advances growth of 9%.

RMB delivered strong NII growth of 20%, driven by resilient core advances growth (+7%), supported by higher margins in the cross-border lending book, higher utilisation of trade and working capital facilities and good growth in deposits (+8%) in the corporate bank. FNB's NII growth was underpinned by robust advances growth of 9%, and strong deposit growth of 12%, particularly from the premium and commercial segments. WesBank's subdued NII reflects a tough operating environment, with advances down 2%.

Group NIR increased 6%, a resilient performance given the lack of private equity realisations compared to the prior year (realisations down 80% year-on-year). The main drivers were strong fee and commission income growth of 9%, supported by higher volumes across FNB's digital and electronic channels and ongoing customer growth in the premium and commercial segments.

Insurance revenue increased 5%, benefiting from volume growth of 8% and 10%, respectively, in funeral and credit life policies at FNB, resulting in the in-force annual premium equivalent (APE) increasing 26% year-on-year. In addition, total fair value income, mainly driven by RMB's markets business, showed strong growth of 14% off a subdued base.

Fee, commission and insurance income represents 82% of group operational NIR.

Total cost growth of 8% (14% including Aldermore) continues to trend above inflation due to:

- > ongoing investment in insurance and asset management activities and platforms to extract further efficiencies;
- > staff cost increases above inflation; and
- > the build-out of the group's footprint in the rest of Africa.

The amortisation of intangible assets following the Aldermore acquisition contributed approximately 0.6% to overall operating cost growth. The group's cost-to-income ratio increased from 51.2% to 51.8%.

FirstRand adopted IFRS 9* on 1 July 2018 and (as permitted under the accounting standard) did not restate prior year financial information. As a result, the credit performance commentary below covers the period from 1 July 2018 to 30 June 2019 for comparability purposes (as 30 June 2018 results were prepared on an IAS 39 basis).

As previously disclosed, 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 unsecured; and
- > a more stringent definition for customer rehabilitation (technical cures).

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

Taking into account the above context, total NPLs have increased 23% or R7 835 million since 1 July 2018, with operational NPLs increasing 14%, as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	3 316	14	9
Aldermore	598	35	2
Restructured debt review (D7)	(191)	(5)	(1)
Definition of rehabilitation (technical cures)	519	14	2
Lengthening of write-off period	3 593	–	11
Total NPLs	7 835	23	23

The increase in operational NPLs (excluding Aldermore) reflects strong book growth in certain unsecured portfolios, as well as macro pressures in some sectors affecting WesBank corporate, and drought-related impacts in FNB commercial's agric portfolio. This increase is within expectations and trend rate, given growth in underlying advances.

The group's credit loss ratio of 99 bps (88 bps including Aldermore) increased 18% (excluding Aldermore) and remains below the group's through-the-cycle (TTC) range of 100 – 110 bps. Most of the group's lending books are trending in line with expectations.

IFRS 9 impacts the impairment charge in that provision levels are upfronted for new origination and similarly higher levels are maintained for arrears. The lengthening of the write-off period provides one-off relief in the year under review.

* Refer to the IFRS 9 financial instruments transition report on the group's website at <https://www.firstrand.co.za/investors/other-shareholder-documents/>.

The underlying drivers of this increase, per product, are outlined below:

- > FNB card impairments increased >R330 million (+56%) on the back of 23% growth in advances. Operational NPLs in card increased materially (+94%) mainly due to specific origination issues. As part of its focus on acquiring new customers and cross-selling credit cards into its base, FNB saw strong book growth from new-to-bank and new-to-product origination strategies. As vintages showed strain, FNB implemented significant risk cutbacks, however, these cuts were delayed in certain cohorts. The group expects ongoing elevated NPLs in these cohorts in the 2020 financial year. However, the credit loss ratio of 3.68% remains well below TTC levels.
- > The FNB personal loans charge increased >R500 million (+63%) and was also driven by strong book growth of 36%. Operational NPLs tracked book growth. The credit loss ratio of 6.39% remains well below TTC levels.
- > DA's impairment charge increased >R200 million (+18%) largely due to prior year advances growth. Operational NPLs tracked book growth, which was slightly lower year-on-year.
- > The impairment charge for FNB retail other increased >R100 million (+10%), reflecting advances growth of 13% and a 24% increase in operational NPLs.
- > The residential mortgages credit loss ratio increased marginally to 11 bps, still due to low inflows of NPLs on the back of conservative origination. NPLs increased in line with expectations.
- > An improvement in WesBank's vehicle asset finance (VAF) charge, benefiting from reducing appetite in higher-risk origination, resulting in NPL growth of 4%.
- > A moderate improvement of 4% (in pound terms) in the standalone MotoNovo business's impairment charge, reflecting the benefit of risk cuts over the last 24 months.

- > FNB commercial NPLs increased 36%, driven by growth in the higher collateralised agricultural portfolios against which proactive provisions were raised in prior years. The impairment charge increased to 75 bps, which has trended to the bottom of the TTC range.
- > The RMB corporate and investment banking (CIB) portfolio reported a 7% increase in NPLs since 1 July 2018, reflecting the migration of certain counters in distressed industries. The overall portfolio reflected the higher levels of corporate stress in SA, resulting in an uptick in the credit charge in the current financial year to 12 bps.
- > The 13% improvement in the credit performance in the rest of Africa portfolio benefited from proactive provisioning in the prior financial year and the adoption of IFRS 9. However, ongoing tough macros in some of the jurisdictions in which the group operates (primarily Namibia and Zambia) still resulted in a 1% increase in NPLs since 1 July 2018.
- > Aldermore's NPLs increased 34% (35% including MotoNovo), in part reflecting the expected increase in the retail portfolio, given strong book growth in buy-to-let and owner-occupied residential mortgages over the last two financial years, as well as the migration of specific high-value stage migrations in the asset finance portfolio into NPL status. Aldermore's impairment charge, excluding the MotoNovo new book, was 21 bps (24 bps including MotoNovo), in line with expectations.

Overall balance sheet portfolio provisions increased 6%. Retail portfolio impairments were driven by ongoing book growth and, in the RMB investment banking portfolio, reflect the increased watchlist and the general deterioration in the South African macroeconomic environment. The group's performing book coverage ratio reduced marginally given the mix change but, at 131 bps, remains comfortably above the current financial year impairment charge.

OPERATING REVIEWS

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products. FNB's pre-tax profits increased 11% to R25.3 billion, driven by another strong performance from its South African business, which grew pre-tax profits 10%. The turnaround in FNB's rest of Africa businesses continued, with normalised PBT improving 30%. FNB produced an ROE of 41.9% and an improved cost-to-income ratio in its South African business of 48.6%.

FNB FINANCIAL HIGHLIGHTS

<i>R million</i>	Year ended 30 June			As at 1 July
	2019 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Normalised earnings	17 637	15 865	11	
Normalised profit before tax	25 348	22 814	11	
– South Africa	23 847	21 669	10	
– Rest of Africa*	1 501	1 145	31	
Total assets	476 634	447 946	6	442 646
Total liabilities	459 552	426 472	8	426 484
Stage 3/NPLs as a % of advances	5.89	3.80		4.85
Credit loss ratio (%)	1.52	1.36		
ROE (%)	41.9	38.8		
ROA (%)	3.79	3.64		
Cost-to-income ratio (%)	50.9	52.0		
Advances margin (%)	4.27	4.19		

* Includes WesBank's rest of Africa operations and FNB's activities in India, which were discontinued in 2017. Excluding India, the rest of Africa normalised PBT grew 30%.

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

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

SEGMENT RESULTS

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Normalised PBT			
Retail	14 911	13 767	8
Commercial	8 936	7 902	13
FNB rest of Africa	1 501	1 145	31
Total FNB	25 348	22 814	11

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and eSwatini), combined with recently established (subscale) and start-up businesses, such as Mozambique, Zambia and Ghana. Whilst the portfolio's performance continues to improve on the back of better topline growth and reducing impairments, profitability was impacted by tough macros and ongoing investment in the organic build-out strategies.

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

%	FNB SA	Rest of Africa
PBT growth	10	31
Cost increase	9	5
Advances growth	10	2
Deposit growth	13	8
Stage 3/NPLs as a % of advances	5.71	7.19
Credit loss ratio	1.51	1.61
Cost-to-income ratio	48.6	67.9
Operating jaws	2.2	1.5

FNB's total NII increased 10%, driven by strong volume growth in both advances (+9%) and deposits (+12%). FNB's focus on customer acquisition and cross-sell into its core transactional customer base continues to be the main driver of advances growth in the premium and commercial segments.

The ongoing strong growth in deposits in both retail and commercial was due to historic customer growth, 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

Segments	Deposit growth		Advances growth*	
	%	R billion	%	R billion
Retail	9	21.5	9	26.0
– Consumer	3	2.4	6	2.3
– Premium	10	19.1	10	22.7
– DirectAxis	–	–	7	1.0
Commercial	16	32.8	11	10.6
FNB rest of Africa	8	3.3	2	1.3
Total FNB	12	57.6	9	37.9

* Growth in advances reflect the change from 1 July 2018 (IFRS 9) to 30 June 2019 (IFRS 9).

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. The focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship. Mortgages (+6%) grew marginally above nominal house

price inflation. Growth in both the premium and consumer segments was driven by unsecured lending origination. In consumer, this was on the back of writing to credit appetite after risk cuts in previous periods, and was mainly focused on personal loans. Card growth was down year-on-year.

The strong growth in premium personal loans and credit card was driven by:

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

Personal loans continues to focus on the displacement of other providers of credit in FNB's main-banked client base.

DA grew advances 7% reflecting some pull-back on origination and increased competition in the market.

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

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

<i>R million</i>	As at 30 June	As at 1 July	%
	2019 IFRS 9	2018 IFRS 9	
Consumer advances			
Residential mortgages	25 947	24 677	5
Card	4 638	4 712	(2)
Personal loans	8 275	7 047	17
Retail other	2 714	2 801	(3)
Premium advances			
Residential mortgages	191 217	180 953	6
Card	23 477	18 093	30
Personal loans	15 082	10 153	49
Retail other	15 194	13 103	16
DA advances	16 012	14 985	7
Commercial advances	105 131	94 558	11

The strength and quality of FNB's transactional franchise is demonstrated in the ongoing growth in volumes. Total customer growth was 1% year-on-year, with particularly strong new customer acquisition continuing in premium and commercial. There was some attrition of transactional accounts in the consumer segment due to conservative credit risk appetite and ongoing upward migration to premium.

CUSTOMERS

<i>Customer segment</i>	Growth in customer numbers %
Consumer	(4)
Premium	17
Commercial	11

NIR was driven by growth in transactional volumes across all segments. Premium saw particularly strong growth in card transactional volumes, lending NIR and digital volumes.

CHANNEL VOLUMES

<i>Thousands of transactions</i>	2019	2018	% change
ATM/ADT	245 433	243 023	1
Internet banking	197 957	205 200	(4)
Banking app	237 873	164 018	45
Mobile (excluding prepaid)	42 050	43 716	(4)
Point-of-sale merchants	578 634	496 673	17
Card swipes	872 989	785 405	11

Cost growth continues to trend above inflation at 8%, but is in line with expectations, given the level of ongoing investment in platform technology, insurance, wealth and investment management (WIM) and rest of Africa growth strategies, and above-inflation wage settlements. Despite these pressures, FNB achieved positive jaws and the overall cost-to-income ratio improved to 50.9%.

FNB recorded an increase of 32% in NPLs since 1 July 2018, in part reflecting the impact of the adoption of IFRS 9 (extension of write-off periods for unsecured advances and more stringent rehabilitation rules). Operational NPLs increased 13% since 1 July 2018.

The increase in operational NPLs in personal loans was below book growth and vintages continue to trend within expectations and below TTC levels.

The commercial portfolio's NPLs were driven mainly by drought in the agric book. Rest of Africa's NPLs trended up marginally, reflecting active credit management strategies.

Insurance revenue increased 7%, benefiting from good volume growth of 8% and 10% in funeral and credit life policies, respectively. New business APE increased 34% and growth was achieved across all portfolios.

NEW BUSINESS APE

<i>R million</i>	2019	2018	% change
Credit life	782	558	40
Funeral products	721	645	12
Core life products	255	128	99
Underwritten	281	211	33
Commercial	27	–	–
Total new business APE	2 066	1 542	34

This resulted in the life insurance in-force policy book growing 11% and in-force APE growing 26% compared to the prior year. Claims paid over the year increased 39%, in line with the growth in the in-force book, impacted by higher sums assured and changes in lapse rules that were implemented in October 2017. The change in lapse rules was implemented to provide customers with an improved insurance experience in line with FNB's vision to better protect them.

Revenues in WIM were up 8% for the year, benefiting from improved contributions from the fiduciary business and FNB share investing areas. FNB Horizon series funds showed improved performance, however, despite this, there were net outflows for the year as customers opted for lower-risk asset classes. Assets under advice benefited from an uptick in customer numbers and sales on the LISP platform. Platform developments activated during the period included online wills, robo-advice and the investment tab in online banking.

WIM ASSETS

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
FNB Horizon series AUM	3 370	3 588	(6)
Assets under advice	67 859	66 812	2
Assets under administration	17 879	16 408*	9
Trust assets under administration	38 327	37 906	1
Assets under management	51 064	46 775	9
Assets under execution	59 237	70 693	(16)

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

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The strategy leverages an entrenched origination franchise, a growing market-making and distribution product offering, a competitive transactional banking platform and a strong private equity track record to ensure delivery of an integrated corporate and investment banking 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

<i>R million</i>	Year ended 30 June			As at 1 July
	2019 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Normalised earnings	7 086	7 353	(4)	
Normalised profit before tax	10 065	10 387	(3)	
– South Africa	7 943	8 613	(8)	
– Rest of Africa*	2 122	1 774	20	
Total assets	523 976	471 713	11	471 775
Total liabilities	512 341	461 145	11	461 489
Stage 3/NPLs as a % of advances	0.82	0.80		0.86
Credit loss ratio (%)	0.12	0.08		
ROE (%)	21.7	25.3		
ROA (%)	1.40	1.61		
Cost-to-income ratio (%)	46.4	44.1		

* Includes in-country and cross-border activities.

RMB's diversified portfolio performance was resilient, with pre-tax profits declining 3% to R10.1 billion, given the expected rebasing of the private equity business in the current year. Notwithstanding this base effect, the client franchise delivered a robust performance with normalised PBT increasing 12%. This was underpinned by a strong markets and structuring contribution, notably from flow trading activities, and healthy annuity income-driven growth due to balance sheet deployment. Whilst the ROE also declined because of the base effect of private equity and higher capital levels supporting the strong advances growth, at 21.7% it still reflects the quality of RMB's earnings and strong operational leverage. RMB's cost growth of 9% primarily consists of an increase in headcount for RMB's rest of Africa growth strategies as well as ongoing platform and investment spend.

The rest of Africa portfolio remains key to RMB's growth strategy. The portfolio produced pre-tax profits of R2.1 billion, up 20% on the prior year, and contributed 21% of RMB's overall pre-tax profits. This performance was supported by investment banking, corporate and transactional banking and flow trading activities. RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Investment banking and advisory	5 164	4 762	8
Corporate and transactional banking	2 205	1 977	12
Markets and structuring	2 002	1 616	24
Investing	1 161	2 516	(54)
Investment management	53	57	(7)
Other	(520)	(541)	(4)
Total RMB	10 065	10 387	(3)

* Refer to additional activity and business unit disclosure on page 43. To improve peer group comparability, core activities now include the associated endowment earned on capital invested net of group cost allocations. Comparatives have been restated accordingly.

Investment banking and advisory grew profits 8%, which was pleasing in an environment characterised by a constrained economic cycle, subdued corporate credit demand and low investor confidence. The business continued to deliver solid lending income, underpinned by prior year advances growth and higher margin income. Global and domestic corporate finance activity levelled off, resulting in lower fee income generation across advisory and capital market mandates. Earnings growth from the rest of Africa strategy was driven by strong cross-border advances growth. The business continues to maintain appropriate levels of credit provisioning given the prevailing weak credit cycle.

Corporate and transactional banking delivered solid results from both SA and the rest of Africa, up 12% year-on-year. This performance was underpinned by the continued focus on leveraging platforms to grow product offerings locally and in the rest of Africa. Domestic results were bolstered by higher transactional volumes and average deposit balances, and good demand for working capital solutions, delivering robust growth of 8%. The upward trajectory in the rest of Africa is attributable to increased client volumes and margins in the global foreign exchange business, solid average advances growth and an increase in average deposits. The business continues to invest in platform initiatives, both domestically and in the rest of Africa.

Markets and structuring delivered a strong performance, up 24% off a 2018 base characterised by an operational loss and low credit trading revenues. Income growth in the first half of the year was benign, impacted by the tough macros, resulting in lower flow activity. The business was, however, well positioned to capture the increased market-making activity and structuring opportunities offered by positive market sentiment in the fourth quarter. The rest of Africa also delivered a strong performance in the current year, with a particularly good performance from RMB Nigeria on the back of increased FX flows.

The 54% decline in earnings from investing activities was due to the expected lower realisation income. Prior period realisations coupled with weak macroeconomic conditions have also impacted equity-accounted earnings from the portfolio. The business remains in an investment cycle and additional investments of R2.1 billion were approved, with R1.2 billion paid away by June 2019. The quality and diversification of the portfolio is reflected in its unrealised value of R3.5 billion (June 2018: R3.7 billion).

Other activities reflect the continued derisking of the legacy portfolio, and investment in the group's markets infrastructure platform.

WesBank

Following the structural changes outlined earlier, WesBank now represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. The restructuring allows WesBank to focus on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

<i>R million</i>	Year ended 30 June			As at 1 July
	2019 IFRS 9	2018 IAS 39	% change	2018 IFRS 9
Normalised earnings	1 808	1 854	(2)	
Normalised profit before tax	2 580	2 643	(2)	
Total assets	138 254	142 104	(3)	140 734
Total liabilities	135 146	139 643	(3)	139 713
Stage 3/NPLs as a % of advances	5.72	5.15		5.31
Credit loss ratio (%)	1.46	1.47		
ROE (%)	18.5	17.4		
ROA (%)	1.26	1.28		
Cost-to-income ratio (%)	47.4	46.6		
Net interest margin (%)	3.32	3.31		

On a like-for-like basis, with DA and MotoNovo excluded, normalised profit before tax decreased 2% to R2.6 billion and the business delivered an ROE of 18.5% and an ROA of 1.26%. Both the retail and corporate VAF businesses faced a tough macroeconomic environment characterised by:

- low consumer and business confidence resulting in a lengthening of the vehicle replacement cycle;
- declining vehicle sales; 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.

WesBank's operating model and relationships strengthened with new partnerships established with KTM, Harley Davidson, Triumph and Vespa. Its partnership with Renault was renewed recently.

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

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Normalised PBT			
Retail VAF**	2 113	2 235	(5)
Corporate and commercial	467	408	14
Total WesBank	2 580	2 643	(2)

* Refer to additional segmental disclosure on page 42.

** Includes MotoVantage.

WesBank's credit loss ratio showed a marginal improvement at 1.46% (2018: 1.47%), reflecting risk cuts in new origination. The corporate VAF business experienced further deterioration in credit quality emanating from ongoing stress in the transport and construction sectors. Retail VAF NPLs also increased due to elevated consumer stress and protracted collection timelines as customers opt for a repossession process via court order. In addition, as previously disclosed, higher-than-expected NPLs in the self-employed and small business segments resulting from operational issues with some scorecards, including third-party data quality, continued to play out in the year. Behavioural terms continue to extend due to consumer pressure.

The risk cuts in both portfolios resulted in advances declining 2% year-on-year. 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 business.

Total WesBank NIR (excluding associate income) – mainly insurance and fleet revenues – also declined marginally as insurance revenues tracked book growth. Rental revenues increased 10% 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 R62 million.

Whilst the cost-to-income ratio has deteriorated due to topline pressure, overall cost growth tracked well below inflation at 1%.

Aldermore Group

Aldermore is a UK specialist lender with a strategy of offering straightforward lending and deposit solutions to underserved customer segments, including small and medium-sized enterprises (SMEs), homeowners, landlords and savers.

During May 2019, a new entity, MotoNovo Finance Limited, was established under the Aldermore Group. FirstRand injected capital to support the first 15 months of trading into the Aldermore Group.

The expanded Aldermore group now focuses on specialist lending in six areas: asset finance, invoice finance, SME commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance. It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online, by phone and face to face through a network of nine regional offices.

ALDERMORE FINANCIAL HIGHLIGHTS

<i>R million</i>	Year ended 30 June			As at 1 July
	2019 IFRS 9	2018 IAS 39*	% change	2018 IFRS 9
Normalised earnings	1 658	276	>100	
Normalised profit before tax	2 389	549	>100	
Total assets	225 323	189 867	19	189 734
Total liabilities	205 626	176 089	17	176 100
Stage 3/NPLs as a % of advances	1.21	0.38		1.05
Credit loss ratio (%)	0.24	0.12		
ROE (%)** (Aldermore Bank)	13.1	12.1		
ROA (%)**	0.84	0.80		
Cost-to-income ratio (%)	52.1	52.5		
Advances margin (%)	3.28	3.15 [#]		

<i>£ million</i>	Year ended 30 June			As at 1 July
	2019 IFRS 9	2018 IAS 39*	% change	2018 IFRS 9
Normalised earnings	90	16	>100	
Normalised profit before tax	130	32	>100	
Total assets	12 530	10 444	20	10 436
Total liabilities	11 435	9 686	18	9 686
Stage 3/NPLs as a % of advances (%)	1.21	0.38		1.05
ROE (%)** (Aldermore Bank)	12.9	12.9		
ROA (%)**	0.83	0.84		
Credit loss ratio (%)	0.24	0.12		
Cost-to-income ratio (%)	52.1	52.5		
Advances margin (%)	3.24	3.18 [#]		

* Reflects three months' contribution from 1 April 2018.

** Given the up-front capital injection and start-up losses of MotoNovo, the ROE references Aldermore Bank. At June 2018 the earnings attributable to contingent convertible securities of R115 million (£6.8 million) is reflected on the segment report on pages 35 and 39. R105 million (£6.5 million) of this amount related to the period prior to the acquisition date and was thus adjusted for in the 2018 annualised ROE and ROA calculations for Aldermore Bank.

[#] This margin is based on the three months from 1 April 2018 to 30 June 2018.

Aldermore Group delivered a solid operational performance.

- > Strong loan growth of 18% to £10.6 billion was driven by business finance (+12%) and retail finance (+14%) with c.£370 million contributed by MotoNovo.
- > Customer deposits grew 15% to £8.3 billion.
- > Net interest income increased to £318 million.
- > New customers grew 11% (44% including MotoNovo).
- > The CET1 ratio strengthened to 14.9%.

Aldermore's credit loss ratio increased to 21 bps (24 bps including MotoNovo), which was lower than anticipated given that 25% of the increase was driven by a small number of specific individual provisions raised in asset finance. The remaining NPL increase tracked book growth and is well below expectations and TTC.

NII increased, reflecting the base impact of including Aldermore for 12 months, and ongoing book growth. The cost-to-income ratio reflects continued investment and the inclusion of the MotoNovo operational cost base, including staff, property and other costs since May. Margin and the cost-to-income ratio are still tracking ahead of FirstRand's original expectations when it acquired Aldermore.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

£ million	2019 IFRS 9	2018* IAS 39	% change
Normalised PBT			
Asset finance	50	13	>100
Invoice finance	15	3	>100
SME commercial mortgages	38	9	>100
Buy-to-let mortgages	125	25	>100
Residential mortgages	34	9	>100
MotoNovo (new book)	(7)	–	–
Central functions	(125)	(27)	>100
Total Aldermore	130	32	>100

* Reflects three months' contribution from 1 April 2018.

The growth in business finance was primarily driven by asset finance (+10%) and invoice finance (+51%), with a healthy contribution from SME commercial mortgages (+6%) as Aldermore continued to focus on larger-sized deals. Whilst competition is increasing, Aldermore's specialist underwriting skills allow it to work closely with its customers to provide tailored funding solutions.

Retail finance benefited from strong origination in buy-to-let (+14% in pound terms), due to a focus on specialist customers, and residential mortgages which grew 18% in pound terms on the back of new product launches. Despite increasing competition, Aldermore's market share has stayed stable and the business continues to develop simpler automated solutions for customers and brokers.

Standalone operational performance of MotoNovo

The normalised PBT of the standalone MotoNovo business (the back book in FCC/GTSY for the full year and the new book originated in the Aldermore Group since May 2019) declined 29% in pound terms to £42 million year-on-year. This performance reflects:

- > lower net interest margins due to increased competitive pressures and the continued elevated cost of funding the book from the South African balance sheet, particularly during the first half of the financial year;
- > lower new business origination (-4% in pound terms) due to competitors benefiting from relatively lower funding costs and a softening of demand for new and used cars in the UK;
- > a reduction of >50% in non-interest revenue, driven by:
 - a change in the current financial year to a fee-free model for the findandfundmycar.com platform; and
 - a 74% reduction in insurance revenues written following the implementation of the General Data Protection Regulations (GDPR) rules in the UK in May 2018;
- > ongoing investment in findandfundmycar.com;
- > significant costs associated with the integration with Aldermore; and
- > the impairment of certain intangible assets.

Pleasingly, the MotoNovo VAF impairment charge reduced 4% in pound terms, reflecting the benefit of scorecard tightening, new business origination focused on lower-risk segments and improved operational efficiencies in the collections function.

Ashburton Investments

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

Ashburton's strategy is to disrupt in alternative investments as regulatory changes have allowed clients to invest in private market and alternative assets. The group's track record in origination and structuring presents investors with opportunities to participate in private equity, renewable energy and credit investments (including investment grade, non-investment grade and mezzanine credit). Ashburton's portfolio also consists of a traditional range of equity, fixed income and multi-asset funds. Its long-standing international offshore multi-asset range has recently been strengthened through an investment partnership with Fidelity International. This range is

well positioned for South African investors looking to diversify into international markets.

Ashburton's AUM increased marginally to R103 billion. Whilst there were good flows into the fixed income range due to the market cycle and the strong performance in this range, this was offset by outflows in the offshore multi-asset range as well as structured products. These products are in the process of being restructured to further align to client needs in current markets.

The private markets business continues to deliver inflows on the back of winning new mandates. Despite a tough year for local financial markets, investment performance remains resilient, with the majority of funds delivering solid performances relative to peer groups.

Below is a segmental breakdown of normalised earnings.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

<i>R million</i>	Year ended 30 June				
	2019 IFRS 9	% composition	2018 IAS 39	% composition	% change
Retail	13 300	48	12 469	47	7
– FNB*	11 194		10 175		
– WesBank	1 472		1 560		
– MotoNovo back book	634		734		
Commercial	6 779	24	5 984	23	13
– FNB	6 443		5 690		
– WesBank	336		294		
Corporate and investment banking	7 086	25	7 353	28	(4)
– RMB*	7 086		7 353		
Aldermore (including MotoNovo new book)**	1 658	6	276	1	>100
Other	(929)	(3)	329	1	(>100)
– FCC (including Group Treasury) and consolidation adjustments	(390)		680		
– Other equity instruments	(539)		(351)		
Normalised earnings	27 894	100	26 411	100	6

* Includes rest of Africa.

** After the dividend on the contingent convertible securities of R128 million (2018: R115 million).

MANAGEMENT OF FINANCIAL RESOURCES

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

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

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

Capital ratios as at 30 June 2019 are summarised below.

%	Internal targets	Group		Bank*	
		As at 30 June			
		2019 IFRS 9	2018 IAS 39	2019 IFRS 9	2018 IAS 39
Capital**					
CET1	10.0 – 11.0	12.1	11.5	13.4	12.7
Tier 1	>12.0	12.9	12.1	14.0	12.8
Total	>14.0	15.2	14.7	16.8	16.8

* Includes foreign branches.

** Includes unappropriated profits and the Day 1 transitional impact of IFRS 9.

The group's Common Equity Tier 1 (CET1) ratio strengthened significantly over the past year, driven primarily by the increase in the bank's CET1 position (+70 bps from 30 June 2018). The year-on-year movement in the group's CET1 position relates to the following:

- > ongoing net internal capital generation and lower RWA growth;
- > the one-off Discovery card transaction;
- > inclusion of minority capital previously excluded; and
- > successful financial resource management optimisation strategies.

This was partly offset by the Day 1 transitional impact of IFRS 9 (≈12.5 bps decrease) on 1 July 2018.

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

The group continues to actively manage its capital composition by issuing Additional Tier 1 (AT1) and Tier 2 instruments to align with the group's internal targets. To this end, the bank issued the following instruments in the domestic market during the year under review:

- > AT1 of R5.0 billion; and
- > Tier 2 of R2.6 billion.

The AT1 instruments issued in November 2018 have now been classified as equity and the coupon payment as dividends. Previously they were classified as financial liabilities and the coupon payment as Nil. Contractually the redemption and coupon payments are at the discretion of the group, resulting in an equity classification in terms of IFRS, however, from an economic perspective, the group continues to view these AT1 instruments as liability in nature. The AT1 instruments, together with Tier 2 instruments, are considered to be funding, and are not used to support risk in the group.

It remains the group'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 is available as protection against unexpected stress events or market disruptions, as well as to facilitate the variable liquidity needs of the operating businesses. The composition and quantum of available sources of liquidity are defined by the behavioural funding liquidity-at-risk and the market liquidity depth of these resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business activities.

The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) as at 30 June 2019 are summarised in the following table.

% Group*	Group*		Bank*	
	2019	2018	2019	2018
LCR				
Regulatory minimum	100	90	100	90
Actual**	122	115	133	118
Average available HQLA (R billion)	249	203	226	182
NSFR				
Regulatory minimum	100	100	100	100
Actual**	118	112	117	111

* The consolidated LCR and NSFR for the group includes the bank's operations in South Africa, and all registered banks and foreign branches within the group. The bank's LCR and NSFR reflects its operations in South Africa only.

** Exceeds regulatory minimum requirements with appropriate buffers.

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

The 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, and planning and conducting a resolution with an emphasis on open-bank resolution. 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. first loss-absorbing capacity (FLAC) instruments, which 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. The SARB will be conducting a study (with the support of the World Bank) in the second half of 2019 to analyse various aspects relevant to FLAC instrument requirements.

DIVIDEND STRATEGY

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

- > should capital demand increase to support sustainable balance sheet growth; and/or
- > macro risks worsen against the group's current core view.

PROSPECTS

Given the structural nature of South Africa's challenges, the group believes that domestic economic activity will remain under pressure for the foreseeable future.

Weak domestic demand and low income growth will continue to weigh on real GDP growth and core inflation, and the real economy remains constrained by high government indebtedness, inefficiency of large SOEs, and low private sector investment.

The country needs urgent economic reform, which should, at a minimum, include energy supply, price stability and policy certainty in key areas such as fiscal consolidation, SOE reform, land reform and mining rights. Without action on these critical issues, the risk of further sovereign rating downgrades remains elevated.

FirstRand remains optimistic that, despite this difficult backdrop, it is executing on appropriate strategies to deliver ongoing growth in earnings and sustainable superior returns to shareholders. FNB's momentum is expected to continue, on the back of customer and volume growth. Cross-sell and up-sell strategies will deliver higher insurance revenues and good deposit and advances growth. RMB's client franchises are expected to remain resilient and the business has the benefit of an earnings rebase to grow off in the coming financial year. WesBank's performance is expected to remain subdued given underlying macro constraints, such as low vehicle sales.

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

Despite the macro uncertainty in the UK and ongoing investment in systems and digital processes, Aldermore's positive growth trajectory is expected to continue, partly due to the incorporation of MotoNovo and ongoing execution of client strategies.

The group continues to target real growth in earnings (defined as real GDP plus CPI) and expects its ROE to remain at the top end of its range of 18% to 22%.

DISCOVERY CARD

FirstRand received the final consideration for the Discovery card transaction on 21 November 2018, with a resultant after-tax profit for the group of approximately R2.3 billion. This resulted in attributable earnings increasing 14% for the year under review. Given the non-operational nature of the profit, however, it was excluded from headline and normalised earnings. At 30 June 2019, FCC included Discovery card advances with a gross value of R4.3 billion, which will be transferred at carrying value.

FNB SWAZILAND

The board of FNB Swaziland announced in May 2019 its decision to delay the listing of FNB Swaziland on the eSwatini Stock Exchange. The Central Bank of eSwatini (CBE) has asked for clarification regarding FNB Swaziland's management of emalangeni to South African rand flows, which will require a potentially lengthy process of engagement. FNB Swaziland believes this process should be completed, with any issues resolved, before the listing takes place.

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

The FirstRand Empowerment Foundation (the foundation) was established in 2005 as part of the group's broad-based black economic empowerment (B-BBEE) transaction, with the objective to create meaningful B-BBEE ownership of FirstRand. The B-BBEE participants included, amongst others, the Kagiso Charitable Trust, the WDB Trust and Mineworkers Investment Company (MIC). At that time, directors were appointed to the board in accordance with the contractual terms of the transaction and classified as non-executive, but not independent, directors.

On 31 December 2018, the B-BBEE ownership trust vested and the transactional agreements matured. At this point FirstRand was no longer contractually bound to retain these directors. However, given their skills, technical expertise, and relevant corporate and industry knowledge, the board decided to retain them in their personal capacities.

Accordingly, these directors are now classified as independent non-executive directors based on the criteria as set out in King IV and the JSE Listings Requirements and Directive 4/2018 issued in terms of section 6 (6) of the Banks Act 94 of 1990.

Changes to the directorate are outlined below.

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

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 291.0 cents per ordinary share out of income reserves for the year ended 30 June 2019.

Dividends

Ordinary shares

<i>Cents per share</i>	Year ended 30 June	
	2019	2018
Interim (declared 11 March 2019)	139.0	130.0
Final (declared 4 September 2019)	152.0	145.0
	291.0	275.0

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

Last day to trade cum-dividend	Monday 23 September 2019
Shares commence trading ex-dividend	Wednesday 25 September 2019
Record date	Friday 27 September 2019
Payment date	Monday 30 September 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 September 2019, and Friday, 27 September 2019, both days inclusive.

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

For South African shareholders who are subject to DWT, the net final dividend after deducting 20% tax will be 121.60000 cents per share.

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

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

B preference shares

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

DIVIDENDS DECLARED AND PAID

<i>Cents per share</i>	Preference dividends
Period:	
29 August 2017 – 26 February 2018	386.2
27 February 2018 – 27 August 2018	378.3
28 August 2018 – 25 February 2019	381.7
26 February 2019 – 26 August 2019	384.2


WR JARDINE
Chairman


AP PULLINGER
CEO


C LOW
Company secretary

4 September 2019

Segment report

for the year ended 30 June 2019 IFRS 9

	Retail and commercial							
	FNB							
	Retail						Commercial	
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other		
<i>R million</i>								
Net interest income before impairment of advances	4 487	2 350	3 676	3 095	6 771	7 387	20 995	10 775
Impairment charge	(232)	(937)	(1 296)	(1 386)	(2 682)	(1 285)	(5 136)	(750)
Net interest income after impairment of advances	4 255	1 413	2 380	1 709	4 089	6 102	15 859	10 025
Non-interest revenue	580	1 904	993	1 295	2 288	14 107	18 879	8 463
Income from operations	4 835	3 317	3 373	3 004	6 377	20 209	34 738	18 488
Operating expenses	(1 877)	(1 907)	(1 151)	(1 489)	(2 640)	(12 883)	(19 307)	(9 505)
Net income from operations	2 958	1 410	2 222	1 515	3 737	7 326	15 431	8 983
Share of profit of associates and joint ventures after tax	—	—	—	79	79	34	113	5
Income before tax	2 958	1 410	2 222	1 594	3 816	7 360	15 544	8 988
Indirect tax	(13)	(49)	(18)	(83)	(101)	(470)	(633)	(52)
Profit before tax	2 945	1 361	2 204	1 511	3 715	6 890	14 911	8 936
Income tax expense	(825)	(383)	(617)	(423)	(1 040)	(1 928)	(4 176)	(2 493)
Profit for the year	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443
Attributable to								
Ordinary equityholders	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443
Other equity instrument holders	—	—	—	—	—	—	—	—
Non-controlling interests	—	—	—	—	—	—	—	—
Profit for the year	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443
Attributable earnings to ordinary equityholders	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443
Headline earnings adjustments	—	—	—	—	—	—	—	—
Headline earnings	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443
TRS and IFRS 2 liability remeasurement	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—	—	—
IAS 19 adjustment	—	—	—	—	—	—	—	—
Private equity-related	—	—	—	—	—	—	—	—
Normalised earnings[‡]	2 120	978	1 587	1 088	2 675	4 962	10 735	6 443

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

* Refer to additional segmental disclosure on page 42.

** Refer to additional activity and business unit disclosure on page 43.

Refer to additional segmental disclosure on pages 44 and 45.

† FCC represents group-wide functions.

‡ Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 142.

Notes:

During the current financial year:

- Discovery card is included in FCC (including Group Treasury) and other;
- DirectAxis loans, previously referred to as WesBank loans, is included in FNB retail personal loans;
- a change in intergroup recovery methodology impacting FNB, RMB and FCC;
- HQLA, managed by the Group Treasurer, reallocated from FCC to RMB;
- WesBank rest of Africa is included in FNB rest of Africa; and
- the MotoNovo back book is included in FCC (including Group Treasury) and other.

Retail and commercial					Corporate and institutional			Aldermore [#]	FCC (including Group Treasury) and other ¹	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS	
				RMB									
	FNB rest of Africa	Total FNB	WesBank*	Retail and commercial	Investment banking	Corporate banking	Total RMB**						
	4 002 (878)	35 772 (6 764)	5 215 (1 985)	40 987 (8 749)	5 609 (373)	2 827 (39)	8 436 (412)	5 830 (430)	5 046 (909)	60 299 (10 500)	158 –	60 457 (10 500)	
	3 124 3 857	29 008 31 199	3 230 3 129	32 238 34 328	5 236 7 621	2 788 2 661	8 024 10 282	5 400 406	4 137 (1 965)	49 799 43 051	158 2 997	49 957 46 048	
	6 981 (5 339)	60 207 (34 151)	6 359 (4 123)	66 566 (38 274)	12 857 (5 963)	5 449 (3 230)	18 306 (9 193)	5 806 (3 255)	2 172 (3 417)	92 850 (54 139)	3 155 (144)	96 005 (54 283)	
	1 642	26 056	2 236	28 292	6 894	2 219	9 113	2 551	(1 245)	38 711	3 011	41 722	
	4	122	352	474	1 113	–	1 113	9	(339)	1 257	(27)	1 230	
	1 646 (145)	26 178 (830)	2 588 (8)	28 766 (838)	8 007 (147)	2 219 (14)	10 226 (161)	2 560 (171)	(1 584) (110)	39 968 (1 280)	2 984 –	42 952 (1 280)	
	1 501 (540)	25 348 (7 209)	2 580 (722)	27 928 (7 931)	7 860 (2 195)	2 205 (618)	10 065 (2 813)	2 389 (603)	(1 694) 2 102	38 688 (9 245)	2 984 (667)	41 672 (9 912)	
	961	18 139	1 858	19 997	5 665	1 587	7 252	1 786	408	29 443	2 317	31 760	
	459 – 502	17 637 – 502	1 808 – 50	19 445 – 552	5 628 – 37	1 458 – 129	7 086 – 166	1 658 128 –	(295) 539 164	27 894 667 882	2 317 – –	30 211 667 882	
	961	18 139	1 858	19 997	5 665	1 587	7 252	1 786	408	29 443	2 317	31 760	
	459 –	17 637 –	1 808 –	19 445 –	5 628 –	1 458 –	7 086 –	1 658 –	(295) –	27 894 –	2 317 (2 324)	30 211 (2 324)	
	459	17 637	1 808	19 445	5 628	1 458	7 086	1 658	(295)	27 894	(7)	27 887	
	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	80 (1) (97) 25	80 (1) (97) 25
	459	17 637	1 808	19 445	5 628	1 458	7 086	1 658	(295)	27 894	–	27 894	

Segment report *continued*

for the year ended 30 June 2019 IFRS 9

<i>R million</i>	Retail and commercial							
	FNB							
	Retail						Commercial	
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other		
Cost-to-income ratio (%)	37.0	44.8	24.7	33.3	28.9	59.8	48.3	49.4
Diversity ratio (%)	11.4	44.8	21.3	30.7	25.9	65.7	47.5	44.0
Credit loss ratio (%)	0.11	3.68	6.39	8.94	7.50	7.60	1.77	0.75
Stage 3/NPLs as a percentage of advances (%)	3.98	8.08	14.65	15.13	14.84	11.07	6.19	4.33
Consolidated income statement includes:								
Depreciation	(6)	(4)	(2)	(32)	(34)	(1 616)	(1 660)	(50)
Amortisation	—	(13)	—	(52)	(52)	(123)	(188)	—
Net impairment charges	—	—	—	—	—	(76)	(76)	—
Consolidated statement of financial position includes:								
Advances (before impairments)	217 164	28 115	23 357	16 012	39 369	17 908	302 556	105 131
— Normal advances (AC and FV)	217 164	28 115	23 357	16 012	39 369	17 908	302 556	105 131
— Securitised advances	—	—	—	—	—	—	—	—
Stage 3/NPLs	8 638	2 272	3 421	2 422	5 843	1 982	18 735	4 556
Investment in associated companies	—	—	—	311	311	391	702	—
Investment in joint ventures	—	—	—	—	—	—	—	5
Total deposits (including non-recourse deposits)	533	2 393	10	—	10	245 408	248 344	240 215
Total assets	214 743	25 548	19 308	14 801	34 109	40 166	314 566	104 516
Total liabilities†	213 954	25 503	18 721	16 275	34 996	26 743	301 196	100 567
Capital expenditure	15	21	5	86	91	1 956	2 083	69

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

* Refer to additional segmental disclosure on page 42.

** Refer to additional activity and business unit disclosure on page 43.

Refer to additional segmental disclosure on pages 44 and 45.

† FCC represents group-wide functions.

‡ Total liabilities are net of interdivisional balances.

Notes:

During the current financial year:

- Discovery card is included in FCC (including Group Treasury) and other;
- DirectAxis loans, previously referred to as WesBank loans, is included in FNB retail personal loans;
- a change in intergroup recovery methodology impacting FNB, RMB and FCC;
- HQLA, managed by the Group Treasurer, reallocated from FCC to RMB;
- WesBank rest of Africa is included in FNB rest of Africa; and
- the MotoNovo back book is included in FCC (including Group Treasury) and other.

Retail and commercial					Corporate and institutional			Aldermore [#]	FCC (including Group Treasury) and other [†]	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
			WesBank*	Retail and commercial	RMB							
	FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB ^{**}					
	67.9	50.9	47.4	50.5	41.6	58.9	46.4	52.1	>100	51.8	–	50.4
	49.1	46.7	40.0	45.9	60.9	48.5	57.5	6.6	(84.0)	42.4	–	43.9
	1.61	1.52	1.46	1.51	0.13	0.07	0.12	0.24	0.90	0.88	–	0.88
	7.19	5.89	5.72	5.85	0.87	0.56	0.82	1.21	1.24	3.33	–	3.33
	(357)	(2 067)	(642)	(2 709)	(94)	(13)	(107)	(33)	(38)	(2 887)	–	(2 887)
	(10)	(198)	(15)	(213)	(50)	(3)	(53)	(61)	(467)	(794)	–	(794)
	–	(76)	(2)	(78)	(6)	(9)	(15)	–	4	(89)	(124)	(213)
	55 100	462 787	134 087	596 874	291 843	61 444	353 287	191 490	98 263	1 239 914	–	1 239 914
	55 100	462 787	122 697	585 484	291 843	61 444	353 287	186 512	66 620	1 191 903	–	1 191 903
	–	–	11 390	11 390	–	–	–	4 978	31 643	48 011	–	48 011
	3 962	27 253	7 667	34 920	2 544	343	2 887	2 322	1 220	41 349	–	41 349
	12	714	2 383	3 097	3 106	–	3 106	97	69	6 369	–	6 369
	–	5	1	6	1 730	–	1 730	–	(17)	1 719	50	1 769
	41 808	530 367	55	530 422	101 117	143 172	244 289	198 695	419 698	1 393 104	–	1 393 104
	57 552	476 634	138 254	614 888	459 295	64 681	523 976	225 323	304 852	1 669 039	23	1 669 062
	57 789	459 552	135 146	594 698	449 127	63 214	512 341	205 626	211 804	1 524 469	–	1 524 469
	196	2 348	1 377	3 725	364	17	381	41	–	4 147	–	4 147

Segment report *continued*

for the year ended 30 June 2018 IAS 39

	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial
<i>R million</i>								
Net interest income before impairment of advances	4 516	2 232	2 693	2 720	5 413	6 914	19 075	9 602
Impairment charge	(149)	(599)	(793)	(1 171)	(1 964)	(1 171)	(3 883)	(670)
Net interest income after impairment of advances	4 367	1 633	1 900	1 549	3 449	5 743	15 192	8 932
Non-interest revenue	579	1 479	792	1 225	2 017	12 757	16 832	7 527
Income from operations	4 946	3 112	2 692	2 774	5 466	18 500	32 024	16 459
Operating expenses	(1 819)	(1 624)	(921)	(1 349)	(2 270)	(12 146)	(17 859)	(8 520)
Net income from operations	3 127	1 488	1 771	1 425	3 196	6 354	14 165	7 939
Share of profit of associates and joint ventures after tax	—	—	—	108	108	11	119	6
Income before tax	3 127	1 488	1 771	1 533	3 304	6 365	14 284	7 945
Indirect tax	(11)	(41)	(17)	(60)	(77)	(388)	(517)	(43)
Profit before tax	3 116	1 447	1 754	1 473	3 227	5 977	13 767	7 902
Income tax expense	(873)	(405)	(491)	(420)	(911)	(1 676)	(3 865)	(2 212)
Profit for the year	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690
Attributable to								
Ordinary equityholders	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690
Other equity instrument holders	—	—	—	—	—	—	—	—
Non-controlling interests	—	—	—	—	—	—	—	—
Profit for the year	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690
Attributable earnings to ordinary shareholders	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690
Headline earnings adjustments	—	—	—	—	—	—	—	—
Headline earnings	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690
TRS and IFRS 2 liability remeasurement	—	—	—	—	—	—	—	—
Treasury shares	—	—	—	—	—	—	—	—
IAS 19 adjustment	—	—	—	—	—	—	—	—
Private equity-related	—	—	—	—	—	—	—	—
Normalised earnings[†]	2 243	1 042	1 263	1 053	2 316	4 301	9 902	5 690

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

* Refer to additional segmental disclosure on page 42.

** Refer to additional activity and business unit disclosure on page 43.

Refer to additional segmental disclosure on pages 44 and 45.

† FCC represents group-wide functions.

‡ Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 142.

Notes:

The year ended 30 June 2018 information was restated for the following, due to an internal restructure:

- Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;
- DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;
- a change in intergroup recovery methodology impacting FNB, RMB and FCC;
- HQLA, managed by the Group Treasurer, reallocated from FCC to RMB;
- WesBank rest of Africa was reclassified from WesBank to FNB rest of Africa; and
- the MotoNovo back book was reclassified from WesBank to FCC (including Group Treasury) and other.

The effect of these transfers can be found on pages 46 to 49.

Retail and commercial					Corporate and institutional			Aldermore [#]	FCC (including Group Treasury and other) ¹	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
				RMB								
	FNB rest of Africa	Total FNB	WesBank*	Retail and commercial	Investment banking	Corporate banking	Total RMB**					
	3 728 (1 018)	32 405 (5 571)	5 313 (1 992)	37 718 (7 563)	4 570 (235)	2 465 (8)	7 035 (243)	1 224 (46)	5 277 (715)	51 254 (8 567)	(2 156) –	49 098 (8 567)
	2 710	26 834	3 321	30 155	4 335	2 457	6 792	1 178	4 562	42 687	(2 156)	40 531
	3 682	28 041	3 149	31 190	8 860	2 450	11 310	118	(1 606)	41 012	3 181	44 193
	6 392 (5 103)	54 875 (31 482)	6 470 (4 081)	61 345 (35 563)	13 195 (5 564)	4 907 (2 920)	18 102 (8 484)	1 296 (706)	2 956 (2 911)	83 699 (47 664)	1 025 (798)	84 724 (48 462)
	1 289	23 393	2 389	25 782	7 631	1 987	9 618	590	45	36 035	227	36 262
	1	126	301	427	901	–	901	2	(416)	914	(5)	909
	1 290 (145)	23 519 (705)	2 690 (47)	26 209 (752)	8 532 (122)	1 987 (10)	10 519 (132)	592 (43)	(371) (150)	36 949 (1 077)	222 –	37 171 (1 077)
	1 145 (419)	22 814 (6 496)	2 643 (743)	25 457 (7 239)	8 410 (2 358)	1 977 (553)	10 387 (2 911)	549 (158)	(521) 2 443	35 872 (7 865)	222 (85)	36 094 (7 950)
	726	16 318	1 900	18 218	6 052	1 424	7 476	391	1 922	28 007	137	28 144
	273 – 453	15 865 – 453	1 854 – 46	17 719 – 499	6 037 – 15	1 316 – 108	7 353 – 123	276 115 –	1 063 351 508	26 411 466 1 130	135 – 2	26 546 466 1 132
	726	16 318	1 900	18 218	6 052	1 424	7 476	391	1 922	28 007	137	28 144
	273 –	15 865 –	1 854 –	17 719 –	6 037 –	1 316 –	7 353 –	276 –	1 063 –	26 411 –	135 (37)	26 546 (37)
	273	15 865	1 854	17 719	6 037	1 316	7 353	276	1 063	26 411	98	26 509
	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – – –	– – (109) 47	(54) 18 (109) 47
	273	15 865	1 854	17 719	6 037	1 316	7 353	276	1 063	26 411	–	26 411

Segment report *continued*

for the year ended 30 June 2018 IAS 39

<i>R million</i>	Retail and commercial							
	FNB							
	Retail						Commercial	
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other		
Cost-to-income ratio (%)	35.7	43.8	26.4	33.3	30.1	61.7	49.6	49.7
Diversity ratio (%)	11.4	39.9	22.7	32.9	28.2	64.9	47.1	44.0
Credit loss ratio (%)	0.07	2.83	5.03	8.20	6.54	7.62	1.46	0.75
Stage 3/NPLs as a percentage of advances (%) [†]	3.86	4.46	8.90	12.51	10.58	6.59	4.85	3.54
Consolidated income statement includes:								
Depreciation	(3)	(4)	(1)	(39)	(40)	(1 514)	(1 561)	(47)
Amortisation	–	(9)	–	(42)	(42)	(120)	(171)	–
Net impairment charges	–	–	–	–	–	(22)	(22)	(3)
Consolidated statement of financial position includes:								
Advances (before impairments) [‡]	205 630	22 805	17 200	14 985	32 185	15 904	276 524	94 558
– Normal advances [‡]	205 630	22 805	17 200	14 985	32 185	15 904	276 524	94 558
– Securitised advances [‡]	–	–	–	–	–	–	–	–
Stage 3/NPLs [‡]	7 934	1 018	1 531	1 874	3 405	1 048	13 405	3 350
Investment in associated companies [‡]	–	–	–	313	313	238	551	–
Investment in joint ventures [‡]	–	–	–	–	–	–	–	–
Total deposits (including non-recourse deposits) [‡]	543	1 347	8	–	8	224 977	226 875	207 388
Total assets [‡]	203 392	21 307	14 873	14 125	28 998	37 345	291 042	94 606
Total liabilities ^{‡,^}	202 501	21 240	14 694	13 695	28 389	25 377	277 507	91 353
Capital expenditure	8	17	2	96	98	1 839	1 962	56

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

* Refer to additional segmental disclosure on page 42.

** Refer to additional activity and business unit disclosure on page 43.

Refer to additional segmental disclosure on pages 44 and 45.

[†] FCC represents group-wide functions.

[‡] 1 July 2018 IFRS 9.

[^] Total liabilities are net of interdivisional balances.

Notes:

The year ended 30 June 2018 information was restated for the following, due to an internal restructure:

- Discovery card was reclassified from Card in FNB to FCC (including Group Treasury) and other;
- DirectAxis loans, previously referred to as WesBank loans, was reclassified from WesBank to FNB retail personal loans;
- a change in intergroup recovery methodology impacting FNB, RMB and FCC;
- HQLA, managed by the Group Treasurer, reallocated from FCC to RMB;
- WesBank rest of Africa was reclassified from WesBank to FNB rest of Africa; and
- the MotoNovo back book was reclassified from WesBank to FCC (including Group Treasury) and other.

The effect of these transfers can be found on pages 46 to 49.

Retail and commercial					Corporate and institutional			Aldermore [#]	FCC (including Group Treasury) and other [†]	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
			WesBank [*]	Retail and commercial	RMB							
	FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB ^{**}					
	68.9	52.0	46.6	51.3	38.8	59.4	44.1	52.5	89.4	51.2	–	51.4
	49.7	46.5	39.4	45.6	68.1	49.8	63.4	8.9	(62.1)	45.0	–	47.9
	1.92	1.36	1.47	1.39	0.09	0.02	0.08	0.12	0.78	0.84	–	0.84
	7.18	4.85	5.31	4.96	0.93	0.52	0.86	1.05	1.17	2.93	–	2.93
	(297)	(1 905)	(643)	(2 548)	(135)	(10)	(145)	(6)	(131)	(2 830)	–	(2 830)
	(28)	(199)	(5)	(204)	(40)	–	(40)	(10)	(108)	(362)	–	(362)
	–	(25)	(13)	(38)	–	(11)	(11)	–	–	(49)	(61)	(110)
	53 765	424 847	137 048	561 895	264 109	49 858	313 967	163 876	102 738	1 142 476	–	1 142 476
	53 765	424 847	126 353	551 200	264 109	49 858	313 967	162 001	66 867	1 094 035	–	1 094 035
	–	–	10 695	10 695	–	–	–	1 875	35 871	48 441	–	48 441
	3 859	20 614	7 271	27 885	2 447	257	2 704	1 724	1 201	33 514	–	33 514
	9	560	1 973	2 533	2 653	–	2 653	92	65	5 343	–	5 343
	–	–	3	3	1 693	–	1 693	–	(16)	1 680	46	1 726
	38 546	472 809	50	472 859	81 756	133 018	214 774	173 178	407 433	1 268 244	–	1 268 244
	56 998	442 646	140 734	583 380	418 224	53 551	471 775	189 734	282 703	1 527 592	(21)	1 527 571
	57 624	426 484	139 713	566 197	409 117	52 372	461 489	176 100	198 570	1 402 356	–	1 402 356
	231	2 249	1 400	3 649	341	31	372	1	120	4 142	–	4 142

Additional segmental disclosure – WesBank

	Year ended 30 June 2019 IFRS 9		
	Retail	Corporate and commercial	Total WesBank
<i>R million</i>			
NII before impairment of advances	4 605	610	5 215
Impairment of advances	(1 903)	(82)	(1 985)
Normalised profit before tax	2 113	467	2 580
Normalised earnings	1 472	336	1 808
Advances	106 142	27 945	134 087
Stage 3/NPLs	7 143	524	7 667
Advances margin (%)	3.61	2.31	3.32
Stage 3/NPLs as a % of advances	6.73	1.88	5.72
Credit loss ratio (%)	1.80	0.27	1.46

	Year ended 30 June 2018 IAS 39		
	Retail	Corporate and commercial	Total WesBank
<i>R million</i>			
NII before impairment of advances	4 704	609	5 313
Impairment of advances	(1 944)	(48)	(1 992)
Normalised profit before tax	2 235	408	2 643
Normalised earnings	1 560	294	1 854
Advances*	104 884	32 164	137 048
Stage 3/NPLs*	6 877	394	7 271
Advances margin (%)	3.64	2.18	3.31
Stage 3/NPLs as a % of advances*	6.56	1.22	5.31
Credit loss ratio (%)	1.88	0.15	1.47

* 1 July 2018 IFRS 9.

Additional activity and business unit disclosure – RMB

<i>R million</i>	Year ended 30 June 2019 IFRS 9						
	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	2 012	–	8	(269)*	1 751
Investment Banking Division	5 094	–	13	30	45	–	5 182
Private Equity	–	–	–	1 131	–	–	1 131
Other RMB	70	–	(23)	–	–	(251)	(204)
Investment banking	5 164	–	2 002	1 161	53	(520)	7 860
Corporate banking	–	2 205	–	–	–	–	2 205
Total RMB	5 164	2 205	2 002	1 161	53	(520)	10 065

	Year ended 30 June 2018 IAS 39**						
<i>R million</i>	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Global Markets	–	–	1 634	12	7	(186)*	1 467
Investment Banking Division	4 537	–	28	115	50	–	4 730
Private Equity	–	–	–	2 389	–	–	2 389
Other RMB	225	–	(46)	–	–	(355)	(176)
Investment banking	4 762	–	1 616	2 516	57	(541)	8 410
Corporate banking	–	1 977	–	–	–	–	1 977
Total RMB	4 762	1 977	1 616	2 516	57	(541)	10 387

* Includes investment in global markets' infrastructure programme.

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

Note:

IB&A – investment banking and advisory

C&TB – corporate and transactional banking

M&S – markets and structuring

INV – investing

IM – investment management

Additional segmental disclosure – Aldermore

<i>R million</i>	Year ended 30 June 2019 IFRS 9							
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	MotoNovo Finance	Central functions	Total Aldermore
NII before impairment of advances	1 444	384	825	2 569	751	21	(164)	5 830
Impairment of advances	(247)	(27)	(16)	(62)	(9)	(69)	–	(430)
Normalised profit before tax	924	266	696	2 278	620	(102)	(2 293)	2 389
Normalised earnings	924	266	696	2 278	620	(64)	(3 062)*	1 658
Advances	36 718	7 285	18 415	90 921	31 512	6 639	–	191 490
Stage 3/NPLs	549	104	246	669	744	10	–	2 322
Advances margin (%)	4.11	6.31	4.58	2.99	2.57	0.63	–	3.28
Stage 3/NPLs as a % of advances	1.49	1.43	1.33	0.74	2.36	0.15	–	1.21
Credit loss ratio (%)	0.70	0.44	0.09	0.07	0.03	2.08	–	0.24

* Tax expense reflected in central functions.

<i>£ million</i>	Year ended 30 June 2019 IFRS 9							
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	MotoNovo Finance	Central functions	Total Aldermore
NII before impairment of advances	79	21	45	140	41	1	(9)	318
Impairment of advances	(14)	(1)	(1)	(3)	–	(4)	–	(23)
Normalised profit before tax	50	15	38	125	34	(7)	(125)	130
Normalised earnings	50	15	38	125	34	(5)	(167)*	90
Advances	2 042	405	1 024	5 056	1 752	370	–	10 649
Stage 3/NPLs	31	6	14	37	40	1	–	129
Advances margin (%)	4.05	6.21	4.51	2.95	2.53	0.61	–	3.24
Stage 3/NPLs as a % of advances	1.49	1.43	1.33	0.74	2.36	0.15	–	1.21
Credit loss ratio (%)	0.69	0.43	0.09	0.07	0.03	2.03	–	0.24

* Tax expense reflected in central functions.

<i>R million</i>	Three months ended 30 June 2018 IAS 39*							
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	MotoNovo Finance	Central functions	Total Aldermore
NII before impairment of advances	305	38	190	487	182	–	22	1 224
Impairment of advances	(39)	6	–	(8)	(5)	–	–	(46)
Normalised profit before tax	220	54	160	433	154	–	(472)	549
Normalised earnings	220	54	160	433	154	–	(745)**	276
Advances [#]	33 632	4 879	17 631	80 756	26 978	–	–	163 876
Stage 3/NPLs [#]	285	146	335	485	473	–	–	1 724
Advances margin (%) [†]	3.83	3.31	4.55	2.54	2.83	–	–	3.15
Stage 3/NPLs as a % of advances [#]	0.85	2.99	1.90	0.60	1.75	–	–	1.05
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	–	0.12

* Aldermore acquisition date 1 April 2018.

** Tax expense reflected in central functions.

[#] 1 July 2018 IFRS 9.[†] This margin is based on the three months from 1 April to 30 June 2018.

Three months ended 30 June 2018 IAS 39*								
<i>£ million</i>	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	MotoNovo Finance	Central functions	Total Aldermore
NII before impairment of advances	18	2	11	28	11	–	1	71
Impairment of advances	(2)	–	–	(1)	–	–	–	(3)
Normalised profit before tax	13	3	9	25	9	–	(27)	32
Normalised earnings	13	3	9	25	9	–	(43)**	16
Advances [#]	1 850	269	970	4 443	1 484	–	–	9 016
Stage 3/NPLs [#]	16	8	18	27	26	–	–	95
Advances margin (%) [†]	3.93	3.00	4.58	2.54	2.98	–	–	3.18
Stage 3/NPLs as a % of advances [#]	0.85	2.99	1.90	0.60	1.75	–	–	1.05
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	–	0.12

* Aldermore acquisition date 1 April 2018.

** Tax expense reflected in central functions.

[#] 1 July 2018 IFRS 9.

[†] This margin is based on the three months from 1 April to 30 June 2018.

Additional segmental disclosure – MotoNovo standalone*

<i>R million</i>	Year ended 30 June		% change	As at 1 July
	2019 IFRS 9	2018 IAS 39		2018 IFRS 9
NII before impairment of advances	2 991	2 848	5	
Impairment of advances	(822)	(876)	(6)	
Normalised profit before tax	779	1 019	(24)	
Normalised earnings	570	734	(22)	
Advances	61 778	61 385	1	61 384
Stage 3/NPLs	1 093	577	89	1 060
Advances margin (%)	4.86	4.97		
Stage 3/NPLs as a % of advances	1.77	0.94		1.73
Credit loss ratio (%)	1.33	1.53		

<i>£ million</i>	Year ended 30 June		% change	As at 1 July
	2019 IFRS 9	2018 IAS 39		2018 IFRS 9
NII before impairment of advances	163	165	(1)	
Impairment of advances	(45)	(51)	(12)	
Normalised profit before tax	42	59	(29)	
Normalised earnings	31	43	(28)	
Advances	3 436	3 377	2	3 377
Stage 3/NPLs	61	32	91	58
Advances margin (%)	4.78	5.07		
Stage 3/NPLs as a % of advances (%)	1.77	0.94		1.73
Credit loss ratio (%)	1.32	1.56		

* Back book in FCC/GTSY and new business originated in Aldermore. Includes personal loans book which is being run down.

Additional information on the internal restructure

for the year ended 30 June 2018 IAS 39

R million

	FNB							RMB				
	Total FNB previously published	Discovery card	DirectAxis loans	WesBank rest of Africa	Rest of Africa net endowment from Group Treasury	Change in inter-group recovery methodology	Total FNB after reallocation	Total RMB previously published	Rest of Africa net endowment from Group Treasury	Reallocation of India support services	Change in inter-group recovery methodology	
Net interest income before impairment of advances	29 393	(409)	2 720	312	389	–	32 405	6 915	120	–	–	
Impairment charge	(4 356)	71	(1 171)	(115)	–	–	(5 571)	(243)	–	–	–	
Net interest income after impairment of advances	25 037	(338)	1 549	197	389	–	26 834	6 672	120	–	–	
Non-interest revenue	27 418	(553)	1 225	44	–	(93)	28 041	11 326	–	(114)	98	
Income from operations	52 455	(891)	2 774	241	389	(93)	54 875	17 998	120	(114)	98	
Operating expenses	(30 381)	561	(1 349)	(252)	(154)	93	(31 482)	(8 417)	(67)	98	(98)	
Net income from operations	22 074	(330)	1 425	(11)	235	–	23 393	9 581	53	(16)	–	
Share of profit of associates and joint ventures after tax	18	–	108	–	–	–	126	901	–	–	–	
Income before tax	22 092	(330)	1 533	(11)	235	–	23 519	10 482	53	(16)	–	
Indirect tax	(676)	25	(60)	6	–	–	(705)	(132)	–	–	–	
Profit before tax	21 416	(305)	1 473	(5)	235	–	22 814	10 350	53	(16)	–	
Income tax expense	(6 097)	85	(420)	1	(65)	–	(6 496)	(2 900)	(15)	4	–	
Profit for the year	15 319	(220)	1 053	(4)	170	–	16 318	7 450	38	(12)	–	
Attributable to												
Ordinary equityholders	14 877	(220)	1 053	(15)	170	–	15 865	7 327	38	(12)	–	
Other equity instruments	–	–	–	–	–	–	–	–	–	–	–	
Non-controlling interests	442	–	–	11	–	–	453	123	–	–	–	
Profit for the year	15 319	(220)	1 053	(4)	170	–	16 318	7 450	38	(12)	–	
Attributable earnings to ordinary shareholders	14 877	(220)	1 053	(15)	170	–	15 865	7 327	38	(12)	–	
Headline earnings adjustments	–	–	–	–	–	–	–	–	–	–	–	
Headline earnings	14 877	(220)	1 053	(15)	170	–	15 865	7 327	38	(12)	–	
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	–	–	–	–	–	
Treasury shares	–	–	–	–	–	–	–	–	–	–	–	
IAS 19 adjustment	–	–	–	–	–	–	–	–	–	–	–	
Private equity-related	–	–	–	–	–	–	–	–	–	–	–	
Normalised earnings	14 877	(220)	1 053	(15)	170	–	15 865	7 327	38	(12)	–	

RMB			WesBank					FCC (including Group Treasury) and other								
	Reallocation of HQLA managed by the Group Treasurer	Total RMB after reallocation	Total WesBank previously published	MotoNovo	DirectAxis loans	WesBank rest of Africa	Total WesBank after reallocation	Total FCC previously published	Discovery card	MotoNovo	Rest of Africa net endowment to RMB	Reallocation of India support services	Rest of Africa net endowment to FNB	Reallocation of HQLA managed by the Group Treasurer	Change in inter-group recovery methodology	Total FCC after reallocation
	–	7 035	11 193	(2 848)	(2 720)	(312)	5 313	2 529	409	2 848	(120)	–	(389)	–	–	5 277
	–	(243)	(4 154)	876	1 171	115	(1 992)	232	(71)	(876)	–	–	–	–	–	(715)
	–	6 792	7 039	(1 972)	(1 549)	(197)	3 321	2 761	338	1 972	(120)	–	(389)	–	–	4 562
	–	11 310	4 734	(316)	(1 225)	(44)	3 149	(2 584)	553	316	–	114	–	–	(5)	(1 606)
	–	18 102	11 773	(2 288)	(2 774)	(241)	6 470	177	891	2 288	(120)	114	(389)	–	(5)	2 956
	–	(8 484)	(6 895)	1 213	1 349	252	(4 081)	(1 265)	(561)	(1 213)	67	(98)	154	–	5	(2 911)
	–	9 618	4 878	(1 075)	(1 425)	11	2 389	(1 088)	330	1 075	(53)	16	(235)	–	–	45
	–	901	409	–	(108)	–	301	(416)	–	–	–	–	–	–	–	(416)
	–	10 519	5 287	(1 075)	(1 533)	11	2 690	(1 504)	330	1 075	(53)	16	(235)	–	–	(371)
	–	(132)	(157)	56	60	(6)	(47)	(69)	(25)	(56)	–	–	–	–	–	(150)
	–	10 387	5 130	(1 019)	(1 473)	5	2 643	(1 573)	305	1 019	(53)	16	(235)	–	–	(521)
	–	(2 911)	(1 447)	285	420	(1)	(743)	2 737	(85)	(285)	15	(4)	65	–	–	2 443
	–	7 476	3 683	(734)	(1 053)	4	1 900	1 164	220	734	(38)	12	(170)	–	–	1 922
	–	7 353	3 626	(734)	(1 053)	15	1 854	305	220	734	(38)	12	(170)	–	–	1 063
	–	–	–	–	–	–	–	351	–	–	–	–	–	–	–	351
	–	123	57	–	–	(11)	46	508	–	–	–	–	–	–	–	508
	–	7 476	3 683	(734)	(1 053)	4	1 900	1 164	220	734	(38)	12	(170)	–	–	1 922
	–	7 353	3 626	(734)	(1 053)	15	1 854	305	220	734	(38)	12	(170)	–	–	1 063
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	7 353	3 626	(734)	(1 053)	15	1 854	305	220	734	(38)	12	(170)	–	–	1 063
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	–	7 353	3 626	(734)	(1 053)	15	1 854	305	220	734	(38)	12	(170)	–	–	1 063

Additional information on the internal restructure *continued*

for the year ended 30 June 2018 IAS 39

<i>R million</i>	FNB							RMB				
	Total FNB previously published	Discovery card	DirectAxis loans	WesBank rest of Africa	Rest of Africa net endowment from Group Treasury	Change in inter-group recovery methodology	Total FNB after reallocation	Total RMB previously published	Rest of Africa net endowment from Group Treasury	Reallocation of India support services	Change in inter-group recovery methodology	
Cost-to-income ratio (%)	53.5						52.0	44.0				
Diversity ratio (%)	48.3						46.5	63.9				
Credit loss ratio (%)	1.11						1.36	0.08				
Stage 3/NPLs as a percentage of advances (%)*	4.56						4.85	0.92				
Consolidated income statement includes:												
Depreciation	(1 865)	–	(39)	(1)	–	–	(1 905)	(145)	–	–	–	
Amortisation	(157)	–	(42)	–	–	–	(199)	(40)	–	–	–	
Net impairment charges	(25)	–	–	–	–	–	(25)	(11)	–	–	–	
Consolidated statement of financial position includes:												
Advances (before impairments)*	406 328	(4 350)	14 985	7 884	–	–	424 847	295 333	–	–	–	
– Normal advances*	406 328	(4 350)	14 985	7 884	–	–	424 847	295 333	–	–	–	
– Securitised advances*	–	–	–	–	–	–	–	–	–	–	–	
Stage 3/NPLs*	18 525	(141)	1 874	356	–	–	20 614	2 704	–	–	–	
Investment in associated companies*	247	–	313	–	–	–	560	2 653	–	–	–	
Investment in joint ventures*	–	–	–	–	–	–	–	1 693	–	–	–	
Total deposits (including non-recourse deposits)*	473 091	(285)	–	3	–	–	472 809	214 774	–	–	–	
Total assets*	425 032	(4 114)	14 125	7 603	–	–	442 646	453 141	–	–	–	
Total liabilities*	409 147	(4 028)	13 695	7 670	–	–	426 484	442 855	–	–	–	
Capital expenditure	2 153	–	96	–	–	–	2 249	372	–	–	–	

* 1 July 2018 IFRS 9.

RMB			WesBank					FCC (including Group Treasury) and other								
	Reallocation of HQLA managed by the Group Treasurer	Total RMB after reallocation	Total WesBank previously published	MotoNovo	DirectAxis loans	WesBank rest of Africa	Total WesBank after reallocation	Total FCC previously published	Discovery card	MotoNovo	Rest of Africa net endowment to RMB	Reallocation of India support services	Rest of Africa net endowment to FNB	Reallocation of HQLA managed by the Group Treasurer	Change in inter-group recovery methodology	Total FCC after reallocation
		44.1	42.2				46.6	(>100)								89.4
		63.4	31.5				39.4	>100								(62.1)
		0.08	1.93				1.47	(0.02)								0.78
		0.86	4.77				5.31	-								1.17
	-	(145)	(726)	43	39	1	(643)	(88)	-	(43)	-	-	-	-	-	(131)
	-	(40)	(51)	4	42	-	(5)	(104)	-	(4)	-	-	-	-	-	(108)
	-	(11)	(13)	-	-	-	(13)	-	-	-	-	-	-	-	-	-
	18 634	313 967	221 301	(61 384)	(14 985)	(7 884)	137 048	55 638	4 350	61 384	-	-	-	(18 634)	-	102 738
	18 634	313 967	174 735	(25 513)	(14 985)	(7 884)	126 353	55 638	4 350	25 513	-	-	-	(18 634)	-	66 867
	-	-	46 566	(35 871)	-	-	10 695	-	-	35 871	-	-	-	-	-	35 871
	-	2 704	10 561	(1 060)	(1 874)	(356)	7 271	-	141	1 060	-	-	-	-	-	1 201
	-	2 653	2 286	-	(313)	-	1 973	65	-	-	-	-	-	-	-	65
	-	1 693	3	-	-	-	3	(16)	-	-	-	-	-	-	-	(16)
	-	214 774	53	-	-	(3)	50	407 148	285	-	-	-	-	-	-	407 433
	18 634	471 775	225 238	(62 776)	(14 125)	(7 603)	140 734	234 447	4 114	62 776	-	-	-	(18 634)	-	282 703
	18 634	461 489	222 022	(60 944)	(13 695)	(7 670)	139 713	152 232	4 028	60 944	-	-	-	(18 634)	-	198 570
		372	1 593	(97)	(96)	-	1 400	23	-	97	-	-	-	-	-	120

Additional segmental disclosure – insurance activities

FNB

NUMBER OF POLICIES

<i>Thousands</i>	Total FNB		
	2019	2018	% change
Credit life	2 417	2 194	10
Funeral	1 258	1 170	8
Core life	339	301	13
Underwritten	92	52	77
Commercial	8	–	–
Total	4 114	3 717	11

IN-FORCE APE

<i>R million</i>	Total FNB		
	2019	2018	% change
Credit life	1 776	1 484	20
Funeral	1 851	1 611	15
Core life	394	203	94
Underwritten	315	171	84
Commercial	18	–	–
Total	4 354	3 469	26

VALUE OF NEW BUSINESS*

<i>R million</i>	Total FNB		
	2019	2018	% change
Credit life	1 058	864	22
Funeral	578	542	7
Core life	136	66	>100
Underwritten	257	201	28
Total	2 029	1 673	21

* Defined as the present value of expected post-tax profits at point of sale for new business during the year.

SALES CHANNELS (STANDALONE LIFE PRODUCTS)

<i>% of sales</i>	2019	2018
Face to face	70	70
Call centres	26	24
Digital	4	6
Total	100	100

WESBANK

	MotoVantage (VAPS)			Motor (credit life)		
	2019	2018	% change	2019	2018	% change
Number of policies (thousands)	974	967	1	62	67	(7)
Gross written premium (R million)	1 568	1 557	1	132	131	1

VALUE-ADDED PRODUCTS AND SERVICES (VAPS) SALES CHANNELS

<i>% of sales</i>	2019	2018
Point of sale	64	68
Telesales	26	27
Other	10	5
Total	100	100

[illegible]

02

income
statement
analysis

Introduction

FirstRand acquired Aldermore effective 1 April 2018 and adopted IFRS 9 and IFRS 15 effective 1 July 2018.

The comparative information in the income statement for the year ended 30 June 2018 is presented on an IAS 39 and IAS 18 basis, and includes three months' contribution from Aldermore. The statement of financial position was restated on 1 July 2018 for the impact of IFRS 9 and IFRS 15.

FirstRand disclosed comprehensive IFRS 9 transition information on 21 November 2018 in the transition report. The IFRS 9 and IFRS 15 transition information was also included in the analysis of financial results for the six months ended 31 December 2018. Both reports are available on the group's website, at www.firststrand.co.za/investors/other-shareholder-documents/ and www.firststrand.co.za/investors/financial-results/. The IFRS 9 transition report was presented on an IFRS and not on a normalised basis. The transition information is not included in this report.

Given the material impact of the adoption of IFRS 9 on the level of stage 3/NPL balances and balance sheet provisions, all balance sheet-related credit analyses focus on the changes in credit metrics since 1 July 2018 (restated for IFRS 9) and 30 June 2019, unless stated otherwise.

The analysis of financial results is presented on both an "including" and "excluding" Aldermore basis, where relevant. Refer to pages 26 and 27 for further information.

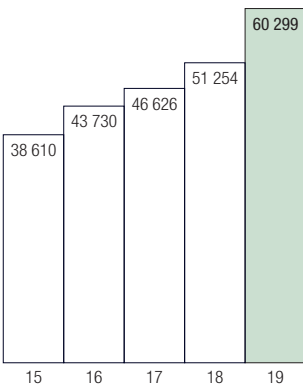
Net interest income (before impairment of advances)

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 9% (UP 18% INCLUDING ALDERMORE)

NET INTEREST INCOME

R million

CAGR 12%*



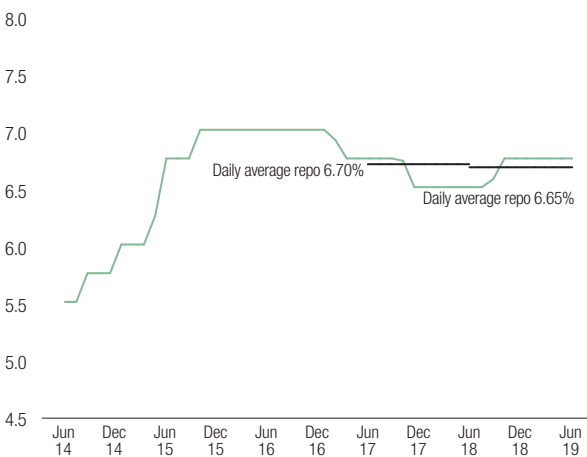
Note: Figures for 2015 to 2018 are presented on an IAS 39 basis.

The 2019 figure is presented on an IFRS 9 basis.

* Including Aldermore.

REPO RATE – SOUTH AFRICA

%



Note: R240 billion = average endowment book excluding Aldermore for the year (average Aldermore endowment book was R16 billion). Rates were 5 bps lower on average in the current year, which translates into a negative endowment impact of R114 million (R122 million including Aldermore) for the year on an unhedged basis.

MARGIN CASCADE TABLE

*Percentage of average interest-earning banking assets***June 2018 normalised margin excluding Aldermore**

Capital and deposit endowment

– Volume

– Average rate

Interest earning assets

– Change in balance sheet advances mix

– Increase in HQLA

– Change in basis spreads (difference between prime and JIBAR)

– Asset pricing

– Change in interest suspended under IFRS 9

Liabilities

– Change in deposit franchise composition

– Deposit pricing

Group Treasury and other movements

– Accounting mismatches (MTM vs accrual on term issuance)

– Interest rate and FX management

– Term funding costs

June 2019 normalised operating margin excluding Aldermore

Aldermore foregone interest relating to invested capital

June 2019 normalised margin excluding Aldermore

Impact of Aldermore on margin

June 2019 normalised margin including Aldermore

%
5.30
0.04
0.06
(0.02)
(0.04)
(0.02)
(0.06)
–
0.07
(0.03)
(0.05)
0.01
(0.06)
(0.03)
(0.01)
0.01
(0.03)
5.22
(0.10)
5.12
(0.37)
4.75

Net interest income (before impairment of advances) *continued*

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

<i>R million</i>	Year ended 30 June		% change
	2019 IFRS 9	2018* IAS 39	
Net interest income			
Lending	24 160	21 774	11
Transactional**	16 818	14 975	12
Deposits	3 340	3 034	10
Capital endowment	6 425	5 895	9
Group Treasury	(1 095)	311	(>100)
FNB rest of Africa	4 002	3 728	7
Other (negative endowment, e.g. fixed assets)	819	313	>100
Total net interest income excluding Aldermore	54 469	50 030	9
Aldermore#	5 830	1 224	>100
Total net interest income including Aldermore	60 299	51 254	18

* 2018 numbers were restated in order to provide better attribution of NII by nature of activity.

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

The prior year relates to three months' NII for Aldermore.

KEY DRIVERS

- > NII growth was supported by:
 - gross advances and deposit growth of 9% and 10%, respectively, excluding Aldermore; and
 - the inclusion of Aldermore's NII for the full year.
- > The decrease of 5 bps in the average repo rate year-on-year resulted in a small negative rate endowment impact on capital and deposits. This was offset by higher capital levels and deposit volumes.
- > FNB's deposit margin decreased 10 bps, impacted by negative endowment and a change in mix, with strong growth in lower-margin deposit products, as well as increased competitive pressures. Overall NII was bolstered by strong growth in deposits, especially from cash investment products in the retail segment, Islamic banking and public sector deposits.
- > Deposit margins in the rest of Africa were slightly down due to negative endowment and competitive pressures.
- > FNB's advances margin increased 8 bps, benefiting from a change in mix of advances and repricing initiatives, partially offset by a change in transfer pricing on certain products. Margins were slightly impacted by the change in the treatment of ISP under IFRS 9 and the change in treatment of interest on cured advances reflected against credit impairments of R98 million following an interpretation by the IFRS-IC during the financial year.
- > WesBank's retail VAF margins decreased 3 bps, impacted by the mix change in new business in the retail VAF book as well as increased competitive pressures.
- > RMB's NII growth of 20% was robust, benefiting from strong advances growth year-on-year, with margins supported by higher-yielding cross-border activities, higher utilisation in trade and working capital facilities and strong average deposit growth in the corporate bank, as well as liquidity premium rebates from Group Treasury.
- > Group Treasury NII was impacted by:
 - an increase in income from interest rate risk and foreign exchange management activities of R88 million (June 2018: >R100 million decrease);
 - higher levels of interest on capital paid to operating businesses of >R400 million;
 - the continued build-up of HQLA, with a resultant negative impact of >R600 million (June 2018: >R270 million);
 - an increase of R87 million (June 2018: R149 million decrease) in dollar funding carry costs relating to forex moves;
 - positive mark-to-market movements of c.R25 million (June 2018: c.R100 million positive movement) on fair value term and structured funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated and have decreased significantly from the prior year following the reclassification of certain liabilities from fair value through profit or loss to amortised cost on adoption of IFRS 9; and
 - the increase in foregone interest year-on-year of R1 037 million on the capital deployed for the acquisition of Aldermore on 1 April 2018. This impact is expected to normalise in the 2020 financial year.
- > MotoNovo margins reduced 5 bps year-on-year, negatively impacted by elevated funding costs (due to an increase in UK base rates) as well as increased competitive pricing.
- > Aldermore's net interest margin reduced, reflecting increased competitive pressures in certain asset classes as well as a change in the treatment of fair value macro hedges during the year, reclassifying a portion of hedge portfolio fair value changes to NIR.

Net interest income (before impairment of advances) *continued*

AVERAGE BALANCE SHEET

<i>R million</i>	Notes	June 2019 IFRS 9			June 2018 IAS 39		
		Average balance*	Interest income/(expense)	Average rate %	Average balance	Interest income/(expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				10.15			10.20
Balances with central banks		27 805	–		25 106	–	
Cash and cash equivalents		35 081	1 693	4.83	20 281	827	4.08
Liquid assets portfolio		149 632	10 953	7.32	113 455	8 861	7.81
Loans and advances to customers	1	851 330	91 717	10.77	785 758	84 572	10.76
Interest-earning assets		1 063 848	104 363	9.81	944 600	94 260	9.98
INTEREST-BEARING LIABILITIES							
Average JIBAR				7.06			7.11
Deposits due to customers	2	(660 234)	(31 003)	4.70	(591 811)	(27 599)	4.66
Group Treasury funding		(408 228)	(27 571)	6.75	(360 089)	(24 338)	6.76
Interest-bearing liabilities		(1 068 462)	(58 574)	5.48	(951 900)	(51 937)	5.46
ENDOWMENT AND TRADING BOOK							
Other assets**		249 068	–	–	268 674	–	–
Other liabilities#		(129 278)	–	–	(147 142)	–	–
NCNR preference shareholders		(4 862)	–	–	(4 519)	–	–
Equity		(110 314)	–	–	(109 713)	–	–
Endowment and trading book		4 614	8 680	>100	7 300	7 707	>100
Total interest-bearing liabilities, endowment and trading book		(1 063 848)	(49 894)	4.69	(944 600)	(44 230)	4.68
Net interest margin on average interest-earning assets – excluding Aldermore		1 063 848	54 469	5.12	944 600	50 030	5.30
Net interest margin on average interest-earning assets – Aldermore		206 109	5 830	2.83	179 195	1 224	2.73
Net interest margin on average interest-earning assets – including Aldermore		1 269 957	60 299	4.75	1 123 795	51 254	4.89

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

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

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

Includes trading liabilities.

NOTE 1 – MARGIN ANALYSIS ON ADVANCES TO CUSTOMERS

<i>R million</i>	June 2019 IFRS 9		June 2018 IAS 39	
	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		10.15		10.20
ADVANCES				
Retail – secured	371 345	2.83	356 070	2.96
Residential mortgages	210 206	1.79	198 226	1.95
VAF	161 139	4.18	157 844	4.23
Retail – unsecured	84 706	11.92	72 522	12.15
Card	29 982	7.69	25 705	8.83
Personal loans	37 535	16.34	31 278	16.05
– FNB	21 913	15.07	17 024	14.32
– DirectAxis	15 622	18.13	14 254	18.11
Retail other	17 189	9.64	15 539	9.79
Corporate and commercial	340 933	2.46	304 438	2.29
FNB commercial	96 627	3.61	86 465	3.52
– Mortgages	24 596	2.31	20 998	2.39
– Overdrafts	36 623	4.95	32 604	4.59
– Term loans	35 408	3.14	32 863	3.17
WesBank corporate	29 425	2.31	30 378	2.18
RMB investment banking*	158 330	2.11	144 484	1.78
RMB corporate banking	56 551	1.55	43 111	1.64
FNB rest of Africa**	54 346	3.49	52 728	3.19
Total advances excluding Aldermore	851 330	3.63	785 758	3.56
Aldermore [#]	175 856	3.28[#]	155 967	3.34
Total advances including Aldermore	1 027 186	3.57	941 725	3.53

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

** WesBank rest of Africa advances were reallocated to FNB rest of Africa.

[#] Aldermore advances margin is shown net of cost of funds.

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

<i>R million</i>	June 2019 IFRS 9		June 2018 IAS 39*	
	Average balance	Average margin %	Average balance	Average margin %
Average JIBAR (RSA)		7.06		7.11
DEPOSITS				
Retail	219 786	2.31	196 508	2.48
Current and savings	63 196	5.85	58 897	6.08
Call	77 180	0.96	62 695	1.06
Term	79 410	0.82	74 916	0.85
Commercial	228 950	2.68	206 607	2.71
Current and savings	84 906	5.58	75 295	5.71
Call	75 405	1.45	73 300	1.44
Term	68 639	0.44	58 012	0.44
Corporate and investment banking	169 889	1.20	150 812	1.16
Current and savings	68 488	1.73	66 768	1.72
Call	63 029	1.00	58 096	0.81
Term	38 372	0.58	25 948	0.50
FNB rest of Africa	41 609	3.77	37 884	4.27
Total deposits excluding Aldermore	660 234	2.24	591 811	2.34
Aldermore**	186 605	–	164 192	–
Total deposits including Aldermore	846 839	1.75	756 003	1.83

* Restatements are due to refinements in FNB's and RMB's processes.

** The net Aldermore margin is shown in the previous table.

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

Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

<i>R million</i>	Notes	Year ended 30 June	As at 1 July	% change
		2019 IFRS 9	2018 IFRS 9	
Total gross advances*	1 on p. 94	1 239 914	1 142 476	9
– Stage 1		1 112 219	1 022 439	9
– Stage 2		86 346	86 523	–
– Stage 3/NPLs*,**	2 on p. 98	41 349	33 514	23
Stage 3/NPLs as a % of advances	2 on p. 98	3.33	2.93	
Impairment charge	3 on p.104	10 500	8 567 [#]	23
Credit loss ratio (%)	3 on p.104	0.88	0.84 [#]	
Impairment charge excluding Aldermore	3 on p.104	10 070	8 521 [#]	18
Credit loss ratio excluding Aldermore (%)	3 on p.104	0.99	0.90 [#]	
Total impairments	4 on p. 110	34 162	29 078	17
Portfolio impairments	4 on p. 106	15 667	14 735	6
– Stage 1		7 916	6 988	13
– Stage 2		7 751	7 747	–
Stage 3 impairments [†]		18 495	14 343	29
Specific coverage ratio (%) [‡]	4 on p. 108	44.7	42.8	
Total impairment coverage ratio (%) [^]	4 on p. 110	82.6	86.8	
Performing book (stage 1 and 2) coverage ratio (%) [◊]	4 on p. 106	1.31	1.33	

* Total gross advances and stage 3/NPLs at 1 July 2018 include an IFRS 9 transitional ISP adjustment of R2 241 million.

** A detailed analysis of the growth in stage 3/NPLs is provided on page 66.

[#] IAS 39 for the year ended 30 June 2018.

[†] Stage 3 impairments at 1 July 2018 include an IFRS 9 transitional ISP adjustment of R1 645 million.

[‡] Specific impairments as a % of stage 3/NPLs.

[^] Total impairments as a % of stage 3/NPLs.

[◊] Portfolio impairments as a % of the performing book.

Credit highlights continued

CREDIT OVERVIEW – TOTAL MOTONOVO VAF (BACK AND NEW BOOK)

<i>R million</i>	Year ended 30 June			As at 1 July	% change
	Back book*	New book**	2019 IFRS 9	2018 IFRS 9	
Total gross advances	54 561	6 639	61 200	60 347	1
– Stage 1	50 022	6 616	56 638	56 354	1
– Stage 2	3 461	13	3 474	2 955	18
– Stage 3/NPLs	1 078	10	1 088	1 038	5
Stage 3/NPLs as a % of advances	1.98	0.15	1.78	1.72	
Impairment charge	776	69	845	827 [#]	2
Credit loss ratio (%)	1.35	2.08	1.39	1.46 [#]	
Total impairments	1 087	79	1 166	1 225	(5)
Portfolio impairments	667	72	739	790	(6)
– Stage 1	348	70	418	503	(17)
– Stage 2	319	2	321	287	12
Stage 3 impairments	420	7	427	435	(2)
Specific coverage ratio (%)	39.0	70.0	39.2	41.9	
Performing book coverage ratio (%)	1.25	1.09	1.23	1.33	
– Stage 1 (%)	0.70	1.06	0.74	0.89	
– Stage 2 (%)	9.22	15.38	9.24	9.71	
Total impairment coverage ratio (%)	100.8	790.0	107.2	118.0	

* Included in Group Treasury.

** Included in Aldermore.

[#] IAS 39.

CREDIT OVERVIEW – TOTAL MOTONOVO VAF (BACK AND NEW BOOK)

<i>£ million</i>	Year ended 30 June			As at 1 July	% change
	Back book*	New book**	2019 IFRS 9	2018 IFRS 9	
Total gross advances	3 034	370	3 404	3 320	3
– Stage 1	2 782	368	3 150	3 100	2
– Stage 2	192	1	193	163	18
– Stage 3/NPLs	60	1	61	57	7
Stage 3/NPLs as a % of advances [†]	1.98	0.15	1.78	1.72	
Impairment charge	42	4	46	48 [#]	(4)
Credit loss ratio (%) [†]	1.33	2.04	1.37	1.48 [#]	
Total impairments	61	4	65	68	(4)
Portfolio impairments	37	4	41	44	(7)
– Stage 1	19	4	23	28	(18)
– Stage 2	18	–	18	16	13
Stage 3 impairments	24	–	24	24	–
Specific coverage ratio (%) [†]	39.6	70.0	39.9	41.9	
Performing book coverage ratio (%) [†]	1.25	1.09	1.23	1.33	
– Stage 1 (%) [†]	0.70	1.06	0.74	0.89	
– Stage 2 (%) [†]	9.22	15.38	9.24	9.71	
Total impairment coverage ratio (%) [†]	101.5	790.0	107.8	118.0	

* Included in Group Treasury.

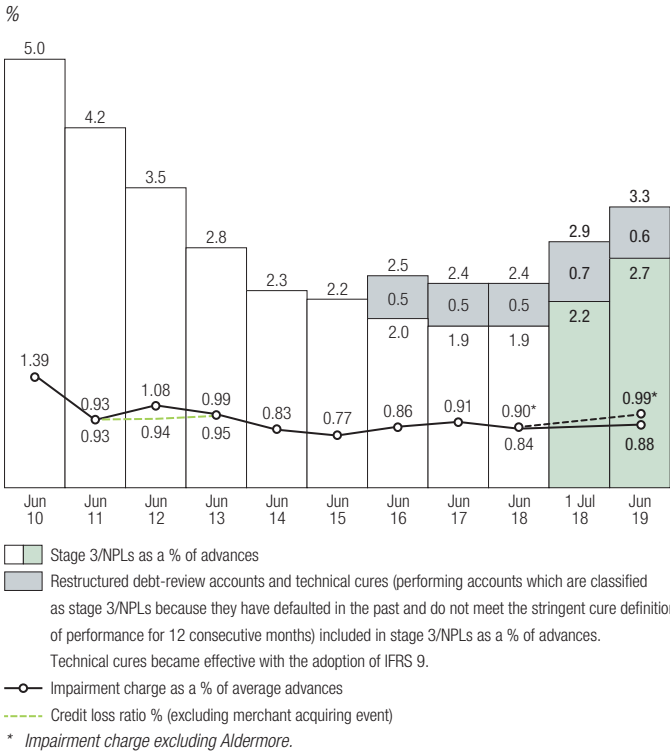
** Included in Aldermore.

IAS 39.

[†] Ratios are calculated using actual £ numbers. Amounts above are rounded to the closest million £.

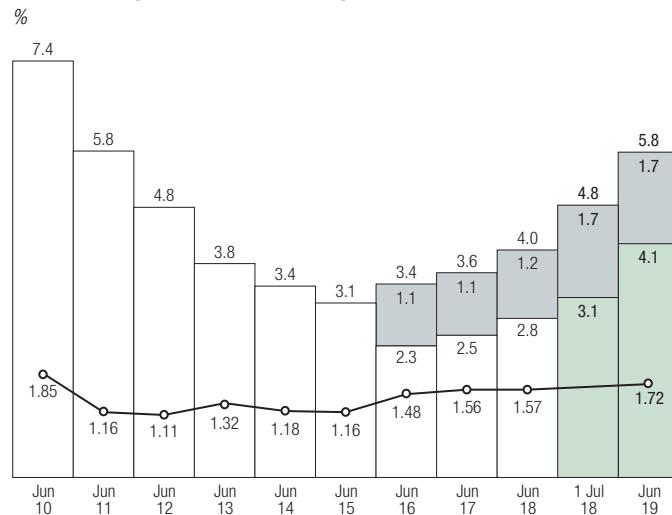
Credit highlights continued

NPL AND IMPAIRMENT HISTORY



Note: 30 June 2010 to 30 June 2018 figures are prepared on an IAS 39 basis. 1 July 2018 figures were restated and therefore 1 July 2018 and 30 June 2019 are prepared on an IFRS 9 basis.

RETAIL NPLs AND IMPAIRMENTS*



Stage 3/NPLs as a % of advances

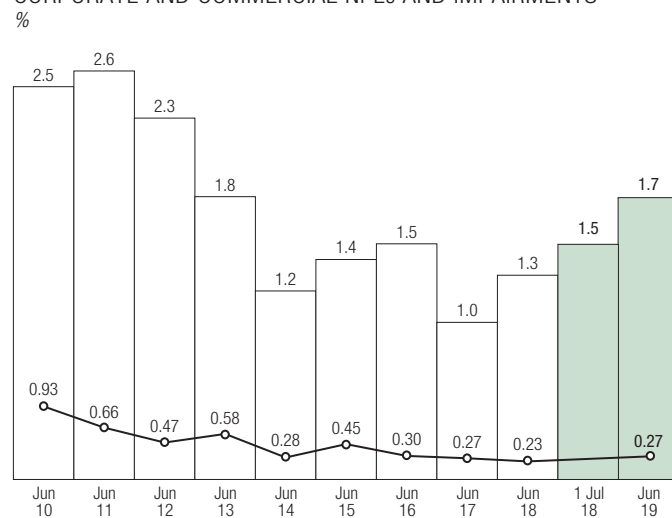
Restructured debt-review accounts and technical cures (refer page 64) included in stage 3/NPLs.

Technical cures became effective with the adoption of IFRS 9.

Impairment charge as a % of average advances

* Excludes Aldermore.

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS*



Stage 3/NPLs as a % of advances

Impairment charge as a % of average advances

* Excludes Aldermore.

Note: 30 June 2010 to 30 June 2018 figures are prepared on an IAS 39 basis. 1 July 2018 figures were restated and therefore 1 July 2018 and 30 June 2019 are prepared on an IFRS 9 basis.

Credit highlights continued

BASIS OF PRESENTATION AND ANALYSIS OF CREDIT INFORMATION

The focus of the credit commentary is on the credit performance between 1 July 2018, restated for IFRS 9 and 30 June 2019, for improved comparability.

FirstRand acquired Aldermore effective 1 April 2018. As such, the comparative year includes three months of Aldermore's income statement impairment charge, but Aldermore's entire advances balance at 30 June 2018.

The credit commentary below is provided for the group (including Aldermore), unless specifically stated "excluding Aldermore" (primarily income statement impairment ratios).

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

NPLs

Group NPLs increased 23% to 3.33% of advances compared to the 1 July 2018 ratio of 2.93%.

As indicated in the IFRS 9 transitional report, the two key impacts on FirstRand from adopting IFRS 9 relate to:

- extending the write-off point of unsecured NPLs, with the most pronounced impact being in the current financial year, with the write-off point for the unsecured retail lending portfolios changing from six months to 12 months; and
- more conservative curing rules under IFRS 9 (on all retail portfolios – 12 consecutive payments must occur before curing).

These changes had a pronounced impact on the build-up of NPLs in the first half the financial year, but started to normalise in the second half of the financial year.

The R7 835 million increase in total group NPLs to R41 349 million is analysed further in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs (excluding Aldermore)	3 316	14	9
Aldermore	598	35	2
Restructured debt review (D7)	(191)	(5)	(1)
Definition of rehabilitation (technical cures)	519	14	2
Lengthening of write-off period	3 593	–	11
Total	7 835	23	23

Retail NPLs as a percentage of advances increased 26% to 5.79% from 4.80% on 1 July 2018, driven by strong book growth in the unsecured lending portfolios. This resulted in increases in cycle-driven operational NPL balances, as well as the impact of the new cure and write-off definitions under IFRS 9 (extending both the write-off and cure points) which accounted for 19% of the 26% increase.

Corporate and commercial NPLs increased 25% to 1.67% from 1.47% on 1 July 2018, reflecting the ongoing impact of the drought in the agric portfolio, the deteriorating macro environment in South Africa and the resultant increase in large corporate stress events.

A detailed analysis of the product-level NPL drivers for specific retail products and the group in total, is provided on pages 68 to 77.

Coverage

Group portfolio impairments (stage 1 and stage 2 impairments) increased 6% from 1 July 2018. Stage 1 impairments increased 13%, in part reflecting book growth, as well as the impact of stage migration of advances (primarily from stage 2 to stage 1).

Stage 2 balance sheet impairments remained flat, impacted by stage migration of counters to stage 1 (notable in the corporate portfolio), which reflected improved performance and refinement in the significant increase in credit risk (SICR) trigger, and the migration of stage 2 counters into NPL status.

As a result, the group's consolidated performing book (stage 1 and 2) coverage ratio decreased marginally to 131 bps (1 July 2018: 133 bps).

The total balance sheet impairment coverage ratio decreased to 82.6 bps (1 July 2018: 86.8 bps), reflecting:

- the impact of a growing proportion of technically cured customers (customers who are less than three payments in arrears, but do not meet the group'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. agric;
- the write-off, restructure and positive credit migration of certain highly collateralised corporate exposures during the year; and
- strong growth in reverse repo transactions, which carry no coverage as they are fully secured by cash.

Income statement impairment charge

The group's income statement credit impairment charge, excluding Aldermore, increased 18% year-on-year, resulting in a credit loss ratio of 99 bps, compared to 90 bps at June 2018 (on an IAS 39 basis). The group credit loss ratio, including Aldermore, was 88 bps (June 2018: 84 bps).

Retail impairments reflected an increase of 16% year-on-year to 172 bps (June 2018: 157 bps). The corporate and commercial impairment charge increased 30% to 27 bps (June 2018: 23 bps). Aldermore incurred a credit impairment charge of 24 bps for the year ended 30 June 2019, in line with the annualised charge of 23 bps for the six months to December 2018. Excluding the impact of the newly originated MotoNovo finance advances from May 2019, Aldermore's impairment charge was 21 bps.

Post write-off recoveries at R2 548 million (June 2018: R2 334 million) remained resilient in spite of the change to a later write-off point for retail unsecured NPLs in terms of IFRS 9, driven by the unsecured retail lending portfolios and retail SA VAF, and reflecting continued focus on collections processes.

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES	
SA retail (excluding Discovery card)	<ul style="list-style-type: none">> SA retail advances growth was 7%, in line with the 6% growth in the prior year. Retail secured advances growth was muted at 4% impacted by declining growth in VAF. This was offset by strong growth in SA retail unsecured of 20%.> 13% of the growth is due to the extension of the write-off period, which results in R3 593 million NPL formation in gross advances.	
Residential mortgages	<ul style="list-style-type: none">> Total residential mortgages increased 6% year-on-year, marginally above nominal house price inflation of 4%.> FNB HomeLoans advances remained flat year-on-year, reflecting lower demand.> Growth in affordable housing slowed to 5% on the back of lower client demand.> Private bank mortgage lending showed resilient growth of 10%, benefiting from new client acquisition.	
Card (excluding Discovery card)	<ul style="list-style-type: none">> Underpinned by targeted client acquisition, client migration as well as increased limits and utilisation in the premium segment, resulting in advances growth of 23%. Growth in the consumer segment was marginally negative, given reduced risk appetite.	

STAGE 3/NPLS AND COVERAGE

IMPAIRMENT CHARGE

A further analysis of the R5 596 million increase in SA retail (excluding Discovery card) NPLs is provided below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational	1 682	13	8
Restructured debt review (D7)	(209)	(5)	(1)
Technical cures/curing rules	530	14	3
Change in write-off point	3 593	–	18
Total NPLs	5 596	28	28

The R3 593 million increase in NPLs due to the change in write-off point is further analysed below.

	R million
Card (excluding Discovery card)	745
FNB loans	1 660
DirectAxis loans	494
FNB retail other	694
Total write-offs	3 593

> The SA retail impairment charge increased to 178 bps, driven by card and personal loans.

> Residential mortgage NPLs reflect an increase of 9% since 1 July 2018, benefiting from strong collections and targeted origination. NPLs in the affordable housing book increased 18%, reflecting strong book growth in previous years and a normalisation of the credit cycle.

> Modest increase in the impairment charge to 11 bps, reflecting a normalisation of the credit cycle, but remaining below TTC levels.

> The increase in operational NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous years. Debt-review and technical-cure NPLs comprise 10% of total NPLs.

> The increase in card NPLs since 1 July 2018 is analysed below.

	Card (excluding Discovery card)	
	R million	% change
Operational – new business strain	627	94
Debt review (D7)	(68)	(24)
Technical cures/curing rules	(50)	(76)
Write-off point extension	745	–
Total NPLs	1 254	>100

> Card reported a charge of 3.68% (June 2018: 2.83%), reflecting an increase in operational NPLs on the back of strong book growth, as well as the impact of the extension in write-off point (as NPLs age, they carry a higher coverage), although partially benefiting from improved curing in the second half of the year. The charge remains within TTC appetite.

> Further risk cuts have been implemented in the second half of the financial year to mitigate against increasing arrears and elevated vintages.

Credit highlights continued

PRODUCT	ADVANCES	
FNB personal loans	<ul style="list-style-type: none">> Strong growth of 36% driven by the premium segment (+49%), due to client-scoring process enhancements and the activation of new digital channels to existing customers. Consumer segment personal loans advances showed robust growth of 17% following declines in the prior financial years. This was driven by measured loan extension to main-banked clients, in line with risk appetite.> The lengthening of the write-off point contributed 10% of the 36% growth in advances.	
DirectAxis loans	<ul style="list-style-type: none">> Advances growth moderated with a focus on lower-risk segments and repeat business.	
Retail other	<ul style="list-style-type: none">> Driven by increases in transactional banking accounts (primarily overdrafts).	
FNB rest of Africa		
Namibia	<ul style="list-style-type: none">> Residential mortgages remained flat, due to the subdued macro environment.	
Botswana	<ul style="list-style-type: none">> Retail advances grew 8% in pula year-on-year, reflecting macros and risk cutbacks.	
FNB commercial	<ul style="list-style-type: none">> 11% growth driven by targeted new client acquisition in the business segment, resulting in growth of 7% in agric, 17% in commercial property finance, 5% in specialised finance and 13% in asset-based finance.	

STAGE 3/NPLS AND COVERAGE		IMPAIRMENT CHARGE																											
<div><div>> The increase in operational NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous years. Debt-review and technical-cure NPLs comprise 20% of NPLs.</div><div>> The increase in FNB loans NPLs since 1 July 2018 is analysed below.</div></div> <table><thead><tr><th></th><th colspan="3">FNB loans</th></tr><tr><th></th><th>R million</th><th>% change</th><th>Percentage point contribution to overall NPL increase</th></tr></thead><tbody><tr><td>Operational – new business strain</td><td>264</td><td>33</td><td>17</td></tr><tr><td>Debt review (D7)</td><td>(84)</td><td>(15)</td><td>(5)</td></tr><tr><td>Technical cures/curing rules</td><td>50</td><td>28</td><td>3</td></tr><tr><td>Write-off point extension</td><td>1 660</td><td>–</td><td>>100</td></tr><tr><td>Total</td><td>1 890</td><td>>100</td><td>>100</td></tr></tbody></table>		FNB loans				R million	% change	Percentage point contribution to overall NPL increase	Operational – new business strain	264	33	17	Debt review (D7)	(84)	(15)	(5)	Technical cures/curing rules	50	28	3	Write-off point extension	1 660	–	>100	Total	1 890	>100	>100	<div>> FNB loans reported a credit loss ratio of 6.39% (June 2018: 5.03%) reflecting the impact of higher operational NPLs, but remaining within TTC appetite.</div>
	FNB loans																												
	R million	% change	Percentage point contribution to overall NPL increase																										
Operational – new business strain	264	33	17																										
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Technical cures/curing rules	50	28	3																										
Write-off point extension	1 660	–	>100																										
Total	1 890	>100	>100																										
<div>> DirectAxis NPLs increased 29% since 1 July 2018, compared to the 34% increase recorded in the financial year to June 2018. The increase was impacted by:</div> <table><thead><tr><th></th><th colspan="3">DirectAxis loans</th></tr><tr><th></th><th>R million</th><th>% change</th><th>Percentage point contribution to overall NPL increase</th></tr></thead><tbody><tr><td>Operational – new business strain</td><td>(16)</td><td>(2)</td><td>(1)</td></tr><tr><td>Debt review (D7)</td><td>56</td><td>7</td><td>3</td></tr><tr><td>Technical cures/curing rules</td><td>14</td><td>19</td><td>1</td></tr><tr><td>Write-off point extension</td><td>494</td><td>–</td><td>26</td></tr><tr><td>Total NPLs</td><td>548</td><td>29</td><td>29</td></tr></tbody></table>		DirectAxis loans				R million	% change	Percentage point contribution to overall NPL increase	Operational – new business strain	(16)	(2)	(1)	Debt review (D7)	56	7	3	Technical cures/curing rules	14	19	1	Write-off point extension	494	–	26	Total NPLs	548	29	29	<div>> The DirectAxis credit loss ratio of 8.94% (June 2018: 8.20%) reflects the seasoning of the book and ongoing advances growth.</div>
	DirectAxis loans																												
	R million	% change	Percentage point contribution to overall NPL increase																										
Operational – new business strain	(16)	(2)	(1)																										
Debt review (D7)	56	7	3																										
Technical cures/curing rules	14	19	1																										
Write-off point extension	494	–	26																										
Total NPLs	548	29	29																										
<div>> The rest of Africa portfolio showed an improved performance, although headwinds remained in certain jurisdictions, such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth. This resulted in a 3% increase in NPLs since 1 July 2018, specifically impacted by increased NPLs in Namibia. The increase in NPLs had a limited impact on the credit impairment charge, reflecting proactive and appropriate stage 2 provisions created in the prior financial year and on adoption of IFRS 9. Active work-out of defaulting back books in the prior year also contributed to lower NPL growth.</div>	<div>> The overall credit impairment charge decreased 14% year-on-year.</div>																												
<div>> NPLs grew 36% due to increases in highly collateralised NPLs in agric, both in South Africa and some other African jurisdictions, and increases in commercial property and specialised finance.</div>	<div>> FNB commercial's income statement impairment charge deteriorated 12%, in line with book growth and conservative provisioning, resulting in a credit loss ratio of 75 bps.</div>																												

Credit highlights continued

PRODUCT	ADVANCES	
RMB CIB*	<ul style="list-style-type: none"> > Growth from the SA core advances book was satisfactory, despite competitive pressures, and was underpinned by 14% growth in SA corporate bank advances, due to increased working capital utilisation by clients. Cross-border advances grew 18% in dollar terms, reflecting targeted new credit extension. In rand terms, the cross-border book increased 20%. 	
WesBank VAF (SA)	<ul style="list-style-type: none"> > New business production in retail SA VAF contracted 6%, impacted by the run-off of business now written on associates' balance sheets, further risk cuts in origination, increased competitive pressures, the impact of the curtailment of a JV relationship during the year and the challenging macroeconomic environment. In addition the lengthening in vehicle replacement cycles increased the average life of the book. > Corporate new business volumes contracted >13%, also reflecting the difficult macro environment, risk cuts in high-risk categories and industries and the fact that a portion of business now originates in FNB (own-banked clients). 	
MotoNovo VAF (UK)	<ul style="list-style-type: none"> > New business volumes were impacted by weak first half origination, driven by rising funding costs which led to competitive pressures. First half volumes were 15% down on the prior year. Volumes improved significantly in the second half of the financial year, 13% above the prior period, bolstered by funding cost synergies from the Aldermore integration. > MotoNovo continued to constrain its appetite for higher-risk origination throughout the year. 	
Aldermore (excluding MotoNovo Finance)	<ul style="list-style-type: none"> > Growth of 13% benefited from strong new business levels in owner-occupied mortgages and targeted invoice and asset finance origination. 	

* Core advances.

	STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE
	<p>> NPLs (including RMB rest of Africa) increased 7% since July 2018, reflecting the migration of certain counters in distressed industries.</p>	<p>> The RMB investment banking (SA) portfolio incurred a 15 bps charge, a modest increase from the 10 bps for the year to June 2018. This in part reflects the impact of the constrained macro environment and resultant corporate stress in South Africa, whilst maintaining a conservative core performing book (stage 1 and 2 advances) impairment coverage ratio of 108 bps excluding repos.</p>
	<p>> WesBank retail VAF NPLs increased modestly at 4%, impacted by increasing levels of technical cures, as well as 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 higher write-offs and a modest increase of 5% in operational NPLs following scorecard updates and risk cut-backs, which is also reflected in the improved credit loss ratio.</p>	<p>> The retail VAF portfolio reflected an improvement of 2% to 180 bps (June 2018: 188 bps), benefiting from risk cutbacks in previous financial periods.</p>
	<p>> The standalone MotoNovo VAF NPLs increased 7% in pound terms (5% in rand) since 1 July 2018, reflecting the benefit of risk cutbacks in origination in 2017 and 2018 and an improved collections process.</p>	<p>> The credit experience in the standalone MotoNovo VAF advances book (the back book in FCC together with the new advances originated in Aldermore since May 2019) was positively impacted by origination risk cutback and a strong focus on collections, resulting in a credit loss ratio of 139 bps (June 2018: 146 bps).</p>
	<p>> The credit experience from the Aldermore portfolio remained relatively resilient, although it is starting to reflect the effects arising from continuing uncertainty surrounding Brexit. NPLs increased 34% resulting in NPLs as a percentage of advances of 1.25% (1 July 2018: 1.05%), specifically impacted by a small number of large counters in asset finance defaulting during the year.</p>	<p>> Aldermore, excluding the new MotoNovo advances book written since May 2019, incurred a credit loss ratio of 21 bps for the year ended 30 June 2019, in line with the annualised charge of 23 bps for the six months to December 2018. As expected, impairments have started increasing across some of the retail portfolios and have been negatively impacted by certain high-value stage migrations in the asset finance book. Including the MotoNovo book, Aldermore reported a credit loss ratio of 24 bps.</p>

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 write-offs.

<i>R million</i>	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs	
June 2019 IFRS 9					
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)	4 448	1 405		1 290	
Discovery card	86	3		48	
Total NPLs	29 761	4 270	3 593	3 725	
<i>R million</i>	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs	
1 July 2018 IFRS 9					
Residential mortgages	5 195	2 198		541	
Card (excluding Discovery)	670	66		282	
Personal loans	810	179		542	
DirectAxis loans [#]	975	73		826	
Retail other	769	12		267	
FNB retail NPLs	8 419	2 528		2 458	
WesBank VAF (SA)	4 240	1 209		1 428	
Discovery card	97	14		30	
Total NPLs	25 847	3 751		3 916	

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

** Effective prospectively with the adoption of IFRS 9.

[#] Formerly called WesBank loans.

	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	94	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	18	15	19	13
	7 143	4	5	20	–	18
	137	(3)	(11)	2	–	35
	41 349	23	15	10	9	9
	Total stage 3/ NPLs	Total stage 3/ NPLs % increase (on adoption of IFRS 9)	Operational stage 3/ NPLs % change (on adoption of IFRS 9)	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
	7 934	56	14	28	–	7
	1 018	7	–	6	–	28
	1 531	15	10	12	–	35
	1 874	4	38	4	–	44
	1 048	6	(1)	1	–	25
	13 405	32	13	19	–	18
	6 877	1	1	18	–	21
	141	8	(3)	10	–	21
	33 514	24	20	11	–	12

Credit highlights continued

<i>R million</i>	Operational stage 3/ NPLs*	Technical cures	Write-offs**	Paying restructured debt-review stage 3/ NPLs	
June 2018 IAS 39					
Residential mortgages	4 560			515	
Card (excluding Discovery)	670			282	
Personal loans	739			598	
DirectAxis loans [#]	706			1 094	
Retail other	778			214	
FNB retail NPLs	7 453			2 703	
WesBank VAF (SA)	4 207			2 611	
Discovery card	100			30	
Total NPLs	21 603			5 344	

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

** Effective prospectively with the adoption of IFRS 9.

[#] Formerly called WesBank loans.

	Total stage 3/ NPLs	Total stage 3/ NPLs % increase year-on-year	Operational stage 3/ NPLs % change year-on-year	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
	5 075	11	11			10
	952	17	16			30
	1 337	9	(7)			45
	1 800	34	>100			61
	992	16	15			22
	10 156	15	15			27
	6 818	18	23			38
	130	16	(11)			23
	26 947	23	26			20

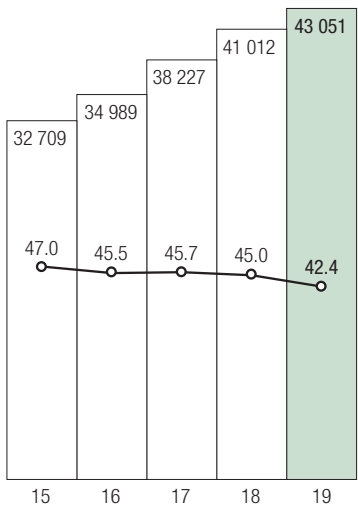
Non-interest revenue

TOTAL NON-INTEREST REVENUE – UP 6%

*Operational non-interest revenue up 5%**

OPERATIONAL NIR AND DIVERSITY RATIO

NIR CAGR 7%



Note: Figures for 2015 to 2018 are presented on an IAS 39 basis. The 2019 figure is presented on an IFRS 9 basis.

** Excluding income from associate and joint ventures.*

ANALYSIS OF OPERATIONAL NIR

<i>R million</i>	Notes	2019 IFRS 9	2018 IAS 39	% change
Fee, commission and insurance income		35 099	32 447	8
– Fee and commission income*	1	30 971	28 529	9
– Insurance income*	2	4 128	3 918	5
Markets, client and other fair value income	3	4 735	4 165	14
Investment income	4	619	1 959	(68)
Other non-interest revenue	5	2 598	2 441	6
– Consolidated private equity income		–	16	(100)
– Other		2 598	2 425	7
Operational NIR		43 051	41 012	5

* Prior year insurance income of R279 million was reallocated to fee and commission income to better reflect the nature of the income.

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

The NIR performance was underpinned by robust fee and commission income growth, driven by strong electronic transaction volumes and ongoing customer acquisition. Fee, commission and insurance income represents 82% (June 2018: 79%) of operational NIR.

The structural shift in the group's diversity ratio, despite ongoing growth in NIR, results from the positive cumulative endowment impact and 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, offset by sustained customer acquisition, resulting in increased transaction volumes and fees.
- > Incrementally increasing contribution from new initiatives such as insurance and FML.
- > Expected rebasing of private equity realisations.

Non-interest revenue *continued*

NOTE 1 – FEE AND COMMISSION INCOME – UP 9%

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Bank fee and commission income	32 043	28 864	11
– Card commissions	5 061	4 489	13
– Cash deposit fees	1 910	1 876	2
– Commissions on bills, drafts and cheques	2 898	2 555	13
– Bank charges	22 174	19 944	11
– Commitment fees	1 523	1 542	(1)
– Other bank charges*	20 651	18 402	12
Knowledge-based fees	1 184	1 410	(16)
Management and fiduciary fees**	2 402	2 375	1
Other non-bank commissions	904	947	(5)
Gross fee and commission income	36 533	33 596	9
Fee and commission expenditure	(5 562)	(5 067)	10
Total fee and commission income	30 971	28 529	9

* 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.

** Prior year includes a reallocation of R279 million to management and fiduciary fees from insurance income.

KEY DRIVERS

- > FNB delivered 11% growth in NIR despite customer transactional volumes migrating to cheaper electronic channels. In the South African business, this was driven by growth in main-banked clients, increased cross-sell and up-sell and transaction volume growth. Rest of Africa NIR grew 5%.
- > Transactional volumes increased 9%. Electronic volumes increased 10%, whilst manual volumes were flat year-on-year. Branch and cash centre transactional volumes decreased 21% and 7%, respectively.

%	Increase in transactional volumes
ATM/ADT	1
Internet banking	(4)
Banking app	45
Mobile (excluding prepaid)	(4)
Point-of-sale merchants	17
Card swipes	11

- > Knowledge-based fees remained satisfactory considering the tough macro environment, and were driven by lower structuring and arranging fees as a result of lower corporate activity and lower deal volumes. This led to a reduction in advisory fees and a muted performance from capital markets and underwriting activities.
- > The group's management and fiduciary fee income growth of 1% was driven by moderate AUM and WIM activity and subdued market performance (a 1% increase in the all-share index (ALSI) since 30 June 2018).

NOTE 2 – INSURANCE INCOME – UP 5%

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Commissions, brokerage and cell captives*	1 755	1 928	(9)
Insurance risk-related income	2 373	1 990	19
– Insurance premiums received	3 744	3 032	23
– Reinsurance expenses	(153)	(108)	42
– Insurance benefits and claims paid	(1 095)	(832)	32
– Reinsurance recoveries	59	11	>100
– Transfers to policyholder liabilities (gross)	(295)	(138)	>100
– Transfers from policyholder liabilities (reinsurance)	113	25	>100
Total insurance income	4 128	3 918	5

* Prior year commissions, brokerage and cell captive income of R279 million was reallocated to management and fiduciary fees in fee and commission income.

KEY DRIVERS

- > Insurance income growth of 5% reflects strong new business APE growth of 34%, resulting in 11% growth in the in-force life insurance book. Overall income growth was impacted by an increase in claims ratios and higher acquisition costs in line with growth in the in-force book.
- > The structure of insurance income continues to change from historically predominant cell captive-related income to on-balance sheet risk-underwriting income, with the acquisition of the MMI insurance book in the 2017 financial year, as well as growth in product offering and new policies written on balance sheet.
- > WesBank's insurance income decreased 1% as a result of decreasing new retail VAF business unit volumes, negatively impacting commission and brokerage income, and partially offset by a satisfactory performance in MotoVantage.

Non-interest revenue *continued*

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 14%

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Client	2 528	2 789	(9)
Markets	2 155	1 519	42
Other	52	(143)	>100
Total markets, client and other fair value income	4 735	4 165	14

KEY DRIVERS

- > Despite a difficult start in the first half, reflecting the ongoing uncertain SA macro environment, as well as the impact of the heightened global trade war tensions, the overall markets and client businesses' performances for the year were strong, benefiting from heightened volatility and increased volumes in the last quarter of the financial year.
- > Client revenues were under pressure during the year, as the challenging macroeconomic environment contributed to reduced activity from large clients.
- > Flow trading and residual risk activities benefited from a strong performance by the FX business, driven by higher levels of volatility in emerging markets and a weakening rand, and a strong performance from the rest of Africa. After a difficult first half of the financial year, the fixed income business benefited in the second half from improved real yield curves, and a good performance from market making. The performance reflects a recovery in the hard commodities business benefiting from increased deal flow, the non-repeat of an isolated operational loss event and a strong performance from the credit trading portfolio driven by increased client activity.
- > The increase in other fair value income was due to positive mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instruments. The net TRS fair value income was flat year-on-year.

NOTE 4 – INVESTMENT INCOME – DOWN 68%

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Private equity realisations and dividends received	390	1 823	(79)
– Profit on realisation of private equity investments	357	1 805	(80)
– Dividends received	1	2	(50)
– Other private equity income	32	16	100
Other investment income	229	136	68
– Profit on assets held against employee liabilities	59	97	(39)
– Other investment income	170	39	>100
Total investment income	619	1 959	(68)

KEY DRIVERS

- > Private equity realisation income of ±R460 million (June 2018: ±R1.86 billion) includes c.R110 million reflected in equity-accounted income (June 2018: c.R60 million) and is significantly down from the prior year. R1.2 billion (June 2018: R1.8 billion) of new investments were made in the current financial year. The unrealised value in the portfolio was approximately R3.5 billion at June 2019 (June 2018: R3.7 billion).
- > The group's employee liability insurance (ELI) asset portfolio's performance was muted, reflecting the modest 1% increase in the ALSI since June 2018 (12% increase in the prior year), and the ongoing change in the mix of the underlying asset allocation.
- > Other investment income reflects the impact of the full impairment of the remaining carrying value of a legacy RMB resources asset of nearly R120 million in the prior year in order to derisk the portfolio.

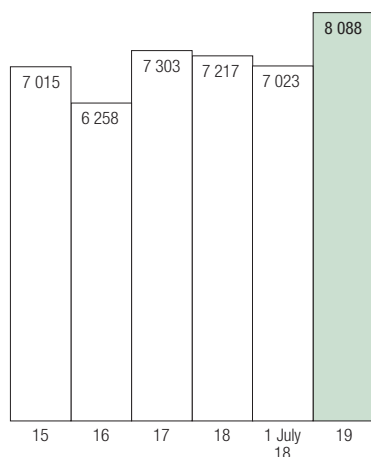
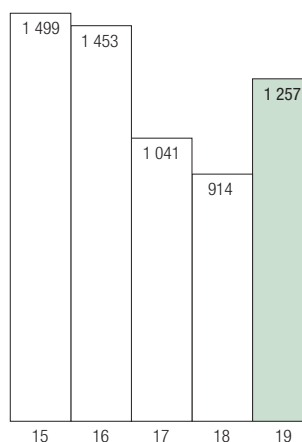
NOTE 5 – OTHER NON-INTEREST REVENUE – UP 6%

KEY DRIVERS

- > The most significant 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.

Non-interest revenue *continued*

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 38%

INVESTMENT IN ASSOCIATES
AND JOINT VENTURES
R millionSHARE OF PROFITS FROM ASSOCIATES
AND JOINT VENTURES
R million

Note: Figures for 2015 to 2018 are presented on an IAS 39 basis. The 1 July 2018 and 2019 figures are presented on an IFRS 9 basis.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

*R million***Private equity associates and joint ventures**

- Equity-accounted income
- Impairments

Other operational associates and joint ventures

- Toyota Financial Services (Pty) Ltd
- Volkswagen Financial Services (Pty) Ltd
- RMB Morgan Stanley (Pty) Ltd
- Other

Share of profits from associates and joint ventures before tax

Tax on profits from associates and joint ventures

Share of profits from associates and joint ventures after tax

2019 IFRS 9	2018 IAS 39	% change
966	677	43
969	733	32
(3)	(56)	(95)
686	674	2
308	226	36
23	51	(55)
132	163	(19)
223	234	(5)
1 652	1 351	22
(395)	(437)	(10)
1 257	914	38

KEY DRIVERS

- > The increase in equity-accounted income from the RMB Private Equity portfolio (including the impact of c.R110 million of realisation income (2018: c.R60 million)), is due to the non-repeat of specific equity-accounted losses incurred on certain assets disposed of during the previous financial year, as well as a large one-off dividend received by an investee company in the current year. The underlying core performance of the portfolio reflects the significant level of disposals over the last four financial years, as well as the impact of the subdued macro environment on the operating performance of certain investee companies.
- > The results of WesBank's associate Toyota Financial Services (Pty) Ltd improved significantly, benefiting from increased margins and the generation of ancillary income. Volkswagen Financial Services (Pty) Ltd also delivered an improved operating performance reflecting book growth, although absolute performance was negatively impacted by an operational loss event.
- > RMB Morgan Stanley's performance was adversely affected by lower client activity and equity market activity given a lack of corporate activity and lower investor confidence.

TOTAL INCOME FROM PRIVATE EQUITY ACTIVITIES (PRIVATE EQUITY DIVISION AND OTHER PRIVATE EQUITY-RELATED ACTIVITIES)

RMB earns private equity-related income primarily from its Private Equity business, however, other areas in RMB also engage in or hold private equity-related investments (as defined in *Circular 04/2018 Headline Earnings*), which are not reported as part of RMB Private Equity's results. The underlying nature of the various private equity-related income streams are reflected below.

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
RMB Private Equity	1 356	2 516	(46)
Income from associates and joint ventures	966	677	43
– Equity-accounted income*	969	733	32
– Impairments*	(3)	(56)	(95)
Realisations and dividends**	358	1 807	(80)
Other private equity income**	32	16	100
Consolidated private equity income [†]	–	16	(100)
Other business units	78	(12)	(>100)
Income from associates and joint ventures and other investments	72	131	(45)
– Equity-accounted income*	39	128	(70)
– Impairments*	(25)	(66)	(62)
– Other investment income**	58	69	(16)
Consolidated other income [†]	6	(143)	(>100)
Private equity activities before tax	1 434	2 504	(43)
Tax on equity-accounted private equity investments	(207)	(259)	(20)
Private equity activities after tax	1 227	2 245	(45)

* Refer to analysis of income from associates and joint ventures on page 84.

** Refer to investment income analysis on page 83.

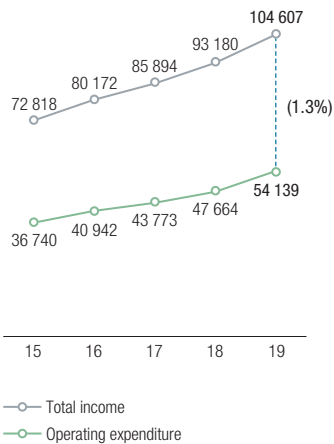
Refer to non-interest revenue analysis on page 79.

† Included in NII, credit impairment charge and other NIR depending on the underlying nature of the item.

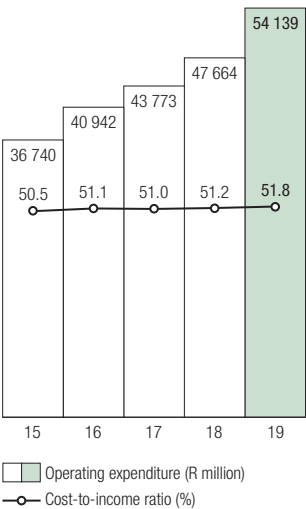
Operating expenses

OPERATING EXPENSES – UP 8% (UP 14% INCLUDING ALDERMORE)

OPERATING JAWS *R million*



OPERATING EFFICIENCY



Note: Figures for 2015 to 2018 are presented on an IAS 39 basis. The 2019 figures are presented on an IFRS 9 basis.

OPERATING EXPENSES

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Staff expenditure	30 376	27 773	9
– Direct staff expenditure	20 397	18 449	11
– Other staff-related expenditure	9 979	9 324	7
Depreciation of property and equipment	2 854	2 824	1
Amortisation of intangible assets	294	250	18
Advertising and marketing	1 999	1 959	2
Insurance	117	115	2
Lease charges	1 673	1 648	2
Professional fees	2 003	1 931	4
Audit fees	425	357	19
Computer expenses	2 661	2 346	13
Repairs and maintenance	1 398	1 208	16
Telecommunications	498	520	(4)
Cooperation agreements and joint ventures	644	706	(9)
Property	1 005	1 000	1
Business travel	499	439	14
Assets costing less than R7 000	335	282	19
Stationery and printing	219	241	(9)
Donations	271	255	6
Other expenditure	3 174	3 002	6
Operating expenses excluding Aldermore and Aldermore-related	50 445	46 856	8
Amortisation of Aldermore intangible (on acquisition)	439	102	>100
Total operating expenses excluding Aldermore	50 884	46 958	8
Aldermore operating expenses	3 255	706	>100
Total operating expenses	54 139	47 664	14

Operating expenses continued

IT spend

The group's income statement is presented on a nature basis, but to better illustrate the composition of IT spend, the table below reflects the breakdown on a functional basis.

FUNCTIONAL PRESENTATION OF IT SPEND

<i>R million</i>	2019 IFRS 9	2018 IAS 39*	% change
IT-related staff cost	4 105	3 683	11
Non-staff IT-related costs	5 791	5 165	12
– Computer expenses	2 661	2 346	13
– Professional fees	939	801	17
– Repairs and maintenance	446	402	11
– Depreciation	901	868	4
– Amortisation of software	264	211	25
– Other	580	537	8
Total spend excluding Aldermore	9 896	8 848	12
Aldermore IT spend	620	125	>100
Total spend	10 516	8 973	17

* 30 June 2018 IT spend has been restated to include all FirstRand in-house IT shop-related costs following the establishment of a group-wide IT spend steering committee, which redefined IT costs in line with best practice guidelines. IT-related costs now include IT support staff as well as data centre costs, which include maintenance, security and electricity.

KEY DRIVERS

- > Cost growth of 8% (excluding Aldermore) reflects the impact of continuing investment spend on new initiatives, technology and platforms, as well as the impact of the increased amortisation of intangibles recognised on the acquisition of Aldermore. Including Aldermore, costs increased 14% year-on-year, reflecting the base impact of including Aldermore for 12 months as opposed to three months in the comparative year, as well as significant investment spend and integration costs incurred by Aldermore.
- > Staff costs, which comprise 60% of the group's operating expenses (excluding Aldermore), increased 9%.

	% CHANGE	REASONS
Direct staff costs	11	Impacted by unionised increases in South Africa at an average of 7.8% in August 2018 and a 5% increase in staff complement across the group. The recruitment of 1 500 people as part of the FirstJob work experience programme contributed to the growth.
Other staff-related expenditure	7	The increase in variable costs reflects the growth in earnings and NIACC in the current period. Normalised share-based payment expenses grew marginally, given the increase in the group's share price, resulting in higher grant values.

- > The 1% increase in depreciation was impacted by strong growth in WesBank's FML book, partially offset by the non-repeat of an accelerated depreciation change in the prior year. FNB's investment in infrastructure (e.g. ATMs/ADTs), electronic platforms and new premises over the previous three financial years is stabilising.
- > The 18% increase in amortisation of intangible assets is due to software capitalisation across the operating businesses.
- > The increase in professional fees of 4% follows on increased technology-related projects, which also drive the increase in computer expenses.
- > The 19% increase in audit fees was driven by the cost associated with the adoption of IFRS 9.
- > Computer expenses growth of 13% reflects increased licence fees and the continued spend on projects related to various electronic platforms, cybersecurity and credit-related reporting upgrades, domestically, in the rest of Africa and in the UK.
- > Repairs and maintenance increased 16% following green energy-related property and other hardware upgrades relating to data centres, main frames and cabling.
- > Cooperation agreements and joint venture costs decreased 9%, impacted by the Discovery transaction, whereby 100% of the profit in the Discovery card book is now being paid to Discovery, offset by weaker performance in WesBank's underlying alliances.
- > Business travel increased 14% due to increased travel requirements associated with the UK and Africa businesses and the transport of personal banking and night staff.
- > Other expenses include various items, such as entertainment, bank charges, insurance-related acquisition costs, subscriptions and memberships. The most significant growth was in bank charges due to increased regulatory fees and acquisition costs associated with the build-out of the insurance business.
- > The amortisation of the intangible assets identified on the acquisition of Aldermore resulted in a charge of R439 million (June 2018: R102 million).

[illegible]

03

balance sheet
analysis and
financial resource
management

Economic view of the balance sheet

The structure of the balance sheet reflects the group'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.

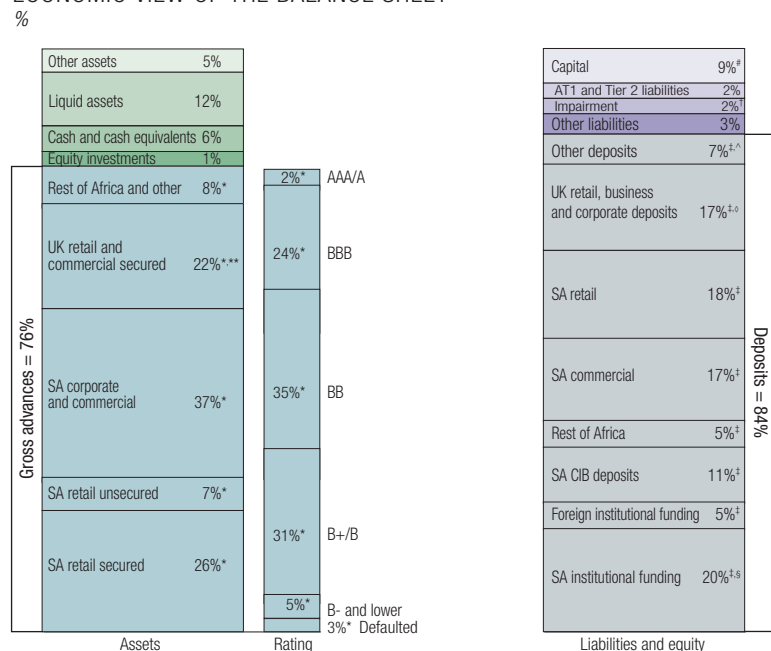
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 76% of total assets. The composition of the gross advances portfolio consists of SA retail secured (26%), SA retail unsecured (7%), SA corporate and commercial (37%), UK retail and commercial secured (22%), and rest of Africa and other (8%). At 30 June 2019, total NPLs amounted to R41 349 million (3.33% as a percentage of advances) with a credit loss ratio of 88 bps.

Cash and cash equivalents, and liquid assets represent 6% and 12%, 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 and the group's equity investments relate primarily to RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The group 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 group's institutional funding was 36 months at 30 June 2019 (2018: 34 months).

The group's capital ratios exceeded stated targets with a CET1 ratio of 12.1%, Tier 1 ratio of 12.9% and total capital adequacy ratio of 15.2%. Gearing increased to 13.0 times (2018: 12.0 times), which was primarily driven by the acquisition of Aldermore and the implementation of IFRS 9.

ECONOMIC VIEW OF THE BALANCE SHEET



* As a proportion of gross advances.

** Based on advances originated in MotoNovo, Aldermore and London Branch.

[#] Includes ordinary equity, non-controlling interests and NCNR preference shares.

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

[‡] As a proportion of deposits.

[^] Consists of liabilities relating to conduits and securitisations.

[◇] Deposits raised in Aldermore and Guernsey branch.

[§] Includes CIB institutional funding.

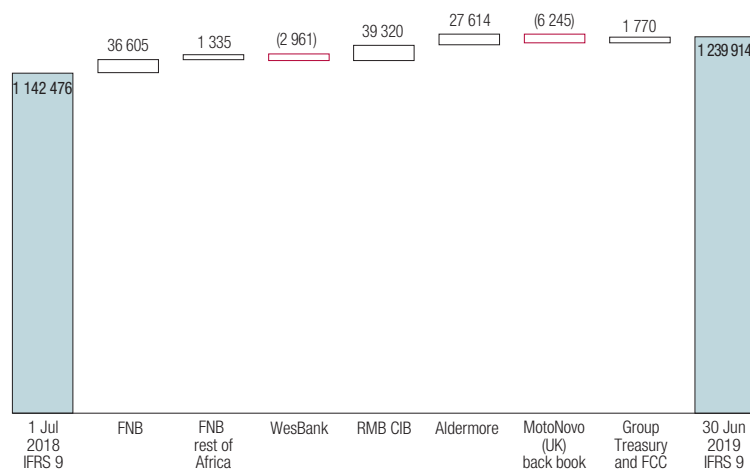
Note: Non-recourse assets have been netted off against deposits.

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

Gross advances – up 9%

GROSS ADVANCES GROWTH BY BUSINESS

R million



ADVANCES

	As at 30 June 2019 IFRS 9	As at 1 July 2018 IFRS 9	% change
<i>R million</i>			
Gross advances	1 239 914	1 142 476	9
Impairment of advances	(34 162)	(29 078)	17
Net advances	1 205 752	1 113 398	8

Gross advances increased 9%, which exceeds nominal GDP growth, and has been positively impacted by repo advances in RMB CIB increasing 77% year-on-year. Excluding repo advances, advances grew 8%. Growth in advances was further impacted by the extended write-off period following the adoption of IFRS 9 on 1 July 2018. In addition, IFRS 9 resulted in reclassifications between fair value through profit or loss (FVTPL) and amortised cost (AC), and significantly impacted impairment of advances. Net advances have grown 8% since 1 July 2018.

Growth rates in retail SA VAF, UK VAF and FNB consumer were subdued, reflecting a combination of tightening credit appetite, especially in higher-risk origination buckets (the impact of which is reflected in the improved NPL and credit loss ratios), and a constrained macro environment, as well as increased competitive pressures.

RMB continued to exercise discipline in an environment characterised by low corporate activity in South Africa as well as competitive pressures. Growth was, however, resilient in the cross-border and corporate banking books, especially in the rest of Africa.

Aldermore showed resilient growth of 14% in pound terms on a like-for-like basis, benefiting from lower redemptions across most portfolios, although new business volumes in buy-to-let have slowed due to the subdued macro environment, offset by strong new business levels in owner-occupied mortgages, and invoice and asset finance. Including the origination of MotoNovo assets in Aldermore with effect from 1 May 2019, total advances growth was 17% in rand terms.

Credit

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

R million	Advances						
	As at 30 June	As at 1 July	% change	As at 30 June 2019			
	2019 IFRS 9	2018 IFRS 9		IFRS 9			
				Stage 1	Stage 2	Stage 3	
Retail	468 165	447 142	5	411 500	29 567	27 098	
Retail – secured	377 867	370 861	2	337 455	23 553	16 859	
Residential mortgages	217 164	205 630	6	198 373	10 153	8 638	
VAF	160 703	165 231	(3)	139 082	13 400	8 221	
– WesBank (SA)	106 142	104 884	1	89 060	9 939	7 143	
– MotoNovo (UK)*,**	54 561	60 347	(10)	50 022	3 461	1 078	
Retail – unsecured	90 298	76 281	18	74 045	6 014	10 239	
Card	32 443	27 155	19	28 347	1 687	2 409	
– FNB	28 115	22 805	23	24 321	1 522	2 272	
– Discovery	4 328	4 350	(1)	4 026	165	137	
Personal loans	39 947	33 222	20	30 795	3 304	5 848	
– FNB	23 357	17 200	36	18 036	1 900	3 421	
– DirectAxis loans#	16 012	14 985	7	12 208	1 382	2 422	
– MotoNovo (UK)	578	1 037	(44)	551	22	5	
Retail other	17 908	15 904	13	14 903	1 023	1 982	
Corporate and commercial	476 906	432 728	10	435 432	33 509	7 965	
FNB commercial	105 131	94 558	11	92 092	8 483	4 556	
WesBank corporate	27 945	32 164	(13)	25 875	1 546	524	
RMB investment banking†,‡	268 743	240 736	12	249 553	16 646	2 544	
RMB corporate banking†,‡	57 932	46 636	24	50 757	6 834	341	
HQLA corporate advances†,^	17 155	18 634	(8)	17 155	–	–	
Rest of Africa	64 557	61 726	5	56 847	3 746	3 964	
FNBº	55 100	53 765	2	47 627	3 511	3 962	
RMB (corporate and investment banking)‡	9 457	7 961	19	9 220	235	2	
FCC (including Group Treasury)	38 796	37 004	5	38 752	44	–	
Securitisation notes	27 854	23 674	18	27 854	–	–	
Other§	10 942	13 330	(18)	10 898	44	–	
Total advances excluding Aldermore	1 048 424	978 600	7	942 531	66 866	39 027	
Aldermore^	191 490	163 876	17	169 688	19 480	2 322	
– Retail excluding MotoNovo	122 433	107 734	14	106 478	14 542	1 413	
– MotoNovo (new book)**	6 639	–	–	6 616	13	10	
– Commercial	62 418	56 142	11	56 594	4 925	899	
Total advances including Aldermore§,º,^,‡,^,^	1 239 914	1 142 476	9	1 112 219	86 346	41 349	
Of which:							
Accrual book	1 159 642	1 088 679	7	1 033 119	85 547	40 976	
Fair value book [∞]	80 272	53 797	49	79 100	799	373	

	Advances				
	As at 1 July 2018			% composition 2019	As at 30 June
	IFRS 9				2018 IAS 39
	Stage 1	Stage 2	Stage 3		
	395 485	30 174	21 483	38	446 356
	330 329	24 683	15 849	31	370 183
	186 280	11 416	7 934	18	204 969
	144 049	13 267	7 915	13	165 214
	87 695	10 312	6 877	9	104 864
	56 354	2 955	1 038	4	60 350
	65 156	5 491	5 634	7	76 173
	24 669	1 327	1 159	3	27 140
	20 612	1 175	1 018	3	22 792
	4 057	152	141	–	4 348
	26 779	3 016	3 427	3	33 181
	13 980	1 689	1 531	2	17 161
	11 851	1 260	1 874	1	14 985
	948	67	22	–	1 035
	13 708	1 148	1 048	1	15 852
	383 606	42 757	6 365	38	432 133
	83 946	7 262	3 350	8	93 987
	29 638	2 132	394	2	32 150
	206 831	31 458	2 447	22	240 775
	44 557	1 905	174	5	46 592
	18 634	–	–	1	18 629
	54 191	3 593	3 942	5	61 048
	46 525	3 381	3 859	4	53 094
	7 666	212	83	1	7 954
	37 004	–	–	4	37 069
	23 674	–	–	3	23 674
	13 330	–	–	1	13 395
	870 286	76 524	31 790	85	976 606
	152 153	9 999	1 724	15	163 876
	101 274	5 502	958	9	107 734
	–	–	–	1	–
	50 879	4 497	766	5	56 142
	1 022 439	86 523	33 514	100	1 140 482
	970 760	84 728	33 191	94	941 580
	51 679	1 795	323	6	198 902

* MotoNovo VAF (UK) back book = £3.03 billion
(1 July 2018: £3.32 billion down 9%).

** Total MotoNovo VAF = R61.2 billion; £3.4 billion
(+1% from 1 July 2018, +3% in £ terms) (1 July 2018:
R60.3 billion).

Formerly called WesBank loans.

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

‡ Corporate and investment banking advances, including
HQLA, total R353.29 billion (1 July 2018: R313.97 billion).

^ Managed by the Group Treasurer.

◇ Prior year adjusted with the reallocation of WesBank rest
of Africa to FNB rest of Africa.

§ The prior year included R6 billion fully collateralised
reverse repo advances.

△ Aldermore advances = £10.65 billion (+18% from
1 July 2018) (1 July 2018: £9.02 billion).

∞ IAS 39 includes advances classified as available-for-sale.

≈ Included in advances is repo advances of R45.32 billion
(1 July 2018: R33.06 billion).

⚡ Total gross advances at 1 July 2018 include R2.24 billion
ISP recognised on IFRS 9 transition.

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.

<i>R million</i>	Advances				
	As at 30 June	As at 1 July	% change	% com- position 2019	As at 30 June
	2019 IFRS 9	2018 IFRS 9*			2018 IAS 39**
Corporate and investment banking advances*	353 287	313 967	13	100	313 950
Less: assets under agreements to resell	(41 117)	(23 233)	77	(12)	(23 233)
RMB advances net of assets under agreements to resell	312 170	290 734	7	88	290 717

* Include rest of Africa advances and HQLA.

** Restated to include HQLA.

STRATEGY VIEW OF CORPORATE AND INVESTMENT BANKING ADVANCES

<i>R million</i>	Advances				
	As at 30 June	As at 1 July	% change	% com- position 2019	As at 30 June
	2019 IFRS 9	2018 IFRS 9			2018 IAS 39
RMB investment banking	268 743	240 736	12	86	240 775
Less: assets under agreements to resell	(40 464)	(22 778)	78	(13)	(22 778)
RMB investment banking core advances	228 279	217 958	5	73	217 997
– South Africa	198 998	190 107	5	64	190 146
– Cross-border (rest of Africa)	29 281	27 851	5	9	27 851
RMB corporate banking	57 932	46 636	24	19	46 592
Less: assets under agreements to resell	(653)	(455)	44	–	(455)
RMB corporate banking core advances	57 279	46 181	24	19	46 137
– South Africa	43 357	38 175	14	14	38 131
– Cross-border (rest of Africa)	13 922	8 006	74	5	8 006
HQLA corporate advances*	17 155	18 634	(8)	5	18 629
RMB rest of Africa (in-country)	9 457	7 961	19	3	7 954
CIB total core advances	312 170	290 734	7	100	290 717
CIB core advances – South Africa**	259 510	246 916	5	83	246 906
CIB core advances – rest of Africa [#]	52 660	43 818	20	17	43 811
CIB total core advances	312 170	290 734	7	100	290 717

* 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, RMB CB cross-border core advances and RMB rest of Africa in-country advances.

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

<i>R million</i>	Advances				
	As at 30 June		% change	% com- position 2019	As at 1 July
	2019 IFRS 9	2018 IAS 39			2018 IFRS 9*
Gross advances	1 239 914	1 142 561	9	100	1 142 476
Less: interest in suspense	–	(2 079)	(100)	–	–
Advances net of interest in suspense	1 239 914	1 140 482	9	100	1 142 476
Sector analysis					
Agriculture	43 718	37 323	17	4	
Banks	21 830	21 729	–	2	
Financial institutions	170 980	143 962	19	14	
Building and property development	67 051	63 603	5	5	
Government, Land Bank and public authorities	25 667	24 406	5	2	
Individuals	605 686	564 685	7	48	
Manufacturing and commerce	136 377	127 665	7	11	
Mining	12 324	12 974	(5)	1	
Transport and communication	31 257	26 424	18	3	
Other services	125 024	117 711	6	10	
Total advances including Aldermore	1 239 914	1 140 482	9	100	
Geographic analysis					
South Africa	858 018	789 858	9	70	
Rest of Africa	103 302	95 521	8	8	
UK	251 471	235 719	7	20	
Other Europe	15 870	12 177	30	1	
North America	1 378	1 617	(15)	–	
South America	178	260	(32)	–	
Australasia	528	631	(16)	–	
Asia	9 169	4 699	95	1	
Total advances including Aldermore	1 239 914	1 140 482	9	100	

* IFRS 9 comparatives were not prepared for 1 July 2018 as this was not required in terms of IFRS 9 transition requirements.

Credit continued

NOTE 2: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

<i>R million</i>	Stage 3/NPLs					
	As at 30 June	As at 1 July	% change	% composition 2019	As at 30 June	
	2019 IFRS 9	2018 IFRS 9			2018 IAS 39	
Retail	27 098	21 483	26	65	17 681	
Retail – secured	16 859	15 849	6	41	12 448	
Residential mortgages	8 638	7 934	9	21	5 075	
VAF	8 221	7 915	4	20	7 373	
– WesBank SA	7 143	6 877	4	17	6 818	
– MotoNovo (UK)*,**	1 078	1 038	4	3	555	
Retail – unsecured	10 239	5 634	82	24	5 233	
Card	2 409	1 159	>100	5	1 082	
– FNB	2 272	1 018	>100	5	952	
– Discovery	137	141	(3)	–	130	
Personal loans	5 848	3 427	71	14	3 159	
– FNB	3 421	1 531	>100	8	1 337	
– DirectAxis loans [#]	2 422	1 874	29	6	1 800	
– MotoNovo (UK)	5	22	(77)	–	22	
Retail other	1 982	1 048	89	5	992	
Corporate and commercial	7 965	6 365	25	19	5 387	
FNB commercial	4 556	3 350	36	11	2 714	
WesBank corporate	524	394	33	1	244	
RMB investment banking [†]	2 544	2 447	4	6	2 299	
RMB corporate banking [†]	341	174	96	1	130	
HQLA corporate advances [‡]	–	–	–	–	–	
Rest of Africa	3 964	3 942	1	10	3 263	
FNB [^]	3 962	3 859	3	10	3 187	
RMB (corporate and investment banking)	2	83	(98)	–	76	
FCC (including Group Treasury)	–	–	–	–	–	
Securitisation notes	–	–	–	–	–	
Other	–	–	–	–	–	
Total stage 3/NPLs excluding Aldermore	39 027	31 790	23	94	26 331	
Aldermore[°]	2 322	1 724	35	6	616	
– Retail excluding MotoNovo	1 413	958	47	4	436	
– MotoNovo (new book)**	10	–	–	–	–	
– Commercial	899	766	17	2	180	
Total stage 3/NPLs including Aldermore[§]	41 349	33 514	23	100	26 947	
Of which:						
Accrual book	40 976	33 191	23	99	26 131	
Fair value book	373	323	15	1	816	

	Stage 3/NPLs as % of advances		
	As at 30 June	As at 1 July	As at 30 June
	2019 IFRS 9	2018 IFRS 9	2018 IAS 39
	5.79	4.80	3.96
	4.46	4.27	3.36
	3.98	3.86	2.48
	5.12	4.79	4.46
	6.73	6.56	6.50
	1.98	1.72	0.92
	11.34	7.39	6.87
	7.43	4.27	3.99
	8.08	4.46	4.18
	3.17	3.24	2.99
	14.64	10.32	9.52
	14.65	8.90	7.79
	15.13	12.51	12.01
	0.87	2.12	2.13
	11.07	6.59	6.26
	1.67	1.47	1.25
	4.33	3.54	2.89
	1.88	1.22	0.76
	0.95	1.02	0.95
	0.59	0.37	0.28
	—	—	—
	6.14	6.39	5.34
	7.19	7.18	6.00
	0.02	1.04	0.96
	—	—	—
	—	—	—
	—	—	—
	3.72	3.25	2.70
	1.21	1.05	0.38
	1.15	0.89	0.40
	0.15	—	—
	1.44	1.36	0.32
	3.33	2.93	2.36
	3.53	3.05	2.78
	0.46	0.60	0.41

* MotoNovo VAF (UK) NPLs = £60 million (+5% from 1 July 2018) (1 July 2018: £57 million).

** Total MotoNovo VAF = R1 088 million; £60.5 million (+5% from 1 July 2018, +7% in £ terms) (1 July 2018: £57 million).

Formerly called WesBank loans.

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

‡ Managed by the Group Treasurer.

^ Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

◊ Aldermore NPLs = £129 million (+36% from 1 July 2018) (1 July 2018: £95 million).

§ Total stage 3/NPLs at 1 July 2018 include R2 241 million ISP recognised on IFRS 9 transition.

Credit *continued*

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

<i>R million</i>	Stage 3/NPLs				
	As at 30 June		% change	% composition 2019	As at 1 July
	2019 IFRS 9	2018 IAS 39			2018 IFRS 9*
Sector analysis					
Agriculture	2 393	1 307	83	6	
Financial institutions	446	471	(5)	1	
Building and property development	1 807	1 191	52	4	
Government, Land Bank and public authorities	85	322	(74)	–	
Individuals	28 712	18 286	57	71	
Manufacturing and commerce	3 872	3 256	19	9	
Mining	556	169	>100	1	
Transport and communication	594	342	74	1	
Other services	2 884	1 603	80	7	
Total stage 3/NPLs including Aldermore	41 349	26 947	53	100	
Geographic analysis					
South Africa	33 245	22 121	50	81	
Rest of Africa	4 232	3 430	23	10	
UK	3 405	1 193	>100	8	
Other Europe	–	75	(100)	–	
Australasia	402	128	>100	1	
Asia	65	–	–	–	
Total stage 3/NPLs including Aldermore	41 349	26 947	53	100	

* IFRS 9 comparatives were not required for 1 July 2018 as this was not required in terms of the IFRS 9 transition requirements.

	Stage 3/NPLs as % of advances	
	As at 30 June	
	2019 IFRS 9	2018 IAS 39
	5.47	3.50
	0.26	0.33
	2.69	1.87
	0.33	1.32
	4.74	3.24
	2.84	2.55
	4.51	1.30
	1.90	1.29
	2.31	1.36
	3.33	2.36
	3.87	2.80
	4.10	3.59
	1.35	0.51
	–	0.62
	76.14	20.29
	0.71	–
	3.33	2.36

Credit *continued*

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

*R million***Retail****Retail – secured**

Residential mortgages

VAF

– WesBank (SA)

– MotoNovo (UK)

Retail – unsecured

Card

– FNB

– Discovery

Personal loans

– FNB

– DirectAxis loans*

– MotoNovo (UK)

Retail other

Corporate and commercial

FNB commercial

WesBank corporate

RMB investment banking**

RMB corporate banking**

HQLA corporate advances[#]**Rest of Africa**FNB[†]

RMB (corporate and investment banking)

FCC (including Group Treasury)

Securitisation notes

Other

Total excluding Aldermore**Aldermore**

– Retail excluding MotoNovo

– MotoNovo (new book)

– Commercial

Total including Aldermore

As at 30 June 2019			
IFRS 9			
Stage 3/NPLs	Security held and expected recoveries	Specific impairment	
27 098	14 750	12 348	
16 859	12 351	4 508	
8 638	6 967	1 671	
8 221	5 384	2 837	
7 143	4 726	2 417	
1 078	658	420	
10 239	2 399	7 840	
2 409	540	1 869	
2 272	524	1 748	
137	16	121	
5 848	1 414	4 434	
3 421	710	2 711	
2 422	704	1 718	
5	–	5	
1 982	445	1 537	
7 965	4 671	3 294	
4 556	2 253	2 303	
524	345	179	
2 544	1 825	719	
341	248	93	
–	–	–	
3 964	1 612	2 352	
3 962	1 612	2 350	
2	–	2	
–	(65)	65	
–	–	–	
–	(65)	65	
39 027	20 968	18 059	
2 322	1 886	436	
1 413	1 244	169	
10	3	7	
899	639	260	
41 349	22 854	18 495	

* Formerly called WesBank loans.

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

[#] Managed by the Group Treasurer.[†] Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

	As at 1 July 2018			As at 30 June 2018		
	IFRS 9			IAS 39		
	Stage 3/NPLs	Security held and expected recoveries	Specific impairment	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
	21 483	12 846	8 637	17 681	11 520	6 161
	15 849	11 496	4 353	12 448	9 214	3 234
	7 934	6 219	1 715	5 075	4 170	905
	7 915	5 277	2 638	7 373	5 044	2 329
	6 877	4 674	2 203	6 818	4 808	2 010
	1 038	603	435	555	236	319
	5 634	1 350	4 284	5 233	2 306	2 927
	1 159	163	996	1 082	358	724
	1 018	148	870	952	314	638
	141	15	126	130	44	86
	3 427	979	2 448	3 159	1 674	1 485
	1 531	480	1 051	1 337	537	800
	1 874	509	1 365	1 800	1 135	665
	22	(10)	32	22	2	20
	1 048	208	840	992	274	718
	6 365	3 078	3 287	5 387	3 208	2 179
	3 350	1 452	1 898	2 714	1 699	1 015
	394	245	149	244	128	116
	2 447	1 266	1 181	2 299	1 265	1 034
	174	115	59	130	116	14
	–	–	–	–	–	–
	3 942	1 755	2 187	3 263	1 752	1 511
	3 859	1 714	2 145	3 187	1 711	1 476
	83	41	42	76	41	35
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	31 790	17 679	14 111	26 331	16 480	9 851
	1 724	1 492	232	616	475	141
	958	882	76	436	384	52
	–	–	–	–	–	–
	766	610	156	180	91	89
	33 514	19 171	14 343	26 947	16 955	9 992

Credit *continued*

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

*R million***Retail****Retail – secured**

Residential mortgages

VAF

– WesBank (SA)

– MotoNovo (UK)*,**

Retail – unsecured

Card

– FNB

– Discovery

Personal loans

– FNB

– DirectAxis loans[#]

– MotoNovo (UK)

Retail other

Corporate and commercial

FNB commercial

WesBank corporate

RMB investment banking[†]RMB corporate banking[†]HQLA corporate advances[‡]**Rest of Africa**FNB[^]RMB (corporate and investment banking)[†]**FCC (including Group Treasury)**

Securitisation notes

Other

Total impairment charge excluding Aldermore**Aldermore[°]**

– Retail excluding MotoNovo

– MotoNovo (new book)**

– Commercial

Total impairment charge including Aldermore

Of which:

Portfolio impairments charge

Specific impairments charge

Total impairment charge			
Year ended 30 June			
2019 IFRS 9	2018 IAS 39	% change	
7 882	6 774	16	
2 911	2 920	–	
232	149	56	
2 679	2 771	(3)	
1 903	1 944	(2)	
776	827	(6)	
4 971	3 854	29	
1 027	670	53	
937	599	56	
90	71	27	
2 659	2 013	32	
1 296	793	63	
1 386	1 171	18	
(23)	49	(>100)	
1 285	1 171	10	
1 232	951	30	
750	670	12	
82	48	71	
374	230	63	
26	3	>100	
–	–	–	
890	1 028	(13)	
878	1 018	(14)	
12	10	20	
66	(232)	(>100)	
(3)	–	–	
69	(232)	(>100)	
10 070	8 521	18	
430	46	>100	
71	13	>100	
69	–	–	
290	33	>100	
10 500	8 567	23	
2 704	496	>100	
7 796	8 071	(3)	

	As % of average advances	
	Year ended 30 June	
	2019 IFRS 9	2018 IAS 39
	1.72	1.57
	0.78	0.81
	0.11	0.07
	1.64	1.73
	1.80	1.88
	1.35	1.46
	5.97	5.38
	3.45	2.63
	3.68	2.83
	2.07	1.66
	7.27	6.53
	6.39	5.03
	8.94	8.20
	(2.85)	6.41
	7.60	7.62
	0.27	0.23
	0.75	0.75
	0.27	0.15
	0.15	0.10
	0.05	0.01
	–	–
	1.41	1.71
	1.61	1.92
	0.14	0.14
	0.17	(0.02)
	(0.01)	–
	0.57	(0.02)
	0.99	0.90
	0.24	0.12
	0.06	0.04
	2.08	–
	0.49	0.24
	0.88	0.84
	0.23	0.05
	0.65	0.79

* MotoNovo VAF (UK) impairment charge = £42 million (-12% from 30 June 2018) (30 June 2018: £48 million).

** Total MotoNovo VAF = R845 million; £46.1 million (+2% from 30 June 2018, -4% in £ terms) (30 June 2018: £47.9 million).

Formerly called WesBank loans.

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

‡ Managed by the Group Treasurer.

^ Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

◊ Aldermore total impairment charge = £23 million (30 June 2018: £3 million for three months included).

Credit *continued***NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS (STAGE 1 AND 2)***R million***Portfolio impairments****Retail****Retail – secured**

Residential mortgages

VAF

– WesBank (SA)

– MotoNovo (UK)*

Retail – unsecured

Card

– FNB

– Discovery

Personal loans

– FNB

– DirectAxis loans**

– MotoNovo (UK)

Retail other

Corporate and commercial

FNB commercial

WesBank corporate

RMB investment banking#

RMB corporate banking#

HQLA corporate advances

Rest of Africa

FNB†

RMB (corporate and investment banking)

FCC (including Group Treasury)

Securitisation notes

Other

Total portfolio impairments excluding Aldermore**Aldermore**

– Retail excluding MotoNovo

– MotoNovo (new book)*

– Commercial

Total portfolio impairments including Aldermore

Total portfolio impairments				
As at 30 June	As at 1 July	As at 30 June 2019		
2019 IFRS 9	2018 IFRS 9	IFRS 9		
		Stage 1	Stage 2	
8 097	7 630	4 135	3 962	
3 476	3 354	1 340	2 136	
870	647	360	510	
2 606	2 707	980	1 626	
1 939	1 917	632	1 307	
667	790	348	319	
4 621	4 276	2 795	1 826	
1 014	809	631	383	
902	699	555	347	
112	110	76	36	
2 419	2 284	1 440	979	
1 367	1 289	857	510	
1 019	893	558	461	
33	102	25	8	
1 188	1 183	724	464	
4 777	4 636	2 104	2 673	
1 509	1 559	733	776	
159	184	92	67	
2 514	2 007	1 048	1 466	
595	886	231	364	
–	–	–	–	
1 611	1 415	807	804	
1 372	1 208	630	742	
239	207	177	62	
650	649	498	152	
22	25	22	–	
628	624	476	152	
15 135	14 330	7 544	7 591	
532	405	372	160	
138	109	89	49	
72	–	70	2	
322	296	213	109	
15 667	14 735	7 916	7 751	

* Total MotoNovo VAF (UK) = R739 million; £41.1 million (-6% from 1 July 2018, -7% in £ terms) (1 July 2018: £43.5 million).

** Formerly called WesBank loans.

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

† Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

	Total portfolio impairments								
	% change	As at 1 July 2018		As at 30 June 2018 IAS 39	Performing book coverage ratios (% of performing advances)				
		IFRS 9			As at 30 June 2019			As at 1 July	As at 30 June
		Stage 1	Stage 2		IFRS 9			2018 IFRS 9	2018 IAS 39
					Stage 1	Stage 2	IFRS 9		
	6	3 888	3 742	4 059	1.00	13.40	1.84	1.79	0.95
	4	1 449	1 905	1 850	0.40	9.07	0.96	0.94	0.52
	34	269	378	566	0.18	5.02	0.42	0.33	0.28
	(4)	1 180	1 527	1 284	0.70	12.13	1.71	1.72	0.81
	1	677	1 240	918	0.71	13.15	1.96	1.96	0.94
	(16)	503	287	366	0.70	9.22	1.25	1.33	0.61
	8	2 439	1 837	2 209	3.77	30.36	5.77	6.05	3.11
	25	535	274	407	2.23	22.70	3.38	3.11	1.56
	29	458	241	354	2.28	22.80	3.49	3.21	1.62
	2	77	33	53	1.89	21.82	2.67	2.61	1.26
	6	1 267	1 017	1 309	4.68	29.63	7.09	7.67	4.36
	6	676	613	751	4.75	26.84	6.86	8.23	4.75
	14	545	348	536	4.57	33.36	7.50	6.81	4.07
	(68)	46	56	22	4.54	36.36	5.76	10.05	2.17
	—	637	546	493	4.86	45.36	7.46	7.96	3.32
	3	1 598	3 038	3 966	0.48	7.98	1.02	1.09	0.93
	(3)	680	879	537	0.80	9.15	1.50	1.71	0.59
	(14)	93	91	196	0.36	4.33	0.58	0.58	0.61
	25	662	1 345	2 351	0.42	8.81	0.94	0.84	0.99
	(33)	163	723	882	0.46	5.33	1.03	1.91	1.90
	—	—	—	—	—	—	—	—	—
	14	730	685	745	1.42	21.46	2.66	2.45	1.29
	14	616	592	648	1.32	21.13	2.68	2.42	1.30
	15	114	93	97	1.92	26.38	2.53	2.63	1.23
	—	499	150	175	1.29	345.45	1.68	1.75	0.47
	(12)	25	—	—	0.08	—	0.08	0.11	—
	1	474	150	175	4.37	345.45	5.74	4.68	1.31
	6	6 715	7 615	8 945	0.80	11.35	1.50	1.51	0.94
	31	273	132	318	0.22	0.82	0.28	0.25	0.19
	27	80	29	119	0.08	0.34	0.11	0.10	0.11
	—	—	—	—	1.06	15.38	1.09	—	—
	9	193	103	199	0.38	2.21	0.52	0.53	0.36
	6	6 988	7 747	9 263	0.71	8.98	1.31	1.33	0.83

Credit continued

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

	Total stage 3/specific impairments				
	As at 30 June	As at 1 July	% change	As at 30 June	
	2019 IFRS 9	2018 IFRS 9		2018 IAS 39	
<i>R million</i>					
Specific impairments					
Retail	12 348	8 637	43	6 161	
Retail – secured	4 508	4 353	4	3 234	
Residential mortgages	1 671	1 715	(3)	905	
VAF	2 837	2 638	8	2 329	
– WesBank (SA)	2 417	2 203	10	2 010	
– MotoNovo (UK)*	420	435	(3)	319	
Retail – unsecured	7 840	4 284	83	2 927	
Card	1 869	996	88	724	
– FNB	1 748	870	>100	638	
– Discovery	121	126	(4)	86	
Personal loans	4 434	2 448	81	1 485	
– FNB	2 711	1 051	>100	800	
– DirectAxis loans**	1 718	1 365	26	665	
– MotoNovo (UK)	5	32	(84)	20	
Retail other	1 537	840	83	718	
Corporate and commercial	3 294	3 287	–	2 179	
FNB commercial	2 303	1 898	21	1 015	
WesBank corporate	179	149	20	116	
RMB investment banking#	719	1 181	(39)	1 034	
RMB corporate banking#	93	59	58	14	
HQLA corporate advances†	–	–	–	–	
Rest of Africa	2 352	2 187	8	1 511	
FNB‡	2 350	2 145	10	1 476	
RMB (corporate and investment banking)	2	42	(95)	35	
FCC (including Group Treasury)	65	–	–	–	
Securitisation notes	–	–	–	–	
Other	65	–	–	–	
Total stage 3/specific impairments/implied loss given default excluding Aldermore	18 059	14 111	28	9 851	
Aldermore	436	232	88	141	
– Retail excluding MotoNovo	169	76	>100	52	
– MotoNovo (new book)*	7	–	–	–	
– Commercial	260	156	67	89	
Total stage 3/specific impairments/implied loss given default including Aldermore^	18 495	14 343	29	9 992	

	Total stage 3/specific impairments		
	Coverage ratios (% of stage 3/NPLs)		
	As at 30 June	As at 1 July	As at 30 June
	2019 IFRS 9	2018 IFRS 9	2018 IAS 39
	45.6	40.2	34.8
	26.7	27.5	26.0
	19.3	21.6	17.8
	34.5	33.3	31.6
	33.8	32.0	29.5
	39.0	41.9	57.5
	76.6	76.0	55.9
	77.6	85.9	66.9
	76.9	85.5	67.0
	88.3	89.4	66.2
	75.8	71.4	47.0
	79.2	68.6	59.8
	70.9	72.8	36.9
	100.0	145.5	90.9
	77.5	80.2	72.4
	41.4	51.6	40.4
	50.5	56.7	37.4
	34.2	37.8	47.5
	28.3	48.3	45.0
	27.3	33.9	10.8
	—	—	—
	59.3	55.5	46.3
	59.3	55.6	46.3
	100.0	50.6	46.1
	—	—	—
	—	—	—
	—	—	—
	46.3	44.4	37.4
	18.8	13.5	22.9
	12.0	7.9	11.9
	70.0	—	—
	28.9	20.4	49.4
	44.7	42.8	37.1

* Total MotoNovo VAF (UK) = R427 million; £23.8 million (-2% from 1 July 2018, flat in £ terms) (1 July 2018: £23.9 million).

** Formerly called WesBank loans.

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

† Managed by the Group Treasurer.

‡ Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

^ Stage 3 impairments as at 1 July 2018 include R1 645 million ISP recognised on IFRS 9 transition.

Credit continued

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

	Balance sheet impairments					
	As at 30 June 2019 IFRS 9	As at 1 July 2018 IFRS 9	% change	As at 30 June 2019		
				IFRS 9		
				Stage 1	Stage 2	Stage 3
Total impairments						
Retail	20 445	16 267	26	4 135	3 962	12 348
Retail – secured	7 984	7 707	4	1 340	2 136	4 508
Residential mortgages	2 541	2 362	8	360	510	1 671
VAF	5 443	5 345	2	980	1 626	2 837
– WesBank (SA)	4 356	4 120	6	632	1 307	2 417
– MotoNovo (UK)*	1 087	1 225	(11)	348	319	420
Retail – unsecured	12 461	8 560	46	2 795	1 826	7 840
Card	2 883	1 805	60	631	383	1 869
– FNB	2 650	1 569	69	555	347	1 748
– Discovery	233	236	(1)	76	36	121
Personal loans	6 853	4 732	45	1 440	979	4 434
– FNB	4 078	2 340	74	857	510	2 711
– DirectAxis loans**	2 737	2 258	21	558	461	1 718
– MotoNovo (UK)	38	134	(72)	25	8	5
Retail other	2 725	2 023	35	724	464	1 537
Corporate and commercial	8 071	7 923	2	2 104	2 673	3 294
FNB commercial	3 812	3 457	10	733	776	2 303
WesBank corporate	338	333	2	92	67	179
RMB investment banking [#]	3 233	3 188	1	1 048	1 466	719
RMB corporate banking [#]	688	945	(27)	231	364	93
HQLA corporate advances [†]	–	–	–	–	–	–
Rest of Africa	3 963	3 602	10	807	804	2 352
FNB [‡]	3 722	3 353	11	630	742	2 350
RMB (corporate and investment banking)	241	249	(3)	177	62	2
FCC (including Group Treasury)	715	649	10	498	152	65
Securitisation notes	22	25	(12)	22	–	–
Other	693	624	11	476	152	65
Total impairments excluding Aldermore	33 194	28 441	17	7 544	7 591	18 059
Aldermore	968	637	52	372	160	436
– Retail excluding MotoNovo	307	185	66	89	49	169
– MotoNovo (new book)*	79	–	–	70	2	7
– Commercial	582	452	29	213	109	260
Total impairments including Aldermore[^]	34 162	29 078	17	7 916	7 751	18 495

* Total MotoNovo VAF (UK) = R1 166 million; £64.9 million (-5% from 1 July 2018, -4% in £ terms) (1 July 2018: £67.4 million).

** Formerly called WesBank loans.

[#] Includes activities in India and represents the in-country balance sheet.

[†] Managed by the Group Treasurer.

[‡] Prior year adjusted with the reallocation of WesBank rest of Africa to FNB rest of Africa.

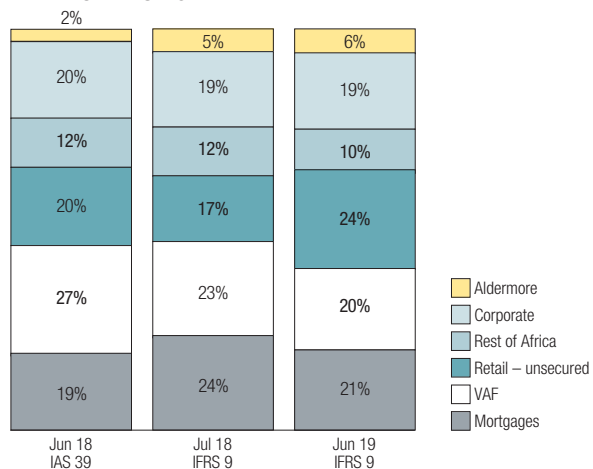
[^] Stage 3 impairments as at 1 July 2018 include R1 645 million ISP recognised on IFRS 9 transition.

Balance sheet impairments							
	As at 1 July 2018			As at 30 June	Coverage ratios (% of stage 3/NPLs)		
	IFRS 9				As at 30 June	As at 1 July	As at 30 June
	Stage 1	Stage 2	Stage 3	2018 IAS 39	2019 IFRS 9	2018 IFRS 9	2018 IAS 39
	3 888	3 742	8 637	10 220	75.4	75.7	57.8
	1 449	1 905	4 353	5 084	47.4	48.6	40.8
	269	378	1 715	1 471	29.4	29.8	29.0
	1 180	1 527	2 638	3 613	66.2	67.5	49.0
	677	1 240	2 203	2 928	61.0	59.9	42.9
	503	287	435	685	100.8	118.0	123.4
	2 439	1 837	4 284	5 136	121.7	151.9	98.1
	535	274	996	1 131	119.7	155.7	104.5
	458	241	870	992	116.6	154.1	104.2
	77	33	126	139	170.1	167.4	106.9
	1 267	1 017	2 448	2 794	117.2	138.1	88.4
	676	613	1 051	1 551	119.2	152.8	116.0
	545	348	1 365	1 201	113.0	120.5	66.7
	46	56	32	42	760.0	609.1	190.9
	637	546	840	1 211	137.5	193.0	122.1
	1 598	3 038	3 287	6 145	101.3	124.5	114.1
	680	879	1 898	1 552	83.7	103.2	57.2
	93	91	149	312	64.5	84.5	127.9
	662	1 345	1 181	3 385	127.1	130.3	147.2
	163	723	59	896	201.8	543.1	689.2
	–	–	–	–	–	–	–
	730	685	2 187	2 256	100.0	91.4	69.1
	616	592	2 145	2 124	93.9	86.9	66.6
	114	93	42	132	>1 000	300.0	173.7
	499	150	–	175	–	–	–
	25	–	–	–	–	–	–
	474	150	–	175	–	–	–
	6 715	7 615	14 111	18 796	85.1	89.5	71.4
	273	132	232	459	41.7	36.9	74.5
	80	29	76	171	21.7	19.3	39.2
	–	–	–	–	790.0	–	–
	193	103	156	288	64.7	59.0	160.0
	6 988	7 747	14 343	19 255	82.6	86.8	71.5

Credit continued

The graph below provides the NPL distribution over the last two financial years across all portfolios.

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

R million	Amortised cost book			Fair value book			Total book		
	As at 30 June			As at 30 June			As at 30 June		
	2019 IFRS 9	2018* IFRS 9	2018 IAS 39	2019 IFRS 9	2018* IFRS 9	2018 IAS 39	2019 IFRS 9	2018* IFRS 9	2018 IAS 39
Non-performing book	18 300	14 137	9 594	195	206	398	18 495	14 343	9 992
Performing book	15 314	14 453	7 823	353	282	1 440	15 667	14 735	9 263
Total impairments including Aldermore	33 614	28 590	17 417	548	488	1 838	34 162	29 078	19 255

* 1 July.

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

<i>R million</i>	As at 30 June	
	2019 IFRS 9*	2018 IAS 39*
Opening balance	19 255	16 960
IFRS 9 adjustments	9 823	–
Restated opening balance	29 078	16 960
Transfers to non-current assets held for sale	–	39
(Disposals)/acquisitions	(3)	466
Exchange rate difference	(171)	167
Unwinding and discounted present value on NPLs (IAS 39)	–	(124)
Bad debts written off	(8 922)	(9 154)
Net new impairments created	12 415	10 901
Net interest recognised on stage 3 advances	1 765	–
Closing balance	34 162	19 255

* Includes Aldermore.

INCOME STATEMENT IMPAIRMENTS

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

<i>R million</i>	Year ended 30 June		
	2019 IFRS 9	2018 IAS 39	% change
Specific impairment charge	9 744	10 405	(6)
Specific impairment charge – amortised cost	9 744	10 194	(4)
Credit fair value adjustments – non-performing book	–	211	(100)
Portfolio impairment charge	2 671	496	>100
Portfolio impairment charge – amortised cost	2 602	1 293*	>100
Credit fair value adjustments – performing book	69	(797)*	(>100)
Total impairments before recoveries and modifications	12 415	10 901	14
Modification losses	633	–	–
Recoveries of bad debts written off	(2 548)	(2 334)	9
Total impairments including Aldermore	10 500	8 567	23

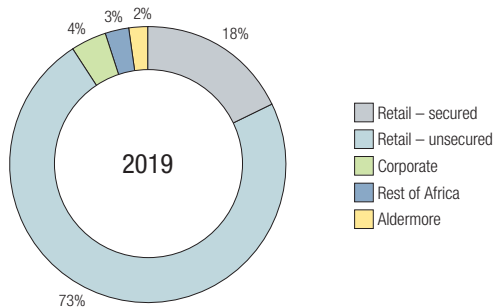
* In anticipation of the adoption of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would have been recognised at fair value, was recognised at amortised cost. This has resulted in a shift between fair value and amortised cost performing book portfolio impairments.

Credit *continued*

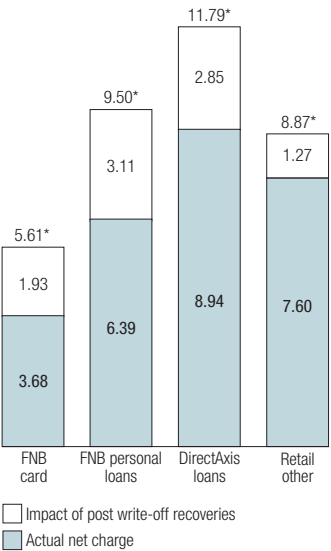
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R2 458 million (June 2018: R2 334 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
%



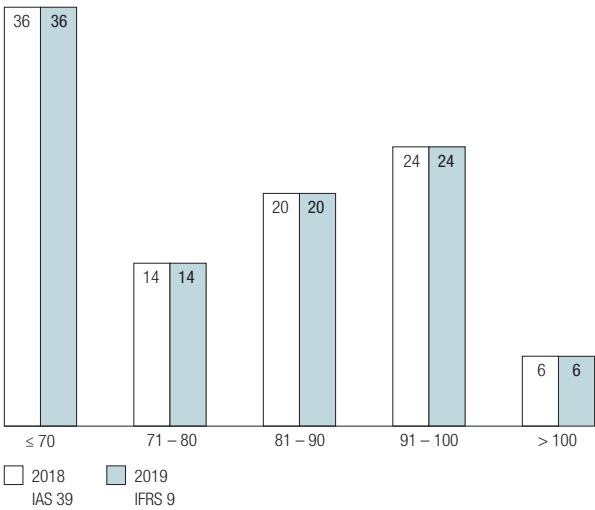
* Gross of recoveries (%).

RISK ANALYSIS

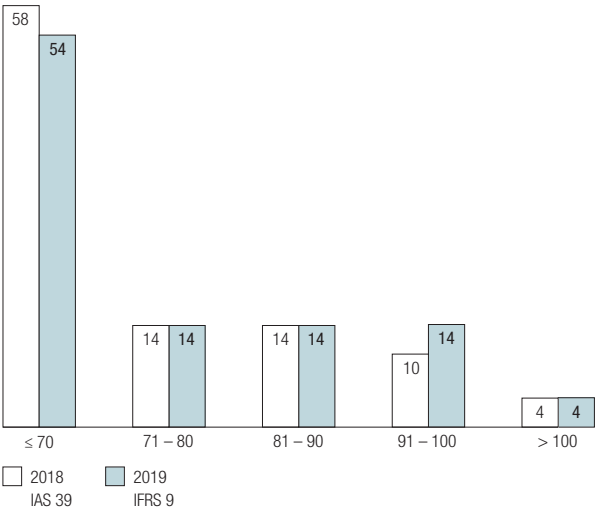
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

Loan-to-value ratios for new business are an important consideration in the credit origination process. The group, however, places more emphasis on counterparty creditworthiness as opposed to relying only on the underlying security.

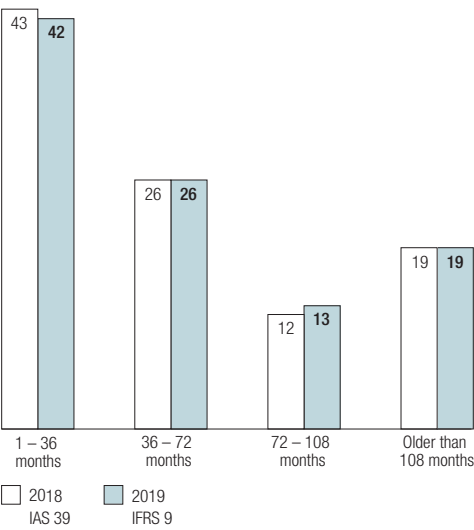
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



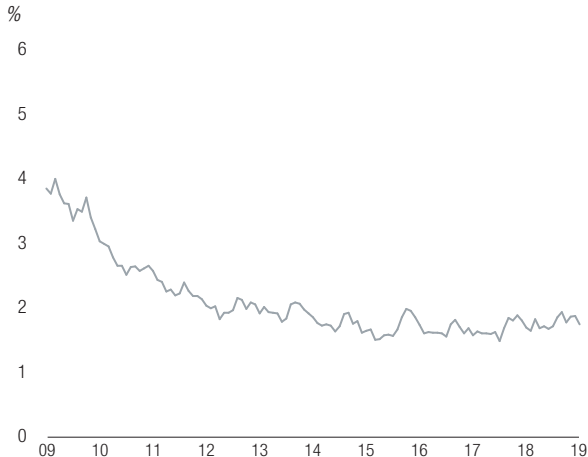
FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%



Credit continued

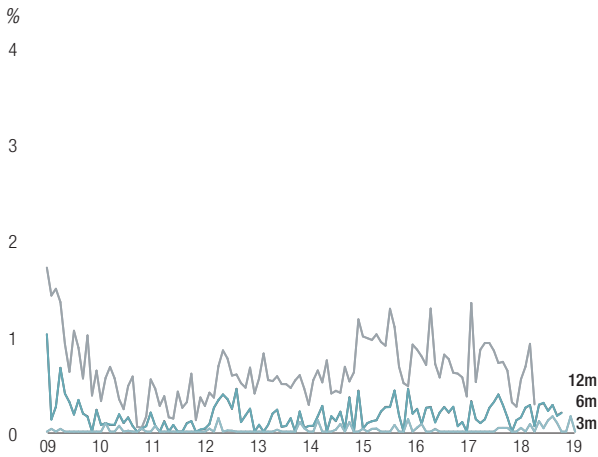
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances. Collections performance has been strong in the portfolio.

FNB HOMELOANS ARREARS



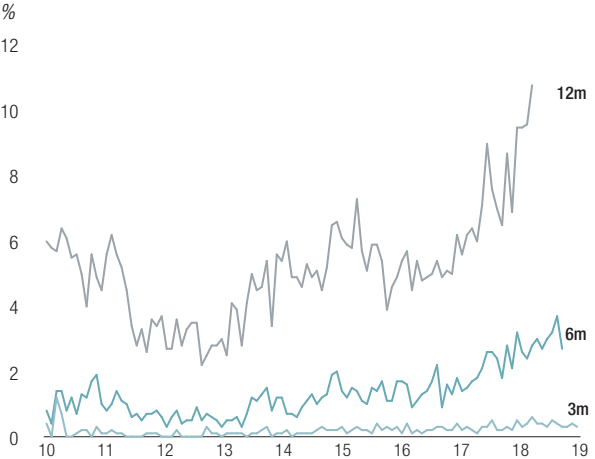
Vintages in FNB HomeLoans has remained stable as collections were stronger. Lower new business volumes constrained book growth.

FNB HOMELOANS VINTAGE ANALYSIS



FNB card growth has differed across consumer and premium segments over the year. The growth in premium has stemmed from continued customer migration and a focused strategy, while consumer declined. The performance of both segments have been under pressure recently evidenced in the six- and 12-month vintages. The portfolio experienced a more challenging collections environment and together with an overall increase in customer financial strain has exerted external pressure on recent business. Risk cuts and other mitigating actions have been implemented to ensure a steady recovery in book performance.

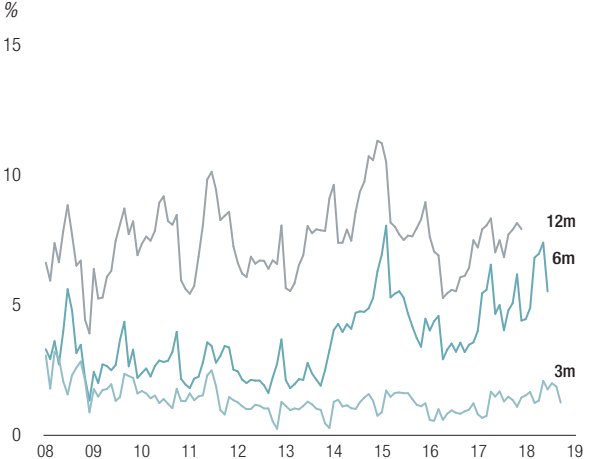
FNB CARD VINTAGE ANALYSIS



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

FNB personal loans growth continued to be driven by increased penetration into the main-banked base. The 12-month vintage remains stable. The risk profile of cohorts since mid-2017 has remained stable. The six-month vintage increased towards year end primarily due to seasonality and some changes to credit underwriting strategies. However, this performance is within internal thresholds and the increase was expected due to origination strategy changes implemented during late 2018.

FNB PERSONAL LOANS VINTAGE ANALYSIS

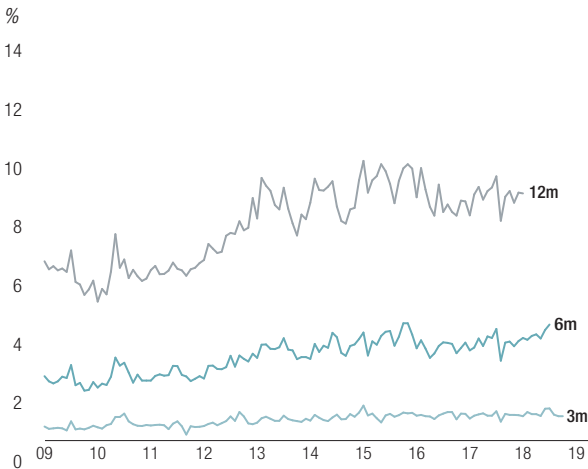


Note: Personal loans vintage have been restated to normalise for “take a break” (in January customers do not need to make a payment). The vintage points were therefore restated to accommodate fewer payments due when the period includes a “take a break” month.

Credit continued

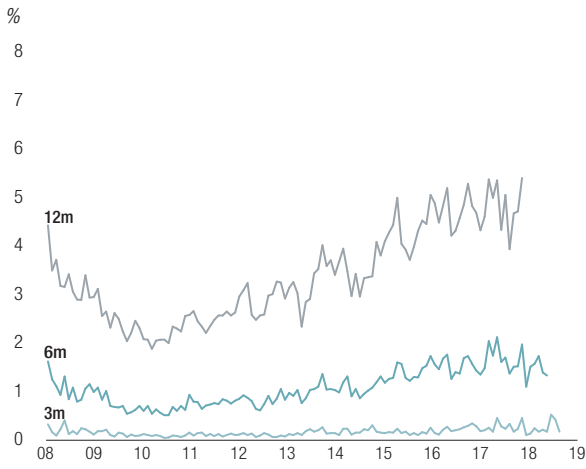
DirectAxis loans' vintages have remained stable on a TTC basis since December 2013 while the business continued to see positive growth in disbursements. This is due to active credit origination management within the portfolio.

DIRECTAXIS LOANS VINTAGE ANALYSIS

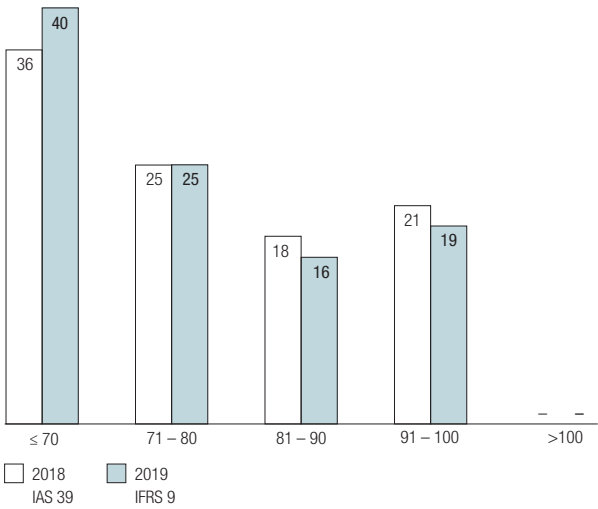


The retail SA VAF six-month vintages have been showing signs of improvement since the beginning of 2018 due to risk appetite tightening to mitigate challenging and uncertain macroeconomic conditions. The increasing trend in the 12-month vintages has stabilised and is expected to follow the reduction experienced in the six-month vintages.

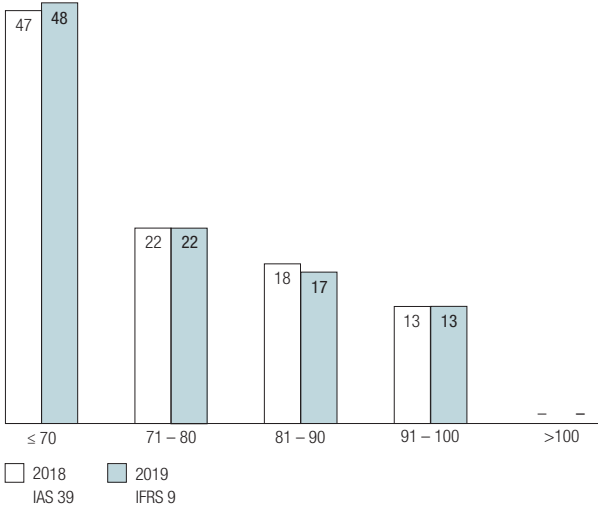
WESBANK RETAIL VAF VINTAGE ANALYSIS



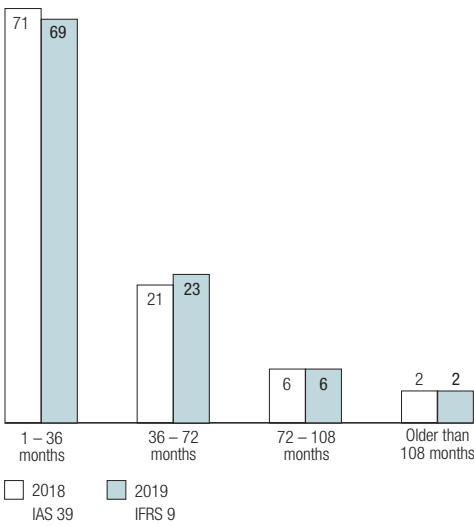
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
CURRENT BALANCE-TO-MARKET VALUE
%

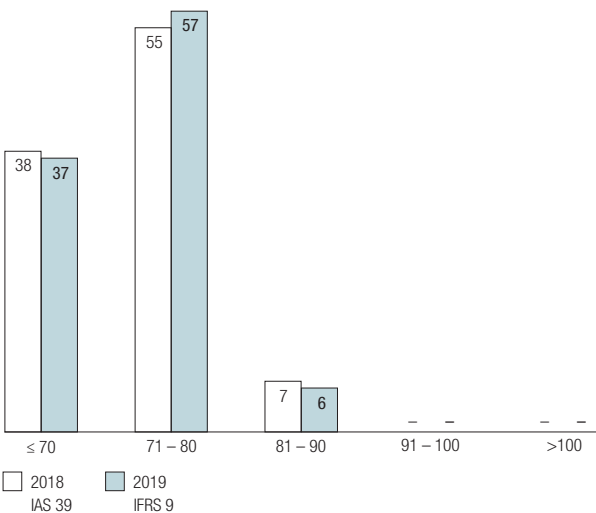


ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%

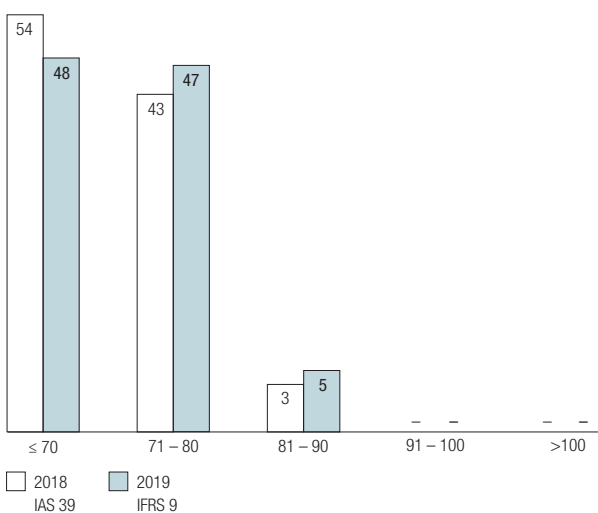


Credit continued

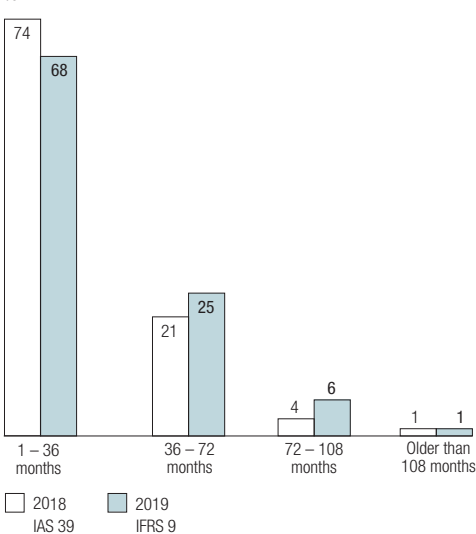
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE BUY-TO-LET
CURRENT BALANCE-TO-MARKET VALUE
%

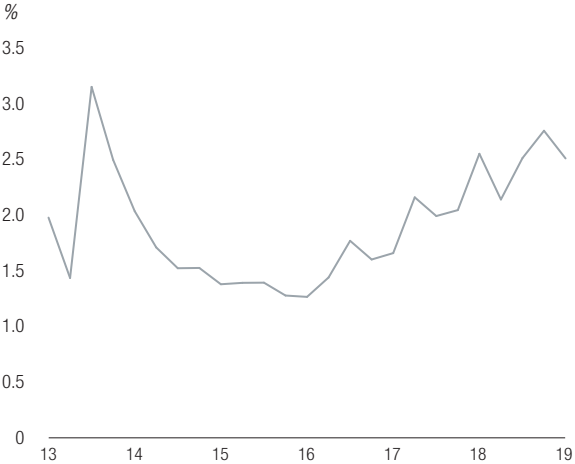


ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%



The following graph shows arrears in the Aldermore residential loans portfolio. Arrears levels increased in December 2013 as a relatively small mortgage portfolio was acquired by Aldermore, adding some short-term volatility. Arrears levels initially reduced as the portfolio grew rapidly, but the gradual increase during 2017 to 2019 largely reflects the maturing of the book and a slowdown in growth. Arrears levels are in line with industry benchmarking figures.

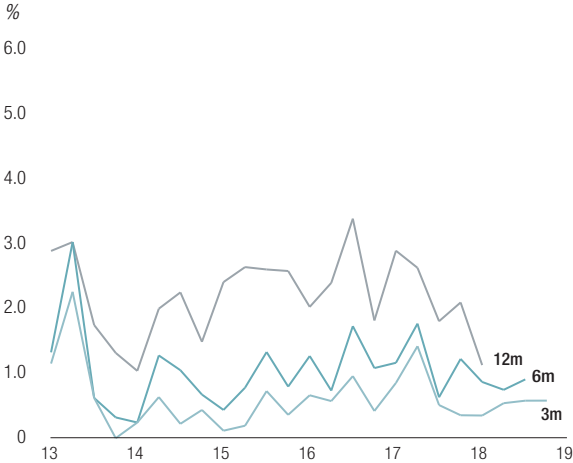
ALDERMORE RESIDENTIAL MORTGAGES ARREARS



For standard residential mortgages Aldermore typically operates in a higher LTV range than the larger high street banks, but uses experienced manual underwriting to identify low-to-medium risk lending opportunities within that range.

Relatively low volumes of arrears cause a degree of volatility in the vintages. The performance of business written has improved significantly since 2013, and credit quality has been steady for cohorts since 2016.

ALDERMORE RESIDENTIAL MORTGAGES VINTAGE ANALYSIS



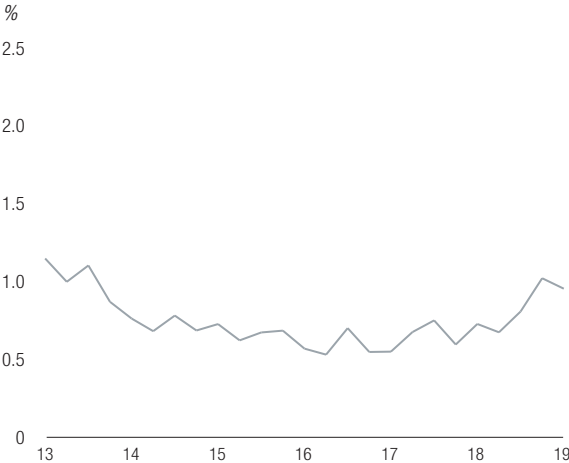
Credit continued

The buy-to-let mortgage business services the needs of a wide range of customers, from first-time to experienced landlords.

The graph below shows that arrears levels have been relatively stable since 2014.

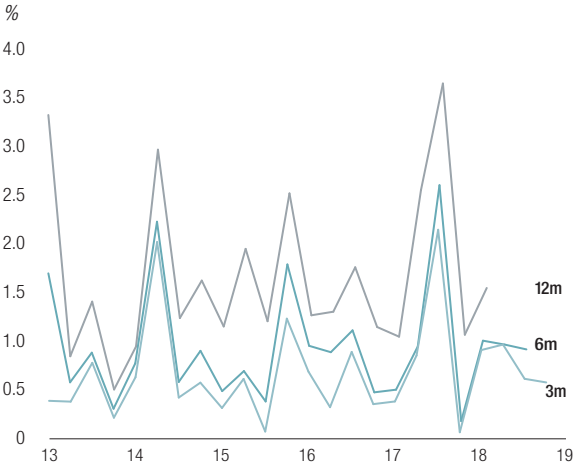
With the deployment of the new buy-to-let underwriting standards in January 2017 (for affordability) and September 2017 (for portfolio landlords) an increased level of conservatism has been applied to affordability assessments for this portfolio.

ALDERMORE BUY-TO-LET ARREARS



The following graph demonstrates that the relatively low volumes of arrears with diverse loan values for this portfolio result in some volatility in the vintages. Credit quality is strong and relatively stable.

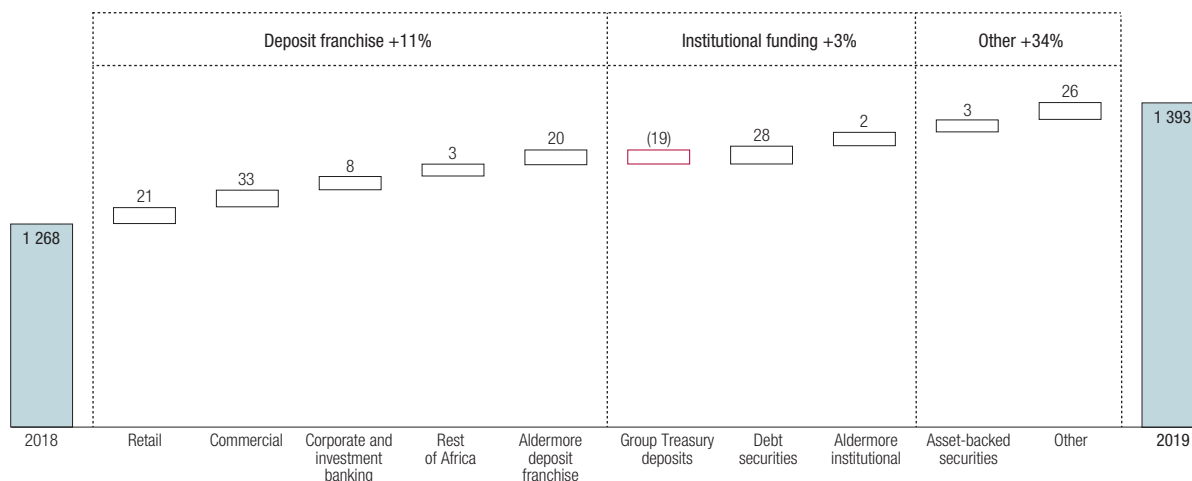
ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



Deposits – up 10%

FUNDING PORTFOLIO GROWTH BY SEGMENT

R billion



KEY DRIVERS

- > FNB's deposits increased 12%:
 - retail deposit growth of 9% was underpinned by proactive money management engagements with customers to simplify savings, as well as ongoing digitisation and growth in flagship savings products;
 - commercial deposit growth of 16% was driven by innovative products, proactive new client acquisition and digitisation; and
 - FNB remained the number one household deposit franchise by market share in South Africa.
- > RMB CIB grew deposits 14% year-on-year, driven by growth both in South Africa and the rest of Africa. The increase was achieved through growth in term deposits driven by an increase in the existing client base and product development based on client needs and behaviour, as well as increased repo activity.
- > Aldermore deposits increased 15%, driven by consistently competitive rates, leading to new client acquisition as well as client retention. Aldermore continues to broaden and diversify its institutional funding with growth in corporate deposits, particularly across credit unions.
- > Group Treasury institutional funding reduced 12% whilst debt securities increased 12%. This was the result of:
 - an increase in debt securities, attributable to taps of existing senior bonds and issuances of new bonds, additional negotiable certificates of deposit (NCDs) and floating rate notes (FRNs) underpinning the group's prudential liquidity requirements, a reduction in the demand for fixed deposits from institutional investors, and an increase in the interbank position; and
 - the absolute amount of structured issuances in the domestic market and growth in foreign currency funding being impacted by rand depreciation over the reporting period.
- > Overall growth in other deposits, which resulted from increased client demand for repurchase agreements, partly offset by a decrease in cash collateral received.

Funding and liquidity

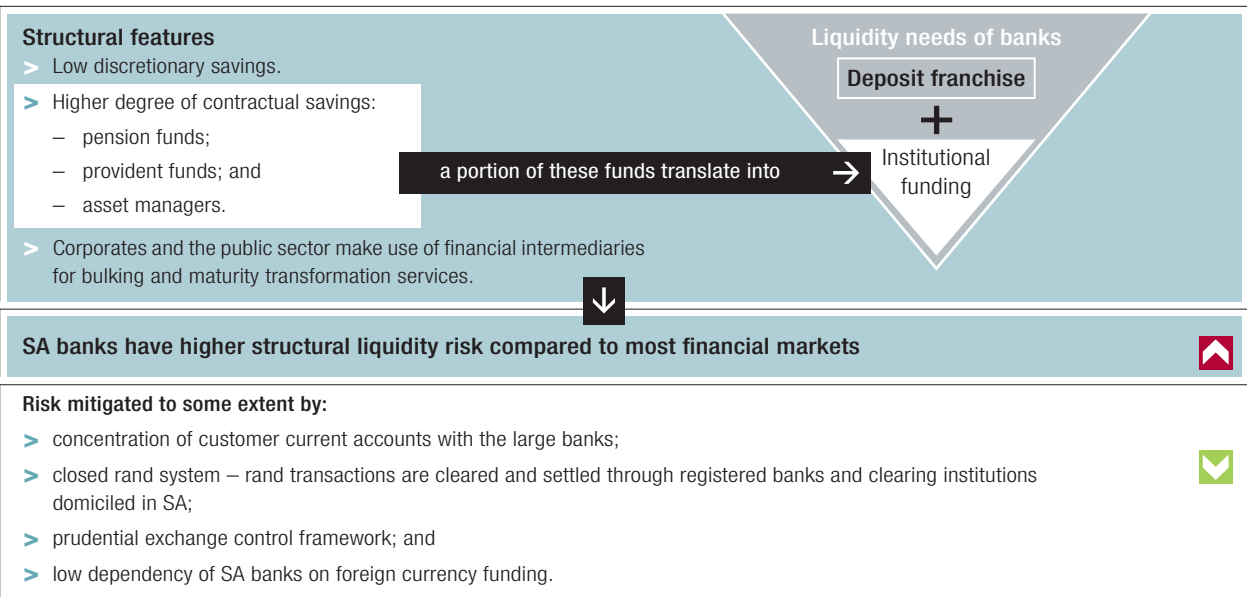
INTRODUCTION AND OBJECTIVES

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 and rewarding depositors, thus creating a natural liquidity buffer. As a consequence of 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 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

The following diagram illustrates the structural features of the South African banking sector and its impact on liquidity risk.



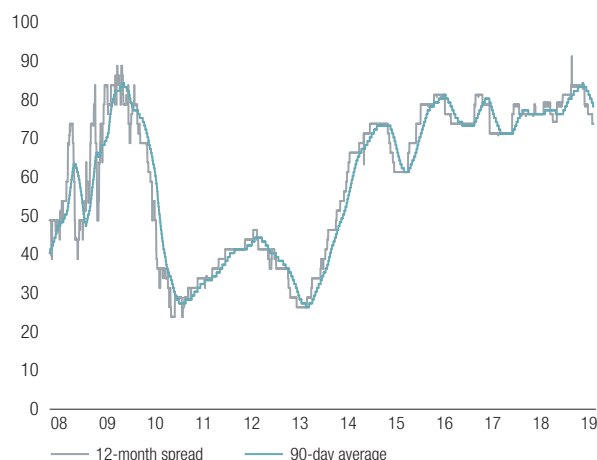
Considering the structural features of the South African market described above, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, which also enables it to meet Basel III liquidity requirements. Consequently, the group aims to fund the balance sheet in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

In line with the South African banking industry, the group 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 group'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 group 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, but have moderated over the past six months.

12-MONTH MID-MARKET FUNDING SPREAD

bps



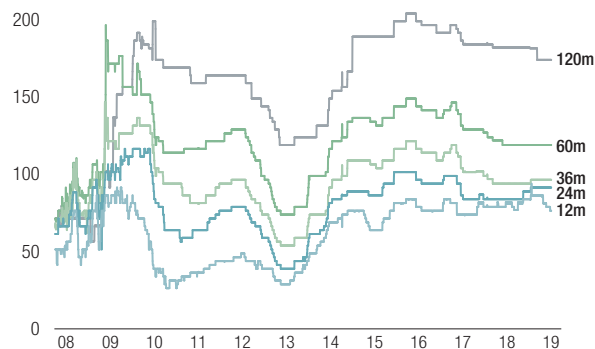
Sources: Bloomberg (RMBP screen) and Reuters.

The following graph illustrates that longer-dated funding spreads remain elevated from a historical perspective, however, since 2016 funding spreads for maturities greater than five years have moderated somewhat.

LONG-TERM FUNDING SPREADS

bps

250



Sources: Bloomberg (RMBP screen) and Reuters.

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

Funding measurement and activity

FirstRand Bank, FirstRand's wholly-owned subsidiary and the primary debt-issuing entity in the group, generates a greater proportion of its funding from deposits in comparison to the South African aggregate, but 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 60% of total group funding liabilities at 30 June 2019 (June 2018: 59%).

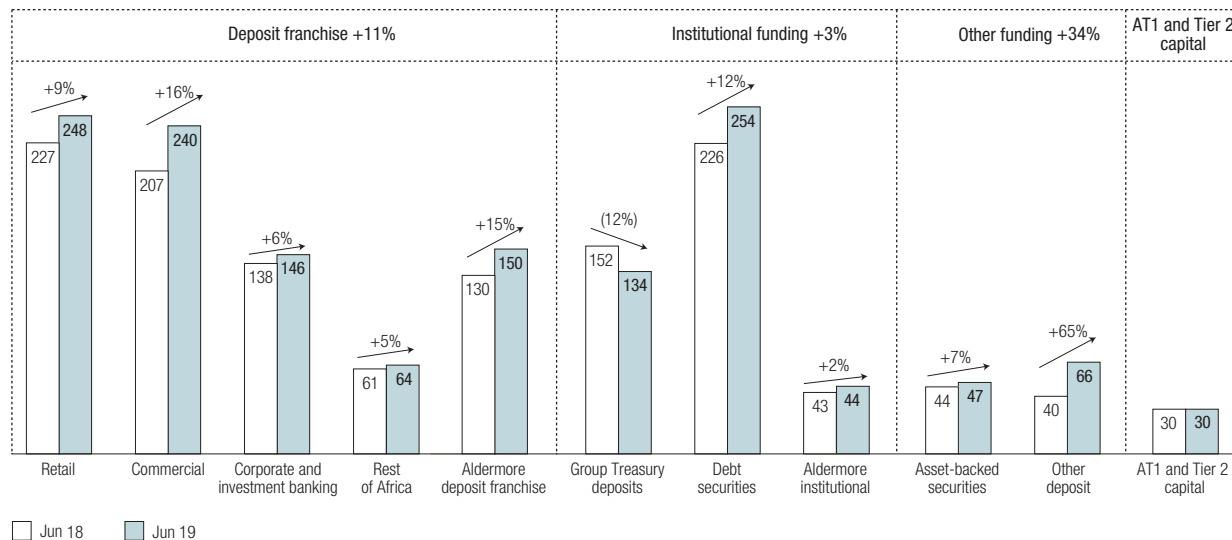
The group's primary focus remains on growing its deposit franchise across all segments, with continued emphasis on savings and investment products. The group continues to develop and refine its product offering to attract a greater proportion of available liquidity with improved risk-adjusted pricing for source and behaviour. In addition to client deposits, the group accesses the domestic money markets daily and, from time to time, the capital markets, to fund its operations. The group 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 group's funding base.

FUNDING PORTFOLIO GROWTH

R billion



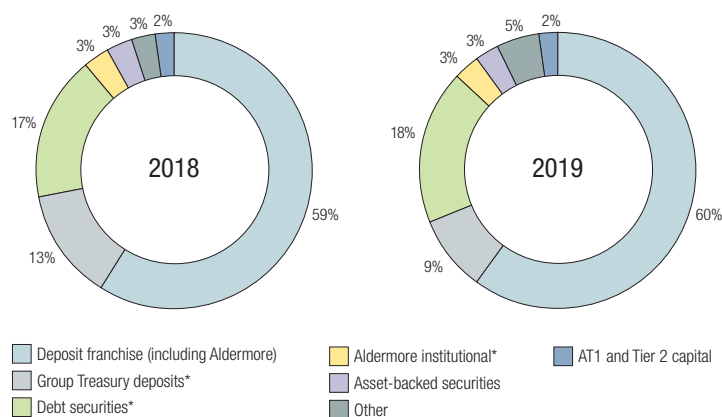
Note 1: Percentage change is based on actual, not rounded, numbers shown in the bar graphs above.

Note 2: The above graph is completed using the group segmental reporting split based on funding product type. The segment breakdown above differs from the risk counterparty view on page 123, which is segment and product neutral. These views primarily highlight the group's strength in raising deposits across segments, as well as the diversification of the group's funding from a counterparty perspective.

Note 3: Asset-backed securities include Aldermore's securitisation transactions.

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

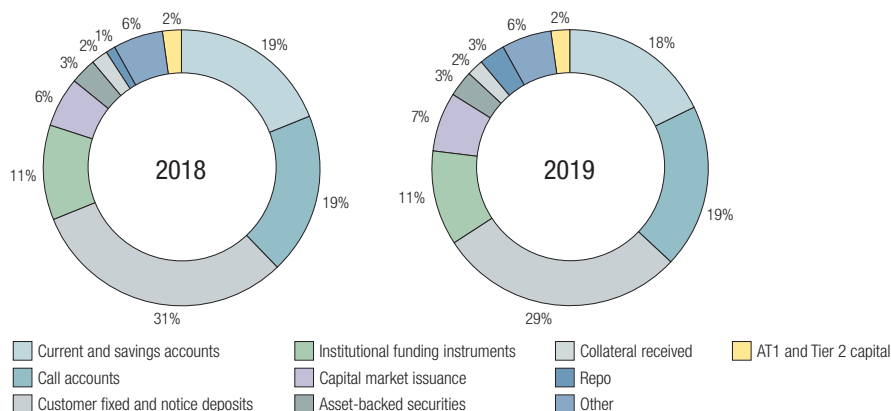
FUNDING MIX



* 2018 has been restated to show Aldermore separately. This provides greater granularity of the funding mix.

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE



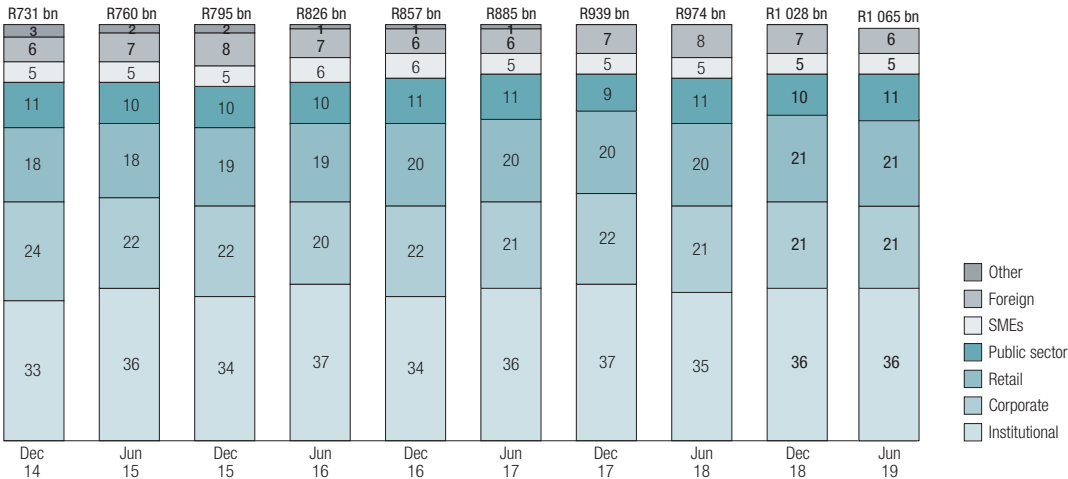
The group's strategy to grow its deposit and transactional banking franchise results in a significant proportion of contractually short-dated funding. As these deposits are anchored to clients' cyclical transactional and savings requirements and, given the balance granularity created by individual customers' independent client activity, the resultant liquidity risk profile is improved.

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

% of funding liabilities	As at 30 June				
	2019 IFRS 9				2018 IAS 39
	Total	Short-term	Medium-term	Long-term	Total
Institutional funding	36.1	10.7	3.4	22.0	35.0
Deposit franchise	63.9	50.3	8.0	5.6	65.0
Corporate	20.3	17.2	2.3	0.8	20.6
Retail	20.8	16.2	3.2	1.4	20.3
SMEs	5.3	4.4	0.6	0.3	5.3
Governments and parastatals	11.1	9.3	1.3	0.5	11.0
Foreign	6.3	3.2	0.6	2.5	7.8
Other	0.1	—	—	0.1	—
Total	100.0	61.0	11.4	27.6	100.0

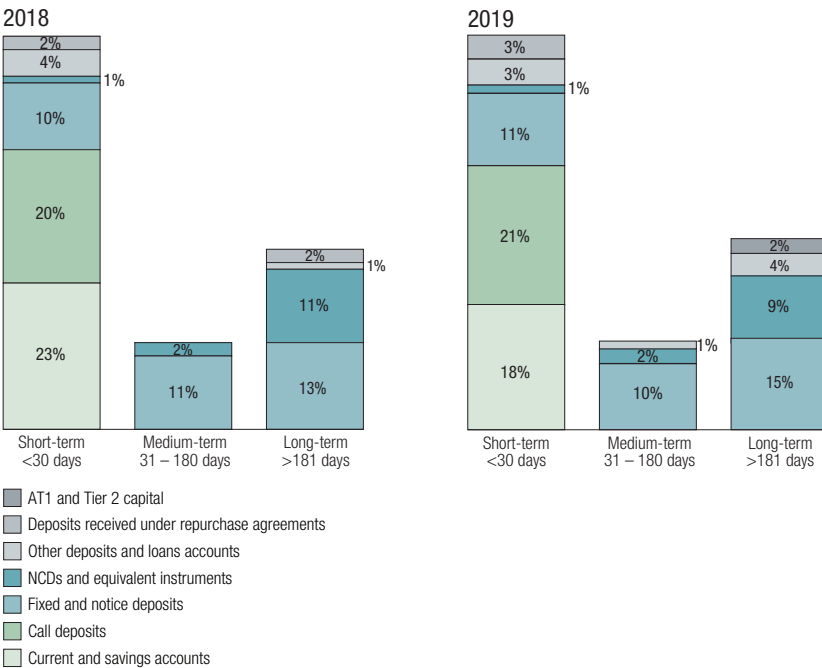
Funding and liquidity *continued*

FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*



* Excludes foreign branches.

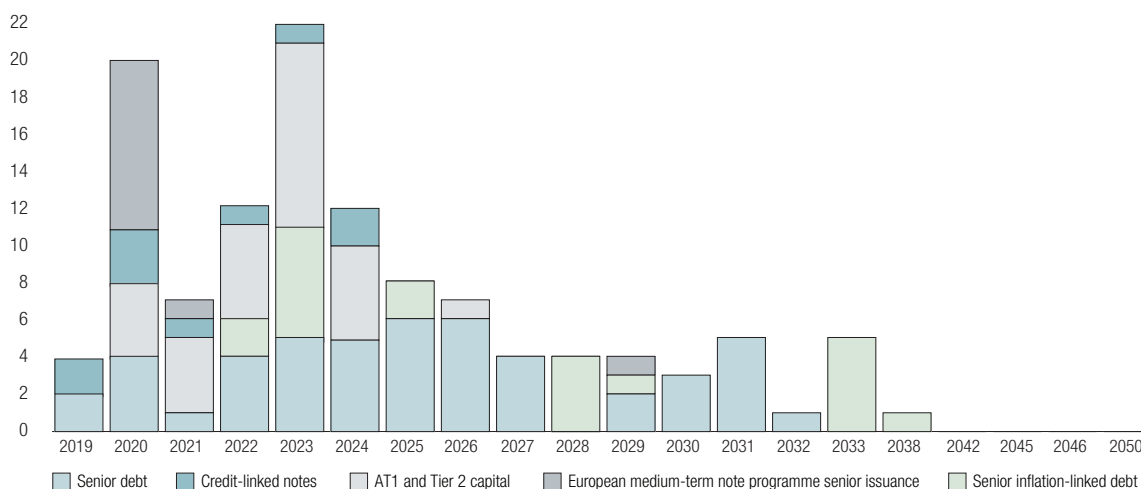
GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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 investor demand into account.

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF FIRSTSTRAND 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 will also include the fixed interest rate transfer. 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.

The active management of foreign currency liquidity risk remains a strategic focus given the group's foreign currency asset strategy.

FOREIGN CURRENCY BALANCE SHEET

MotoNovo

The acquisition of Aldermore alleviates some pressure on the group's foreign currency funding capacity. Now that MotoNovo has been integrated with Aldermore, it is supported by Aldermore's funding platform. All new business will be funded via a combination of on-balance sheet deposits, wholesale 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. It will, over time, be run down. Consequently, the funding capacity currently allocated to MotoNovo can ultimately be redeployed into other growth strategies.

Aldermore

Aldermore actively follows a diversified and flexible funding strategy and is predominantly funded by retail and business customer deposits, and bespoke corporate deposits. These account for approximately 75% of total funding with the deposit franchise totalling £8.3 billion at 30 June 2019.

Aldermore's funding strategy is complemented by its continued access to wholesale funding. Notwithstanding the end of the Bank of England's Term Funding Scheme, Aldermore returned to the securitisation market in October 2018 with its second prime residential mortgage-backed securitisation, Oak 2. Aldermore continues to access the capital markets as and when opportunities arise to optimise its funding profile and cost of funds.

Aldermore's liquid asset composition remains prudent with an LCR well in excess of the regulatory minimum, and liquidity risk position managed to more stringent internal parameters. Given the Brexit uncertainty, there has been a proactive approach to reduce exposures in bonds and place excess cash with the Bank of England, which accounts for 28% of Aldermore's liquidity buffer.

Funding and liquidity continued

Risk management approach

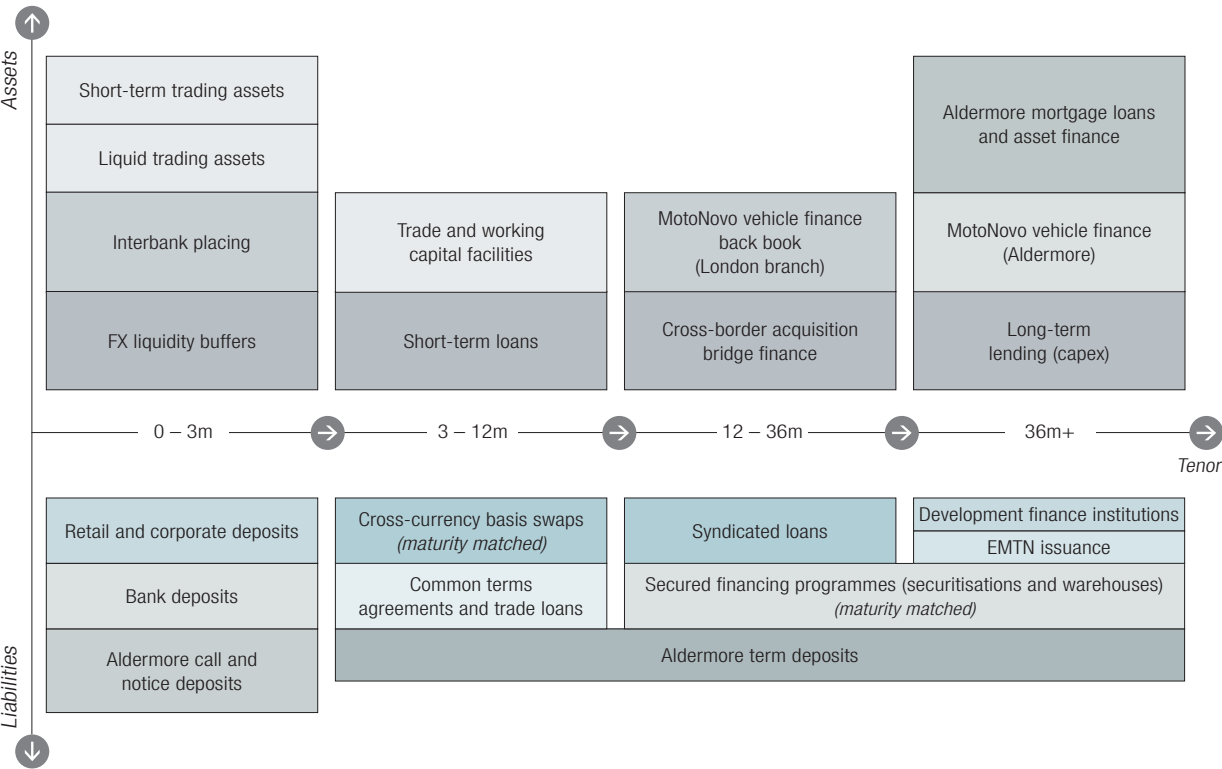
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 6/2010*, issued 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 takes into account 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 FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK POSITION

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

COMPOSITION OF LIQUID ASSETS

R billion	As at 30 June	
	2019 IFRS 9	2018 IAS 39
Cash and deposits with central banks	43	41
Government bonds and bills	151	120
Other liquid assets	55	42
Total liquid assets	249	203

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, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of cash inflows and outflows.

The group has continued to build its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements.

Liquidity ratios for the group and bank at 30 June 2019 are summarised below.

	Group*		Bank*	
	LCR**	NSFR	LCR**	NSFR
Regulatory minimum	100%	100%	100%	100%
Actual	122%	118%	133%	117%

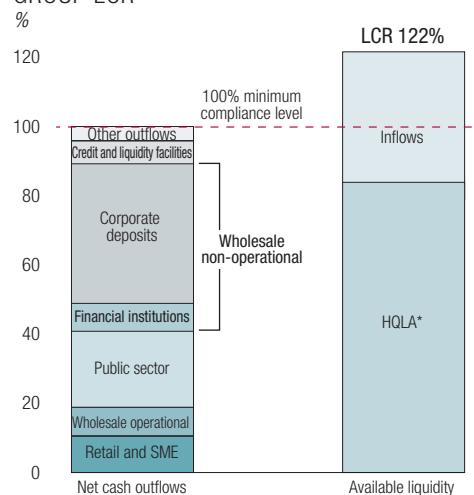
* The consolidated LCR and NSFR for the group includes the bank's operations in South Africa, and all registered banks and foreign branches within the group. The bank's LCR and NSFR reflects its operations in South Africa only.

** LCR is calculated as a simple average of 91 calendar days' LCR observations over the preceding quarter.

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

The following graph illustrates the group's LCR position at 30 June 2019.

GROUP LCR



* HQLA held by subsidiaries and foreign branches in excess of the required LCR minimum of 100% have been excluded on consolidation as per Directive 11 of 2014.

Funding from institutional clients is a significant contributor to the group's net cash outflows measured under the LCR. Other significant contributors to cash outflows are corporate funding and off-balance sheet facilities granted to clients. The group 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 its capital base in alignment with strategy, risk appetite and risk 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.
- > Issuance of capital instruments.

The capital planning process ensures that 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 group 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 group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FirstRand's internal targets have been aligned to the Prudential Authority (PA) end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. No changes were made to the internal targets during the year. The group continues to actively manage its capital stack to ensure a more efficient capital structure, which is closely aligned with its internal targets.

The group is subject to the PA's end-state minimum capital requirements, which include 100% of the capital conservation, countercyclical (CCyB) and domestic systemically important bank (D-SIB) buffer add-ons. The PA has not implemented any CCyB requirement for South African exposures, however, the group is required to calculate the CCyB requirement on private sector exposures in foreign jurisdictions where these buffers are applicable. Effective 28 November 2018, the Prudential Regulation Authority's CCyB requirement for UK exposures stepped up to 1.0% from 0.5%. The CCyB requirement for the group at 30 June 2019 was 18 bps, and mainly relates to the group's UK exposures.

The PA issued Directive 5/2017, *Regulatory treatment of accounting provisions – interim approach and transitional arrangements including disclosure and auditing aspects*, which allows banks to apply a transitional phase-in of the IFRS 9 Day 1 impact for regulatory capital purposes. The Day 1 implementation on 1 July 2018 reduced the group's CET1 ratio by 50 bps, and will be fully phased in by 1 July 2021. The group accounted for ≈12.5 bps at 30 June 2019.

The group continues to focus on economic capital (EC) to ensure it remains solvent at a specified confidence level of 99.93% and deliver on its commitment to stakeholders within 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. For the year under review, the group remained appropriately capitalised to meet its EC requirements.

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.

YEAR UNDER REVIEW

The capital and leverage ratios at 30 June 2019 exceeded the internal targets and are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

%	Capital			Leverage
	CET1	Tier 1	Total	Total
Regulatory minimum*	7.7	9.4	11.7	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.5
Actual**	12.1	12.9	15.2	7.5

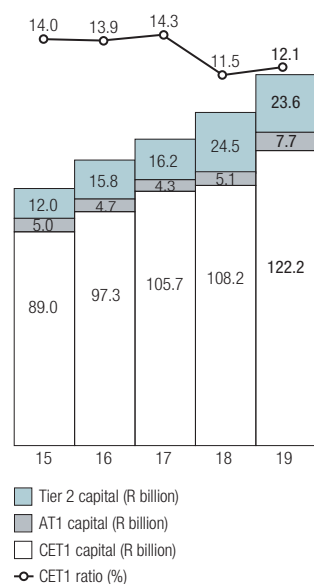
* Excludes the bank-specific capital requirements, but includes the CCyB requirement.

** Includes the transitional Day 1 impact of IFRS 9, and unappropriated profits of R8.8 billion. Refer to the Pillar 3 standardised disclosure templates for ratios excluding unappropriated profits (www.firstrand.co.za/investors/basel-pillar-3-disclosure/).

Capital

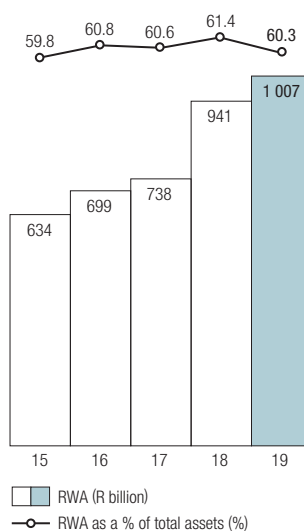
The graphs below show the historical overview of capital adequacy and RWA.

CAPITAL ADEQUACY*



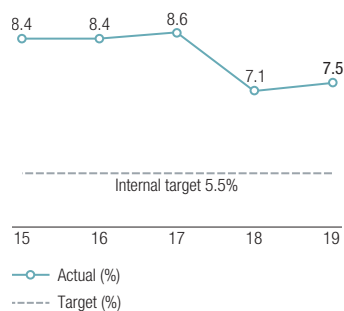
* Includes unappropriated profits.

RWA HISTORY



Leverage

LEVERAGE*



* Includes unappropriated profits.

The increase in the leverage ratio to June 2019 was mainly due to the increase in the Tier 1 capital measure, driven by AT1 issuances (R5 billion) during the year. The total exposure measure increased, mainly due to an increase in on-balance sheet exposures, specifically total advances, commodities and investment securities.

Note: June 2015 to June 2018 is based on IAS 39 and June 2019 on IFRS 9.

Capital continued




Supply of capital

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

COMPOSITION OF CAPITAL ANALYSIS*

<i>R million</i>	As at 30 June	
	2019 IFRS 9	2018 IAS 39
CET1 capital	122 194	108 226
Tier 1 capital	129 846	113 342
Total qualifying capital	153 494	137 796

* Includes unappropriated profits of R8.8 billion.

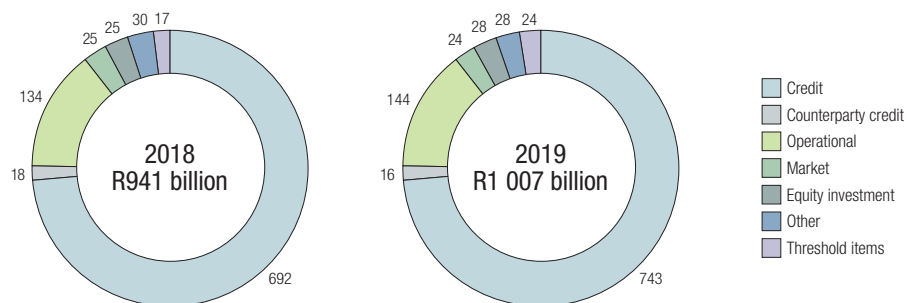
KEY DRIVERS: 2019 vs 2018		
CET1		<ul style="list-style-type: none"> > Ongoing internal capital generation through earnings coupled with a sustainable dividend payout. > Once-off realisation relating to the Discovery transaction (±R2.3 billion) partly reduced by the Day 1 transitional impact of IFRS 9. > Recognition of FirstRand Namibia minority capital (R1.5 billion) in CET1 capital, previously included in AT1 capital.
AT1		<ul style="list-style-type: none"> > FRB AT1 issuance (R5.0 billion) during the year, partly offset by additional 10% haircut on NCNR preference shares not compliant with Basel III, and movement in third-party capital.
Tier 2		<ul style="list-style-type: none"> > Redemption of remaining old-style Tier 2 instruments (R3.2 billion) during December 2018. > Redemption of the \$172.5 million Tier 2 instrument held by the International Finance Corporation in April 2019, and a R1.7 billion inaugural Basel III instrument during June 2019. > Issuance of FRB26 and FRB27 (R2.6 billion) to manage rollover of the instruments redeemed in June 2019. > Movement in third-party capital.

Demand for capital

The charts and table below summarise the year-on-year movements.

RWA ANALYSIS

R billion



Note: 2018 restated to include RWA relating to Aldermore under each risk type.

KEY DRIVERS: 2019 vs 2018

Credit	▲	> Organic growth, risk migration, rating changes and exchange rate movements.
Counterparty credit	▼	> Decrease in volumes and mark-to-market movements.
Operational	▲	> Recalibration of risk scenarios subject to the advanced measurement approach. > Increase in gross income for entities on the standardised and basic indicator approaches.
Market	▼	> Decrease in volumes and mark-to-market movements.
Equity investment	▲	> New investments and fair value adjustments.
Other assets	▼	> Movements in accounts receivable, and property, plant and equipment.
Threshold items	▲	> Movement in deferred tax assets and investments in financial, banking and insurance entities (subject to 250% risk weighting).

Capital continued

Capital adequacy position for the group, its regulated subsidiaries and the bank's foreign branches

The group's registered banking subsidiaries 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 subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends/return of profits. During the year, no restrictions were experienced on the repayment of such dividends or profits to the group.

The RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

	As at 30 June			
	2019 IFRS 9			2018 IAS 39
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)				
FirstRand*	1 007 155	12.9	15.2	14.7
FirstRand Bank*,**	701 648	14.0	16.8	16.8
FirstRand Bank South Africa*	653 180	13.8	16.8	16.7
FirstRand Bank London	46 414	11.2	12.2	14.8
FirstRand Bank India	2 322	29.5	29.8	39.9
FirstRand Bank Guernsey#	219	16.7	16.7	15.3
Basel III (local regulations)				
Aldermore Bank	111 112	13.1	15.7	14.5
FNB Namibia†	29 946	17.0	19.4	18.7
Basel II (local regulations)				
FNB Mozambique	1 865	16.8	16.8	13.3
RMB Nigeria	3 315	44.8	44.8	48.1
FNB Botswana	26 686	13.8	17.4	17.9
FNB Tanzania‡	1 341	23.9	23.9	38.6
FNB Swaziland‡	4 368	22.4	23.3	23.4
First National Bank Ghana‡	1 122	98.5	99.0	59.0
Basel I (local regulations)				
FNB Lesotho	1 069	12.6	15.1	18.0
FNB Zambia	3 784	18.6	24.2	22.6

* Includes unappropriated profits.

** Includes foreign branches.

Trading as FNB Channel Islands.

† Transitioned to Basel III during the year under review.

‡ Transitioned to Basel II during the year under review.

Standardised disclosures

In terms of Regulation 43 of the *Regulations relating to Banks*, the following additional standardised disclosures are required:

- > Key prudential metrics (at consolidated group level).
- > Capital:
 - composition of regulatory capital;
 - reconciliation of regulatory capital to balance sheet; and
 - main features of regulatory capital instruments.
- > Macroprudential supervisory measures:
 - geographical distribution of credit exposures used in the countercyclical capital buffer.
- > Leverage:
 - summary comparison of accounting assets vs leverage ratio exposure measure; and
 - leverage ratio common disclosure template.
- > Liquidity:
 - LCR; and
 - NSFR.

Refer to www.firststrand.co.za/investors/basel-pillar-3-disclosure/.



*Scan with your smart device's QR code reader
to access the standardised disclosure templates
on the group's website.*

Regulatory update

BASEL III REFORMS	<p>The Basel Committee on Banking Supervision (BCBS) finalised the Basel III reforms in December 2017, with a specific focus on reducing the variability of RWA. The BCBS has agreed on a five-year transitional period, beginning 1 January 2022. The 2017 reforms aim to address weaknesses identified during the global financial crisis, i.e. credibility of the risk-based capital framework, and introducing constraints on the estimates banks used within internal models for regulatory capital purposes. The PA further issued <i>Guidance Note 6 of 2018, Proposed implementation dates in respect of specified regulatory reforms</i>, which includes the proposed implementation dates of the outstanding Basel III regulatory reforms. The impact on the group capital position depends on the final implementation by the PA given a level of national discretion. The group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms.</p> <p>The following reforms are effective 1 October 2019:</p> <ul style="list-style-type: none"> ➤ Standardised approach for counterparty credit risk (SA-CCR). ➤ Capital requirement for banks' exposures to central counterparties. ➤ Capital requirements for equity investment in funds. <p>The proposed implementation dates for the revised securitisation framework and large exposures framework is April 2020.</p>
LCR	<p>From 2019, South African banks are required to meet an LCR requirement of 100%. To fully comply with the LCR requirement, the group holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.</p> <p>To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). For 2019, the PA has continued to provide a CLF for the industry. The PA's approach to the CLF and other related conditions for the period from 1 December 2018 to 30 November 2019 is detailed in <i>Guidance Note 4 of 2018, Continued provision of a committed liquidity facility by the South African Reserve Bank to banks (Guidance Note 4)</i>. <i>Guidance Note 5 of 2019, Continued provision of a committed liquidity facility by South African Reserve Bank to banks (Guidance Note 5)</i>, 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 SARB's intention to phase out the CLF by 1 December 2021. The CLF available to banks will begin reducing from 1 December 2019 and will be withdrawn after 1 December 2021. The PA will, in consultation with banks, investigate possible alternatives to the CLF. There can be no certainty that an alternative liquidity facility will be agreed upon or instituted.</p>
NSFR	<p>The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF), and came into effect from 1 January 2018.</p> <p><i>Directive 8 of 2017, Matters related to the net stable funding ratio</i> (which replaced <i>Directive 4 of 2016</i>), set out the elements of national discretion exercised by the PA in relation to the calibration of the NSFR framework for South Africa. The PA, after due consideration and noting that rand funding is contained in the financial system, concluded it appropriate to apply a 35% ASF factor to deposits from financial institutions with a residual maturity of less than six months. In line with several other international regulators, the PA also provided clarity on the alignment of the LCR and NSFR, applying a 5% RSF factor to the assets net of its haircut eligible for CLF purposes. These changes are anchored in the assessment of the true liquidity risk and greatly assist the South African banking sector in meeting the NSFR requirements.</p> <p>The abovementioned directives continue to remain in effect.</p>

RESOLUTION FRAMEWORK	<p>The draft FSLAB was published for comment by National Treasury in October 2018. In order to support the pending resolution framework, the bill proposes the necessary amendments to various acts, including the Insolvency Act, the South African Reserve Bank Act, the Banks Act, the Mutual Banks Act, the Competition Act, the Financial Markets Act and the Insurance Act, with a view to strengthening the ability of the SARB to manage the orderly resolution or winding down of a failing financial institution with minimum disruption to the broader economy. One of the key amendments included in the bill is the establishment of the Corporation of Deposit Insurance designed to protect depositors' funds and enhance financial stability. The bill is awaiting promulgation by parliament before it is enacted, but in the interim the relevant regulators are continuously engaging with industry to continue working on the design and finalisation of the outstanding elements of the resolution framework.</p> <p>The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The closing date for public comment is 31 August 2019. 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 systematically important institutions. The intended bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country.</p> <p>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.</p>
FINANCIAL CONGLOMERATES	<p>The Financial Sector Regulation Act further empowers the PA to designate a group of companies as a financial conglomerate and also regulate and supervise such designated financial conglomerates.</p> <p>Draft standards provide an early signal to the industry and affected stakeholders on the approach to the classification, regulation and supervision of designated financial conglomerates. The expected implementation date for the standards is 2019/2020.</p>

Performance measurement

The group aims to deliver sustainable returns to shareholders with each business unit evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, net income after cost of capital (NIACC).

NIACC is embedded across the group and, as a function of normalised earnings and the cost of capital, provides a clear indication of economic value added.

Targeted hurdle rates are set for business units and capital is allocated based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements as well as Basel III requirements.

Growth in normalised earnings and a reduction in cost of equity supported an increase in NIACC as illustrated in the table below.

NIACC AND ROE

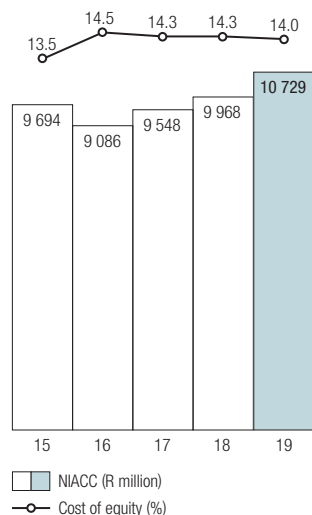
<i>R million</i>	Year ended 30 June		% change
	2019 IFRS 9	2018 IAS 39	
Normalised earnings attributable to ordinary shareholders	27 894	26 411	6
Capital charge*	(17 165)	(16 443)	4
NIACC**	10 729	9 968	8
Average ordinary shareholders' equity and reserves	122 606	114 984	7
ROE (%)	22.8	23.0	
Cost of equity# (%)	14.00	14.30	
Return on average RWA	2.86	3.15	

* Capital charge based on cost of equity.

** NIACC = normalised earnings less (cost of equity x average ordinary shareholders' equity and reserves).

Cost of equity is based on the capital asset pricing model.

EVOLUTION OF NIACC AND COST OF EQUITY



Note: Figures for 2015 to June 2018 are presented on an IAS 39 basis and on an IFRS 9 basis for 2019.

SHAREHOLDER VALUE CREATION

The group continues to achieve returns above its cost of equity resulting in positive NIACC despite increased levels of capital.

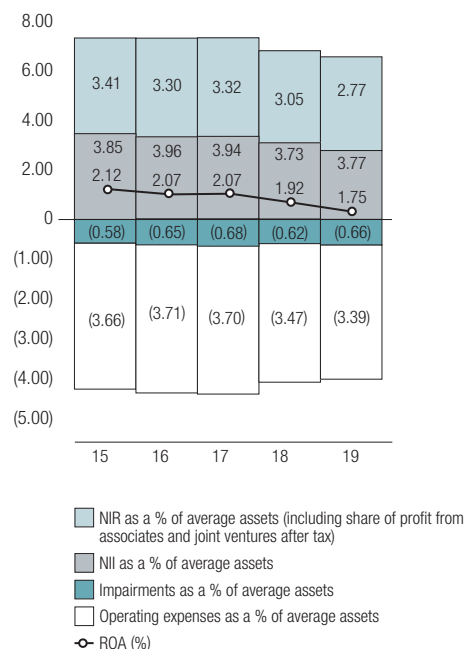
The table below shows the decomposition of the ROE into the ROA and gearing. The group ROA and gearing have structurally changed following the Aldermore acquisition. Gearing was also impacted by the implementation of IFRS 9.

	Year ended 30 June				
	2019	2018	2017	2016	2015
ROA (%)	1.75	1.92	2.07	2.07	2.12
Gearing*	13.0	12.0	11.3	11.6	11.6
ROE (%)	22.8	23.0	23.4	24.0	24.7

* Gearing = average total assets/average equity.

The following graph provides a high-level summary of the drivers of returns over time. The decline in ROA from 1.92% to 1.75% was mainly driven by the inclusion of Aldermore, given its structurally lower ROA, which reflects the secured nature of its advances, as well as the reduction of NIR in RMB.

ROA ANALYSIS



Note: The graph shows each item before taxation and non-controlling interests as a percentage of average assets. ROA is calculated as normalised earnings after tax and non-controlling interests as a percentage of average assets.

Figures for 2015 to June 2018 are presented on an IAS 39 basis and on an IFRS 9 basis for 2019.

Performance measurement *continued*

BUSINESS PERFORMANCE

Targeted hurdle rates are set for the business units and capital is allocated to each franchise using the following inputs:

- > targeted capital levels informed by regulatory capital and economic capital requirements; and
- > regulatory capital impairments, where relevant.

The tables below provide a summary of performance of the group's operating business, which all produced returns above the cost of allocated equity.

ROE AND NORMALISED EARNINGS PER BUSINESS

<i>R million</i>	Normalised earnings*,**			ROE%	
	Year ended 30 June		% change	Year ended 30 June	
	2019	2018 [#]		2019 [†]	2018 ^{#,†}
FNB	17 398	15 689	11	41.9	38.8
RMB	6 978	7 280	(4)	21.7	25.3
WesBank	1 753	1 785	(2)	18.5	17.4
Aldermore	1 658	276	>100	13.1	12.1
FCC [‡]	107	1 381	(92)	0.4	6.0
FirstRand group	27 894	26 411	6	22.8	23.0
Total rest of Africa [^]	1 739	1 419	23	15.8	14.2

* At June 2018 the earnings attributable to contingent convertible securities of R115 million are reflected on the segment report on pages 34 to 41. R105 million of this amount related to the period prior to the acquisition date and is therefore adjusted for in the annualised ROE calculation for Aldermore. Given the capital injection and start-up losses of MotoNovo the ROE references Aldermore Bank.

** Include the return on capital in rest of Africa operations and the cost of other capital, preference share costs and Treasury costs, and therefore differ from franchise normalised earnings in the segment report on pages 34 to 41.

[#] The comparatives were restated for segmentation changes.

[†] At June 2018, the capital allocation used included the difference between expected losses and IAS 39 impairments. Under IFRS 9, the June 2019 capital allocation was significantly reduced, supporting the ROE uplift which impacted FNB and WesBank.

[‡] Includes Ashburton Investments, Group Treasury, MotoNovo back book as well as the unallocated surplus capital.

[^] Reflects the business' combined operations in the legal entities in the rest of Africa.

BUSINESS ROAs

%	ROA	
	Year ended 30 June	
	2019	2018*
FNB	3.79	3.64
RMB	1.40	1.61
WesBank	1.26	1.28
Aldermore**	0.84	0.80
FCC [#]	0.04	0.54
FirstRand Limited	1.75	1.92

* Comparatives were restated for segmentation changes.

** At June 2018 the Aldermore ROA was calculated using the earnings as adjusted for the attribution to contingent convertible securities of R105 million which related to the period prior to the acquisition date and reflects Aldermore Bank.

[#] Includes Ashburton Investments, Group Treasury and the MotoNovo back book.

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, FirstRand Bank Limited and FirstRand Limited at 4 September 2019.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

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

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

FIRSTRAND BANK LIMITED RATINGS

	Outlook	Counterparty rating*		National scale rating		Standalone credit rating**
		Long-term	Short-term	Long-term	Short-term	
S&P	Stable	BB	B	zaAA+	zaA-1+	bbb-
Moody's	Stable	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.

FIRSTRAND LIMITED RATINGS

	Outlook	Counterparty rating*		National scale rating	
		Long-term	Short-term	Long-term	Short-term
S&P	Stable	B+	B	zaA	zaA-1

* Relates to the issuer credit rating for S&P.

Source: S&P Global Ratings.

FirstRand Limited's ratings reflect its status as the non-operating holding company of the FirstRand group and the entity's consequent structural subordination to and reliance on dividends from operating companies to meet its obligations, which exposes it to potential regulatory impositions. It is standard practice for a holding company to be rated below the operating company (in this case, FirstRand Bank Limited). The group issues debt out of the bank, which is the credit counterparty.

[illegible]

04

IFRS
information

Presentation

BASIS OF PRESENTATION

The summary consolidated financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

FirstRand prepares its summary consolidated financial statements in accordance with:

- framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS);
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- as a minimum contain the information required by IAS 34.

The directors take full responsibility and confirm that this information has been correctly extracted from the consolidated financial statements from which the summary consolidated financial statements were derived.

ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of IFRS and are consistent with those of the previous consolidated financial statements, except for the implementation of new standards as detailed below.

The consolidated financial statements, from which these summary consolidated financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

IFRS 9 and IFRS 15 became effective in the current year. IFRS 9, which replaces IAS 39, had the most significant impact on the group, as IFRS 9 introduced a principle-based approach for classifying financial assets based on the entity's business model. It changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected credit loss model.

IFRS 15, which contains a single model that is applied when accounting for contracts with customers, replaced revenue recognition guidance previously included in IAS 18 and IFRS 13.

The adoption of IFRS 9 and IFRS 15 impacted the group's results on the date of initial adoption, being 1 July 2018, with IFRS 9 having had the most significant impact on the group's accounting policies. FirstRand prepared an IFRS 9 transitional report, on which a reasonable assurance audit report was provided by the external auditors. The IFRS 9 transitional report is available at www.firstrand.co.za/investors/other-shareholder-documents/. The impact of IFRS 15 was reported in the interim results report at www.firstrand.co.za/investors/financial-results/.

No other new or amended IFRS became effective for the year ended 30 June 2019 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

AUDITORS' REPORT

The summary consolidated financial statements for the year ended 30 June 2019 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon, in terms of ISA 810 (Revised). Refer to page 149.

The auditors also expressed an unmodified opinion on the consolidated financial statements from which the summary consolidated financial statements were derived. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited.

A copy of the auditors' report on the consolidated financial statements is available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the consolidated financial statements identified in the auditors' report.

The auditors' report does not necessarily report on all of the information contained in these summary consolidated financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' engagement, they should review the auditors' report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the group's external auditors. FirstRand's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

NORMALISED RESULTS

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

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

This *pro forma* financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Because of its nature it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons thereof can be found below and on the following page of this *Analysis of financial results* booklet. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants report, which is available for inspection at the registered office.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Consolidated private equity subsidiaries

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.

FirstRand shares held for client trading activities

The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group.

In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss.

In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

Presentation continued

Margin-related items included in fair value income

In terms of IFRS the group is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group'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 USD 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.

Realisation on the sale of private equity subsidiaries

In terms of *Circular 04/2018 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.

Cash-settled share-based payments and the economic hedge

The group entered into a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group'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 group 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 group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group.

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 04/2018 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 157.

Independent auditors' report on summary consolidated financial statements

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Opinion

The summary consolidated financial statements of FirstRand Limited, set out on page 146 and pages 150 to 190 of the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 30 June 2019, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2019.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports as set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon.

The audited consolidated financial statements and our report thereon

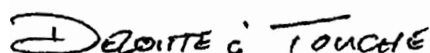
We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 4 September 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

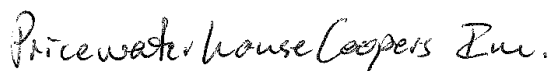
Auditors' responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with *International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements*.



Deloitte & Touche
Registered Auditor
Per Partner: Darren Shipp

Woodlands Office Park
Johannesburg
4 September 2019



PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Johannesburg
4 September 2019

Summary consolidated income statement – IFRS (audited)

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39*	% change
Interest income calculated using effective interest rate	119 797	90 670	32
Interest on other financial instruments and similar income	471	7	>100
Interest and similar income	120 268	90 677	33
Interest expense and similar charges	(59 811)	(41 579)	44
Net interest income before impairment of advances	60 457	49 098	23
Impairment and fair value of credit on advances	(10 500)	(8 567)	23
– Impairment on amortised cost advances	(10 431)	(9 154)	14
– Fair value of credit on advances	(69)	587	(>100)
Net interest income after impairment of advances	49 957	40 531	23
Non-interest revenue**	46 048	44 193	4
– Net fee and commission income	30 971	28 529	9
– Fee and commission income	36 533	33 596	9
– Fee and commission expense	(5 562)	(5 067)	10
– Insurance income	4 128	3 918	5
– Fair value income	4 587	7 027	(35)
– Fair value gains or losses	9 338	20 298	(54)
– Interest expense on fair value activities	(4 751)	(13 271)	(64)
– Gains less losses from investing activities	3 610	1 864	94
– Other non-interest income	2 752	2 855	(4)
Income from operations	96 005	84 724	13
Operating expenses	(54 283)	(48 462)	12
Net income from operations	41 722	36 262	15
Share of profit of associates after tax	946	519	82
Share of profit of joint ventures after tax	284	390	(27)
Income before indirect tax	42 952	37 171	16
Indirect tax	(1 280)	(1 077)	19
Profit before tax	41 672	36 094	15
Income tax expense	(9 912)	(7 950)	25
Profit for the year	31 760	28 144	13
Attributable to			
Ordinary equityholders	30 211	26 546	14
Other equity instrument holders	667	466	43
Equityholders of the group	30 878	27 012	14
Non-controlling interests	882	1 132	(22)
Profit for the year	31 760	28 144	13
Earnings per share (cents)			
– Basic	538.6	473.3	14
– Diluted	538.6	473.3	14
Headline earnings per share (cents)			
– Basic	497.2	472.7	5
– Diluted	497.2	472.7	5

* The group elected not to restate comparatives as permitted by IFRS 9. Certain amounts will therefore not be comparable, as the amounts for 30 June 2019 have been prepared on an IFRS 9 basis and the amounts for 30 June 2018 on an IAS 39 basis. Refer to the IFRS 9 transition report, available on the group's website, for more details on the changes in classification and presentation of certain amounts.

** Non-interest revenue on the face of the consolidated income statement has been expanded to show more granular information to align to industry practice. The following line items, previously included in the notes to the consolidated annual financial statements, are now included on the face of the consolidated 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 different nature of the line items.

Summary consolidated statement of other comprehensive income – IFRS (audited)

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Profit for the year	31 760	28 144	13
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	185	>100
Gains arising during the year	829	283	>100
Reclassification adjustments for amounts included in profit or loss	(137)	(26)	>100
Deferred income tax	(194)	(72)	>100
FVOCI debt reserve/available-for-sale financial assets	(4)	(650)	(99)
Losses arising during the year	(2)	(1 009)	(100)
Reclassification adjustments for amounts included in profit or loss	(4)	91	(>100)
Deferred income tax	2	268	(99)
Exchange differences on translating foreign operations	(444)	1 175	(>100)
(Losses)/gains arising during the year	(428)	1 175	(>100)
Deferred income tax	(16)	–	–
Share of other comprehensive income/(loss) of associates and joint ventures after tax and non-controlling interests	45	(72)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	(2)	–	–
Losses arising during the year	(2)	–	–
Remeasurements on defined benefit post-employment plans	(229)	38	(>100)
(Losses)/gains arising during the year	(307)	43	(>100)
Deferred income tax	78	(5)	(>100)
Other comprehensive (loss)/income for the year	(136)	676	(>100)
Total comprehensive income for the year	31 624	28 820	10
Attributable to			
Ordinary equityholders	30 068	27 217	10
Other equity instrument holders	667	466	43
Equityholders of the group	30 735	27 683	11
Non-controlling interests	889	1 137	(22)
Total comprehensive income for the year	31 624	28 820	10

Summary consolidated statement of financial position – IFRS (audited)

	As at 30 June 2019 IFRS 9	As at 30 June 2018 IAS 39
<i>R million</i>		
ASSETS		
Cash and cash equivalents	102 518	96 024
Derivative financial instruments	47 104	42 499
Commodities	21 176	13 424
Investment securities	241 726	208 937
Advances	1 205 752	1 121 227
– Advances to customers	1 142 845	1 065 997
– Marketable advances	62 907	55 230
Accounts receivable	8 578	9 884
Current tax asset	267	378
Non-current assets and disposal groups held for sale	–	112
Reinsurance assets	196	84
Investments in associates	6 369	5 537
Investments in joint ventures	1 769	1 726
Property and equipment	17 800	17 936
Intangible assets	10 491	10 847
Investment properties	689	754
Defined benefit post-employment asset	6	36
Deferred income tax asset	4 621	2 884
Total assets	1 669 062	1 532 289
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	5 374	9 999
Derivative financial instruments	52 597	50 954
Creditors, accruals and provisions	21 922	19 620
Current tax liability	1 643	438
Deposits	1 393 104	1 267 448
Employee liabilities	13 042	11 534
Other liabilities	5 974	6 989
Policyholder liabilities	5 263	4 593
Tier 2 liabilities	24 191	28 439
Deferred income tax liability	1 359	1 477
Total liabilities	1 524 469	1 401 491
Equity		
Ordinary shares	56	56
Share premium	8 023	7 994
Reserves	121 594	112 975
Capital and reserves attributable to equityholders of the group	129 673	121 025
Other equity instruments	10 734	5 769
Non-controlling interests	4 186	4 004
Total equity	144 593	130 798
Total equities and liabilities	1 669 062	1 532 289

Summary consolidated statement of cash flows – IFRS (audited)

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39*
Cash generated from operating activities		
Interest and fee commission receipts	153 374	124 420
Trading and other income	3 033	4 693
Interest payments	(58 428)	(40 549)
Other operating expenses	(43 518)	(37 177)
Dividends received	3 816	5 649
Dividends paid	(16 598)	(15 387)
Dividends paid to non-controlling interests	(584)	(923)
Taxation paid	(10 621)	(9 414)
Cash generated from operating activities	30 474	31 312
Movement in operating assets and liabilities		
Liquid assets and trading securities	(30 463)	(27 540)
Advances	(95 933)	(90 785)
Deposits	120 674	126 565
Movement in accounts receivable and creditors	2 923	(990)
Employee liabilities	(5 906)	(5 220)
Other operating liabilities	(14 040)	(3 774)
Net cash generated from operating activities	7 729	29 568
Cash flows from investing activities		
Acquisition of investments in associates	(418)	(308)
Proceeds on disposal of investments in associates	1 278	2 276
Acquisition of investments in joint ventures	(45)	(361)
Proceeds on disposal of investments in joint ventures	22	–
Acquisition of investments in subsidiaries	–	(9 634)
Proceeds on disposal of investments in subsidiaries	(2)	212
Acquisition of property and equipment	(3 503)	(3 577)
Proceeds on disposal of property and equipment	749	519
Acquisition of intangible assets and investment properties	(684)	(586)
Proceeds on disposal of intangible assets and investment properties	–	8
Proceeds on disposal of non-current assets held for sale	331	219
Net cash outflow from investing activities	(2 272)	(11 232)
Cash flows from financing activities		
Proceeds from the issue of other liabilities	1 637	1 182
Redemption of other liabilities	(541)	(609)
Proceeds from the issue of Tier 2 liabilities	2 625	9 823
Capital repaid on Tier 2 liabilities	(7 579)	(1 426)
Acquisition of additional interest in subsidiaries from non-controlling interests	(23)	(45)
Issue of AT1 equity instruments	4 965	–
Issue of share of additional interest in subsidiaries from non-controlling interests	–	14
Net cash inflow from financing activities	1 084	8 939
Net increase in cash and cash equivalents	6 541	27 275
Cash and cash equivalents at the beginning of the year	96 024	68 483
Effect of exchange rate changes on cash and cash equivalents	(47)	266
Cash and cash equivalents at the end of the year	102 518	96 024
Mandatory reserve balances included above**	29 191	26 303

* Interest payments relating to Tier 2 (R154 million) and other liabilities (R238 million) have been reclassified from financing activities and included in interest payments under cash generated from operating activities to align with how the group 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 group subject to certain restrictions and eliminations levelled by 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.

Summary consolidated statement of changes in equity – IFRS (audited)

for the year ended 30 June

<i>R million</i>	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 2017	56	7 960	8 016	(761)	158	
Net proceeds of issue of share capital	–	–	–	–	–	
Acquisition of subsidiaries	–	–	–	–	–	
AT1 capital issued during the year	–	–	–	–	–	
Movement in other reserves	–	–	–	–	–	
Ordinary dividends	–	–	–	–	–	
Distributions on other equity instruments	–	–	–	–	–	
Transfer from/(to) general risk reserves	–	–	–	–	–	
Changes in ownership interest of subsidiaries	–	–	–	–	–	
Movement in treasury shares	–	34	34	–	–	
Total comprehensive income for the year	–	–	–	38	185	
Vesting of share-based payments	–	–	–	–	–	
Balance as at 30 June 2018	56	7 994	8 050	(723)	343	
Adjustment for adoption of IFRS 9 and IFRS 15	–	–	–	–	–	
Restated balance as at 1 July 2018[#]	56	7 994	8 050	(723)	343	
Net proceeds of issue of share capital	–	–	–	–	–	
Acquisition of subsidiaries	–	–	–	–	–	
AT1 capital issued during the year	–	–	–	–	–	
Movement in other reserves	–	–	–	–	–	
Ordinary dividends	–	–	–	–	–	
Distributions on other equity instruments	–	–	–	–	–	
Transfer (to)/from general risk reserves	–	–	–	–	–	
Changes in ownership interest of subsidiaries	–	–	–	–	–	
Movement in treasury shares	–	29	29	–	–	
Total comprehensive income for the year	–	–	–	(229)	498	
Vesting of share-based payments	–	–	–	–	–	
Balance as at 30 June 2019	56	8 023	8 079	(952)	841	

* Other reserves include the FVOCI reserve.

** Other equity instruments at 30 June 2019 include R4 519 million NCNR preference shares, R4 965 million AT1 instruments and the contingent convertible securities of R1 250 million.

[#] Restated, refer to the IFRS 9 transition report on the FirstRand website.

	Ordinary share capital and ordinary equityholders' funds								
	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equity-holders	Other equity instruments**	Non-controlling interests	Total equity
	9	(715)	1 690	462	100 025	100 868	4 519	3 781	117 184
	—	—	—	—	—	—	—	14	14
	—	—	(24)	—	—	(24)	1 250	(22)	1 204
	—	—	—	—	—	—	—	—	—
	7	—	—	191	(226)	(28)	—	12	(16)
	—	—	—	—	(14 921)	(14 921)	—	(923)	(15 844)
	—	—	—	—	—	—	(466)	—	(466)
	—	—	—	18	(18)	—	—	—	—
	—	—	—	—	(139)	(139)	—	5	(134)
	—	—	—	—	2	2	—	—	36
	—	(646)	1 166	(72)	26 546	27 217	466	1 137	28 820
	(12)	—	—	—	12	—	—	—	—
	4	(1 361)	2 832	599	111 281	112 975	5 769	4 004	130 798
	—	1 361	—	87	(6 933)	(5 485)	—	(98)	(5 583)
	4	—	2 832	686	104 348	107 490	5 769	3 906	125 215
	—	—	—	—	—	—	—	(4)	(4)
	—	—	1	—	—	1	—	4	5
	—	—	—	—	—	—	4 965	—	4 965
	3	—	—	109	(128)	(16)	—	7	(9)
	—	—	—	—	(15 931)	(15 931)	—	(584)	(16 515)
	—	—	—	—	—	—	(667)	—	(667)
	—	—	—	(123)	123	—	—	—	—
	—	—	—	—	(32)	(32)	—	(32)	(64)
	—	—	—	—	14	14	—	—	43
	—	—	(447)	35	30 211	30 068	667	889	31 624
	(6)	—	—	—	6	—	—	—	—
	1	—	2 386	707	118 611	121 594	10 734	4 186	144 593

Statement of headline earnings – IFRS (audited)

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Profit for the year (refer page 150)	31 760	28 144	13
Other equity instrument holders	(667)	(466)	43
Non-controlling interests	(882)	(1 132)	(22)
Earnings attributable to ordinary equityholders	30 211	26 546	14
Adjusted for	(2 324)	(37)	>100
Gain on investment activities of a capital nature	(1 928)*	(29)	
Loss on disposal of available-for-sale assets	–	91	
Gain on disposal of non-private equity associates	(1 052)*	–	
– Gain on disposal of non-private equity associates	(1 083)	–	
– Impairment of non-private equity associates	31	–	
Gain on disposal of investments in subsidiaries	(6)	(97)	
Gain on disposal of property and equipment	(52)	(63)	
Fair value movement on investment properties	–	(29)	
Transfer (to)/from foreign currency translation reserve	(70)	108	
Impairment of goodwill	–	12	
Impairment of assets in terms of IAS 36	123	41	
Gain from a bargain purchase	–	(42)	
Property-related insurance income	–	(31)	
Tax effects of adjustments*	660*	–	
Non-controlling interest adjustments	1	2	
Headline earnings	27 887	26 509	5

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

Reconciliation from headline to normalised earnings

for the year ended 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Headline earnings	27 887	26 509	5
Adjusted for	7	(98)	(>100)
TRIS and IFRS 2 liability remeasurement*	80	(54)	
Treasury shares**	(1)	18	
IAS 19 adjustment	(97)	(109)	
Private equity-related#	25	47	
Normalised earnings	27 894	26 411	6

* The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes. The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR. FirstRand's share price increased R4.66 in the current year and R16.74 during the prior year. This results in mark-to-market volatility period-on-period being included in the group's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility from the TRS, as described in more detail on page 148.

** Include FirstRand shares held for client trading activities.

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

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2019 IFRS 9

<i>R million</i>	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	
Net interest income before impairment of advances	60 299	—	—	77	
Impairment charge	(10 500)	—	—	—	
Net interest income after impairment of advances	49 799	—	—	77	
Total non-interest revenue	44 308	32	1	(77)	
— Operational non-interest revenue	43 051	32	(3)	(77)	
— Share of profit of associates and joint ventures after tax	1 257	—	4	—	
Income from operations	94 107	32	1	—	
Operating expenses	(54 139)	(32)	—	—	
Income before tax	39 968	—	1	—	
Indirect tax	(1 280)	—	—	—	
Profit before tax	38 688	—	1	—	
Income tax expense	(9 245)	—	—	—	
Profit for the year	29 443	—	1	—	
Attributable to					
Other equity instrument holders	(667)	—	—	—	
Non-controlling interests	(882)	—	—	—	
Ordinary equityholders	27 894	—	1	—	
Headline and normalised earnings adjustments	—	—	(1)	—	
Normalised earnings attributable to ordinary equityholders of the group	27 894	—	—	—	

* FirstRand shares held for client trading activities.

	IAS 19 adjustment	Private equity- related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
	–	–	–	81	60 457
	–	–	–	–	(10 500)
	–	–	–	81	49 957
	–	(26)	3 108	(68)	47 278
	–	(26)	3 139	(68)	46 048
	–	–	(31)	–	1 230
	–	(26)	3 108	13	97 235
	135	–	(123)	(124)	(54 283)
	135	(26)	2 985	(111)	42 952
	–	–	–	–	(1 280)
	135	(26)	2 985	(111)	41 672
	(38)	–	(660)	31	(9 912)
	97	(26)	2 325	(80)	31 760
	–	–	–	–	(667)
	–	1	(1)	–	(882)
	97	(25)	2 324	(80)	30 211
	(97)	25	(2 324)	80	(2 317)
	–	–	–	–	27 894

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2018 IAS 39

<i>R million</i>	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	
Net interest income before impairment of advances	51 254	—	—	(2 252)	
Impairment charge	(8 567)	—	—	—	
Net interest income after impairment of advances	42 687	—	—	(2 252)	
Total non-interest revenue	41 926	320	(18)	2 252	
— Operational non-interest revenue	41 012	320	(13)	2 252	
— Share of profit of associates and joint ventures after tax	914	—	(5)	—	
Income from operations	84 613	320	(18)	—	
Operating expenses	(47 664)	(320)	—	—	
Income before tax	36 949	—	(18)	—	
Indirect tax	(1 077)	—	—	—	
Profit before tax	35 872	—	(18)	—	
Income tax expense	(7 865)	—	—	—	
Profit for the year	28 007	—	(18)	—	
Attributable to					
Other equity instrument holders	(466)	—	—	—	
Non-controlling interests	(1 130)	—	—	—	
Ordinary equityholders	26 411	—	(18)	—	
Headline and normalised earnings adjustments	—	—	18	—	
Normalised earnings attributable to ordinary equityholders of the group	26 411	—	—	—	

* FirstRand shares held for client trading activities.

	IAS 19 adjustment	Private equity- related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
	–	–	–	96	49 098
	–	–	–	–	(8 567)
	–	–	–	96	40 531
	–	(27)	92	557	45 102
	–	(27)	92	557	44 193
	–	–	–	–	909
	–	(27)	92	653	85 633
	151	–	(53)	(576)	(48 462)
	151	(27)	39	77	37 171
	–	–	–	–	(1 077)
	151	(27)	39	77	36 094
	(42)	(20)	–	(23)	(7 950)
	109	(47)	39	54	28 144
	–	–	–	–	(466)
	–	–	(2)	–	(1 132)
	109	(47)	37	54	26 546
	(109)	47	(37)	(54)	(135)
	–	–	–	–	26 411

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2019

<i>R million</i>	IFRS 9		
	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	102 518	—	102 518
Derivative financial instruments	47 104	—	47 104
Commodities	21 176	—	21 176
Investment securities	241 753	(27)	241 726
Advances	1 205 752	—	1 205 752
— Advances to customers	1 142 845	—	1 142 845
— Marketable advances	62 907	—	62 907
Accounts receivable	8 578	—	8 578
Current tax asset	267	—	267
Non-current assets and disposal groups held for sale	—	—	—
Reinsurance assets	196	—	196
Investments in associates	6 369	—	6 369
Investments in joint ventures	1 719	50	1 769
Property and equipment	17 800	—	17 800
Intangible assets	10 491	—	10 491
Investment properties	689	—	689
Defined benefit post-employment asset	6	—	6
Deferred income tax asset	4 621	—	4 621
Total assets	1 669 039	23	1 669 062
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 374	—	5 374
Derivative financial instruments	52 597	—	52 597
Creditors, accruals and provisions	21 922	—	21 922
Current tax liability	1 643	—	1 643
Deposits	1 393 104	—	1 393 104
Employee liabilities	13 042	—	13 042
Other liabilities	5 974	—	5 974
Policyholder liabilities	5 263	—	5 263
Tier 2 liabilities	24 191	—	24 191
Deferred income tax liability	1 359	—	1 359
Total liabilities	1 524 469	—	1 524 469
Equity			
Ordinary shares	56	—	56
Share premium	8 056	(33)	8 023
Reserves	121 538	56	121 594
Capital and reserves attributable to equityholders of the group	129 650	23	129 673
Other equity instruments	10 734	—	10 734
Non-controlling interests	4 186	—	4 186
Total equity	144 570	23	144 593
Total equities and liabilities	1 669 039	23	1 669 062

* FirstRand shares held for client trading activities.

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2018

<i>R million</i>	IAS 39		
	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	–	96 024
Derivative financial instruments	42 499	–	42 499
Commodities	13 424	–	13 424
Investment securities	209 004	(67)	208 937
Advances	1 121 227	–	1 121 227
– Advances to customers	1 065 997	–	1 065 997
– Marketable advances	55 230	–	55 230
Accounts receivable	9 884	–	9 884
Current tax asset	378	–	378
Non-current assets and disposal groups held for sale	112	–	112
Reinsurance assets	84	–	84
Investments in associates	5 537	–	5 537
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	–	17 936
Intangible assets	10 847	–	10 847
Investment properties	754	–	754
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	2 884	–	2 884
Total assets	1 532 310	(21)	1 532 289
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	–	9 999
Derivative financial instruments	50 954	–	50 954
Creditors, accruals and provisions	19 620	–	19 620
Current tax liability	438	–	438
Deposits	1 267 448	–	1 267 448
Employee liabilities	11 534	–	11 534
Other liabilities	6 989	–	6 989
Policyholder liabilities	4 593	–	4 593
Tier 2 liabilities	28 439	–	28 439
Deferred income tax liability	1 477	–	1 477
Total liabilities	1 401 491	–	1 401 491
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(62)	7 994
Reserves	112 934	41	112 975
Capital and reserves attributable to equityholders of the group	121 046	(21)	121 025
Other equity instruments	5 769	–	5 769
Non-controlling interests	4 004	–	4 004
Total equity	130 819	(21)	130 798
Total equities and liabilities	1 532 310	(21)	1 532 289

* FirstRand shares held for client trading activities.

Advances (audited)

<i>R million</i>	2019 IFRS 9	2018 IAS 39
Value of advances	1 239 914	1 142 141
IAS 39 contractual interest suspended	–	(2 079)
Gross value of advances	1 239 914	1 140 062
Category analysis		
Overdrafts and cash management accounts	82 642	74 451
Term loans	67 926	62 225
Card loans	35 516	29 753
Instalment sales, hire purchase agreements and lease payments receivable	232 103	227 235
Property finance	408 078	374 027
Personal loans	53 569	45 324
Preference share agreements	49 576	48 644
Assets under agreement to resell	45 315	33 064
Investment bank term loans	155 780	150 383
Long-term loans to group associates and joint ventures	2 473	2 961
Other	44 029	36 765
Total customer advances	1 177 007	1 084 832
Marketable advances	62 907	55 230
Gross value of advances	1 239 914	1 140 062
Impairment and fair value of credit of advances	(34 162)	(18 835)
Net advances	1 205 752	1 121 227

ANALYSIS OF ADVANCES PER CLASS

<i>R million</i>	2019 IFRS 9			
	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	214 623	217 164	–	(2 541)
Vehicle asset finance*	155 260	160 703	–	(5 443)
Total retail secured	369 883	377 867	–	(7 984)
Credit card	29 560	32 443	–	(2 883)
Personal loans	33 094	39 947	–	(6 853)
Other retail	15 183	17 908	–	(2 725)
Total retail unsecured	77 837	90 298	–	(12 461)
FNB Commercial	101 319	105 057	74	(3 812)
WesBank corporate	27 607	27 945	–	(338)
RMB corporate banking	57 244	57 827	105	(688)
RMB investment banking	282 665	206 751	79 147	(3 233)
Total corporate and commercial	468 835	397 580	79 326	(8 071)
Rest of Africa	61 647	65 241	369	(3 963)
Group treasury and other	37 028	37 166	577	(715)
Aldermore	190 522	191 490	–	(968)
Retail**	128 686	129 072	–	(386)
Commercial	61 836	62 418	–	(582)
Total advances	1 205 752	1 159 642	80 272	(34 162)

* Includes MotoNovo old book in FirstRand bank with a closing balance of R54 561 million (£3 034 million).

** Includes MotoNovo new book of R6 639 million (£369 million).

Impairment of advances (audited)

<i>R million</i>	2019 IFRS 9		2018 IAS 39	
	Amortised cost	Fair value	Amortised cost	Fair value
Increase in loss allowance (IAS 39 impairment provision)	(12 346)	(69)	(11 488)	586
Recoveries of bad debts	2 548	–	2 334	1
Modification loss	(633)	–	–	–
Impairment of advances recognised during the period	(10 431)	(69)	(9 154)	587

RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

Fair value

<i>R million</i>	RMB investment banking	Rest of Africa	Group Treasury	Total
Amount as at 1 July 2018 (IFRS 9)	312	4	173	489
– Stage 1	92	4	173	269
– Stage 2	15	–	–	15
– Stage 3	205	–	–	205
Bad debts written off	(10)	–	–	(10)
Current year provision created/(released)	66	(2)	5	69
– Stage 1	(120)	(2)	(18)	(140)
– Stage 2	186	–	23	209
– Stage 3	–	–	–	–
Amount as at 30 June 2019	368	2	178	548
Stage 1	124	2	176	302
Stage 2	47	–	2	49
Stage 3	197	–	–	197

Impairment of advances (audited) *continued***RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS***Amortised cost*

<i>R million</i>	Retail secured		Retail unsecured			Corporate and commercial	
	Residential mortgages	Vehicle asset finance	Credit card	Personal loans	Other retail	FNB commercial	
Amount as at 1 July 2018 IFRS 9	2 362	5 345	1 805	4 732	2 023	3 457	
– Stage 1	269	1 180	535	1 267	637	680	
– Stage 2	378	1 527	274	1 017	546	879	
– Stage 3	1 715	2 638	996	2 448	840	1 898	
Transfers between classes	–	(13)	–	–	–	–	
Disposal of advances	–	–	–	–	–	–	
Exchange rate differences	120	(11)	–	2	(120)	(7)	
Bad debts written off	(362)	(3 092)	(611)	(1 570)	(885)	(751)	
Current period provision created/ (released)*	318	2 887	1 540	3 369	1 455	836	
– Stage 1	(95)	(421)	16	173	20	(214)	
– Stage 2	322	626	326	404	273	448	
– Stage 3	91	2 682	1 198	2 792	1 162	602	
Interest on stage 3 advances	103	327	149	320	252	277	
Amount as at 30 June 2019	2 541	5 443	2 883	6 853	2 725	3 812	
Stage 1	360	980	631	1 440	724	733	
Stage 2	510	1 626	383	979	464	776	
Stage 3	1 671	2 837	1 869	4 434	1 537	2 303	

* 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 year and the transfers between stages of the new origination.
- Impact of changes in models and risk parameters, including forward-looking macroeconomic information.

	Corporate and commercial							
	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total
	333	945	2 876	3 598	476	185	452	28 589
	93	163	570	726	326	80	193	6 719
	91	723	1 330	685	150	29	103	7 732
	149	59	976	2 187	–	76	156	14 138
	–	–	–	–	–	13	–	–
	–	–	(4)	–	–	–	–	(4)
	1	2	6	(155)	6	(6)	(7)	(169)
	(104)	(322)	(359)	(638)	–	(8)	(211)	(8 913)
	99	25	317	959	53	147	341	12 346
	(36)	(51)	69	(62)	(12)	96	160	(357)
	4	(77)	54	363	1	29	186	2 959
	131	153	194	658	64	22	(5)	9 744
	9	38	29	197	2	55	7	1 765
	338	688	2 865	3 961	537	386	582	33 614
	92	231	924	740	387	159	213	7 614
	67	364	1 419	804	150	51	109	7 702
	179	93	522	2 417	–	176	260	18 298

Impairment of advances (audited) *continued*

R million	2018 IAS 39				
	FNB		RMB		
	Retail	Commercial	Investment banking	Corporate banking	
Analysis of movement in impairment of advances per class of advance					
Balance as at 1 July 2017	6 346	1 559	2 966	935	
Amounts written off	(4 282)	(750)	(251)	—	
Acquisitions of subsidiaries	—	—	—	—	
Disposals of advances	—	—	(18)	—	
Transfers (to)/from other divisions	(69)	2	12	41	
Transfer to non-current assets or disposal groups held for sale	—	—	39	—	
Reclassifications	—	—	—	—	
Exchange rate differences	53	—	16	7	
Unwinding of discounted present value on NPLs	(119)	—	—	—	
Net new impairments created/(released)	5 291	741	235	11	
Balance as at 30 June 2018	7 220	1 552	2 999	994	

	2018 IAS 39					
	WesBank	Aldermore	FCC and other	Total impairment	Specific impairment	Portfolio impairment
	4 329	—	405	16 540	8 489	8 051
	(3 756)	(115)	—	(9 154)	(9 154)	—
	—	484	—	484	196	288
	—	—	—	(18)	(18)	—
	14	—	—	—	—	—
	—	—	—	39	39	—
	—	—	—	—	80	(80)
	50	39	2	167	79	88
	1	(6)	—	(124)	(124)	—
	4 798	57	(232)	10 901	10 405	496
	5 436	459	175	18 835	9 992	8 843

Fair value measurements (audited)

VALUATION METHODOLOGY

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group 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, technical teams 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 group 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 technical teams, valuation committees, relevant risk committees and external auditors annually, or more frequently if considered appropriate.

Fair value measurements are determined by the group 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.

These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

Financial instruments

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

Where the group has a 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 under the heading “financial instruments not measured at fair value”, 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 group 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 group 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. In assessing whether a mark-to-model valuation is appropriate, the group will consider whether:

- 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 group 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 group 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	The 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 by 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 a market-related interest rate 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 to customers are classified as level 2 of the fair value hierarchy.	Market interest rate curves

Fair value measurements (audited) *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 and bonds, 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 a market-related interest rate adjusted for credit inputs over the contractual period.	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

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES <i>continued</i>			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate of the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	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 group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business' 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)
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
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rate curves, foreign exchange rates and credit inputs
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.	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 curves or performance of the underlying

Fair value measurements (audited) *continued*

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplied by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rate curves
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 HIERARCHY AND MEASUREMENTS *continued*

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the group 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 OF LEVEL 3 ITEMS
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 by 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	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are 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 a market-related interest rate, adjusted for credit inputs. To calculate the fair value of credit the group 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 in 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 fair value of credit is not significant year-on-year, but it may become significant in future. South African counterparties do not have actively traded or observable credit spreads. The group classifies other loans and advances to customers as level 3 of the fair value hierarchy.	Credit inputs

Fair value measurements (audited) *continued***FAIR VALUE HIERARCHY AND MEASUREMENTS** *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
LOANS AND ADVANCES TO CUSTOMERS <i>continued</i>			
Advances under repurchase agreements	Discounted cash flows	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong way risk is incorporated by factoring in the correlation between the FX rate and the default risk of the counterparty as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors
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 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

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES <i>continued</i>			
Investments in funds and unit trusts	Third-party valuations	<p>In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group 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.</p> <p>Where these underlying investments are unlisted, the group 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 to.</p>	Third-party valuations used, minority and marketability adjustments
Investment properties	Adjusted market prices	<p>The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts.</p> <p>The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.</p>	Income capitalisation rates

Fair value measurements (audited) *continued***FAIR VALUE HIERARCHY AND MEASUREMENTS** *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
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 group 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 on the preceding page, 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 year.

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 group which are recognised at fair value.

<i>R million</i>	2019 IFRS 9			
	Level 1	Level 2	Level 3	Total fair value
Assets				
<i>Recurring fair value measurements</i>				
Derivative financial instruments	140	46 162	802	47 104
Advances	–	43 583	36 141	79 724
Investment securities	66 826	40 005	3 692	110 523
Non-recourse investments	–	12 253	–	12 253
Commodities	21 176	–	–	21 176
Investment properties	–	–	689	689
Total fair value assets – recurring	88 142	142 003	41 324	271 469
Liabilities				
<i>Recurring fair value measurements</i>				
Short trading positions	5 352	22	–	5 374
Derivative financial instruments	91	51 664	842	52 597
Deposits	1 378	53 809	1 238	56 425
Non-recourse deposits	–	12 253	–	12 253
Other liabilities	–	189	387	576
Policyholder liabilities under investment contracts	4 415	–	–	4 415
Total fair value liabilities – recurring	11 236	117 937	2 467	131 640

Fair value measurements (audited) *continued***FAIR VALUE HIERARCHY AND MEASUREMENTS** *continued*

<i>R million</i>	2018 IAS 39			
	Level 1	Level 2	Level 3	Total fair value
Assets				
<i>Recurring fair value measurements</i>				
Derivative financial instruments	244	41 692	563	42 499
Advances	–	25 826	171 237	197 063
Investment securities	122 031	37 287	2 394	161 712
Non-recourse investments	–	11 160	–	11 160
Commodities	13 424	–	–	13 424
Investment properties	–	–	754	754
Total fair value assets – recurring	135 699	115 965	174 948	426 612
Liabilities				
<i>Recurring fair value measurements</i>				
Short trading positions	9 999	–	–	9 999
Derivative financial instruments	21	50 303	630	50 954
Deposits	1 354	93 226	514	95 094
Non-recourse deposits	–	11 160	–	11 160
Other liabilities	–	1 974	1 586	3 560
Policyholder liabilities under investment contracts	3 877	–	–	3 877
Total fair value liabilities – recurring	15 251	156 663	2 730	174 644

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

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

<i>R million</i>	2019 IFRS 9		
	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	128	(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	(128)	Derivatives linked to the Botswana pula were valued on an internally created curve, whose inputs are no longer observable. In addition, certain inputs used to calculate the fair value of a portfolio of investment securities became unobservable. These changes in input resulted in a transfer out of level 2 to level 3.
Total transfers	279	(279)	

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

Fair value measurements (audited) *continued***ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS** *continued**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.

<i>R million</i>	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2017	8	199 179	2 230	399	233	1 543	536
Gains/(losses) recognised in profit or loss	(17)	15 889	186	33	(107)	160	23
Gains/(losses) recognised in other comprehensive income	–	(1)	(7)	–	–	–	–
Purchases, sales, issue and settlements	40	(44 096)	(63)	2	1	(151)	(51)
Acquisitions/disposals of subsidiaries	–	–	–	320	–	33	–
Net transfer to level 3	532	–	31	–	504	–	–
Exchange rate differences	–	266	17	–	(1)	1	6
Balance as at 30 June 2018	563	171 237	2 394	754	630	1 586	514
IFRS 9 adjustment	–	(119 919)	(235)	–	–	–	–
Gains/(losses) recognised in profit or loss	226	2 323	1 477	–	65	(1 769)	3
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–	–
Purchases, sales, issue and settlements	(49)	(17 558)	72	59	159	570	720
Acquisitions/disposals of subsidiaries	–	–	–	(124)	–	–	–
Net transfer into level 3	62	–	(27)	–	(12)	–	–
Exchange rate differences	–	58	10	–	–	–	1
Balance as at 30 June 2019	802	36 141	3 692	689	842	387	1 238

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

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, FVOCI debt instruments (IFRS 9) and available-for-sale financial assets (IAS 39), all gains or losses are recognised in non-interest revenue.

<i>R million</i>	2019 IFRS 9		2018 IAS 39	
	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	162	–	11	–
Advances*	2 183	–	12 026	(1)
Investment securities	1 340	1	84	(7)
Investment properties	–	–	29	–
Total	3 685	1	12 150	(8)
Liabilities				
Derivative financial instruments	37	–	(299)	–
Deposits	12	–	24	–
Other liabilities	144	–	43	–
Total	193	–	(232)	–

* Amount is mainly accrued interest on fair value loans and advances and movements in interest rates and foreign currency that have been economically hedged. These loans and advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for loans and 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 may be a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be a result of gains, settlements or the acquisition of subsidiaries.

Fair value measurements (audited) *continued***ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS** *continued**Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives*

The table below illustrates 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*

<i>R million</i>	2019 IFRS 9			2018 IAS 39		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	802	815	792	563	569	556
Advances	36 141	36 350	35 935	171 237	171 958	170 603
Investment securities	3 692	3 848	3 492	2 394	2 598	2 254
Total financial assets measured at fair value in level 3	40 635	41 013	40 219	174 194	175 125	173 413
Liabilities						
Derivative financial instruments	842	836	846	630	624	637
Deposits	1 238	1 221	1 256	514	460	551
Other liabilities	387	377	397	1 586	1 566	1 607
Total financial liabilities measured at fair value in level 3	2 467	2 434	2 499	2 730	2 650	2 795

Fair value measurements (audited) continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value on 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 a reasonable approximation of the fair value.

<i>R million</i>	2019 IFRS 9				
	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 126 028	1 136 277	–	110 953	1 025 324
Investment securities	118 950	118 668	88 102	24 572	5 994
Total financial assets at amortised cost	1 244 978	1 254 945	88 102	135 525	1 031 318
Liabilities					
Deposits	1 324 426	1 318 847	4 768	1 102 313	211 766
Other liabilities	5 398	5 388	–	3 015	2 373
AT1 and Tier 2 liabilities	24 191	24 752	–	24 752	–
Total financial liabilities at amortised cost	1 354 015	1 348 987	4 768	1 130 080	214 139

<i>R million</i>	2018 IAS 39				
	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	924 165	928 641	–	112 085	816 556
Investment securities	36 065	35 985	31 917	2 827	1 241
Total financial assets at amortised cost	960 230	964 626	31 917	114 912	817 797
Liabilities					
Deposits	1 161 194	1 161 975	3 959	980 291	177 725
Other liabilities	3 429	3 429	–	1 289	2 140
Tier 2 liabilities	28 439	28 881	–	28 881	–
Total financial liabilities at amortised cost	1 193 062	1 194 285	3 959	1 010 461	179 865

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.

<i>R million</i>	2019 IFRS 9	2018 IAS 39
Opening balance	54	51
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	31	13
Amount recognised in profit or loss as a result of changes which would be observable by market participants	(35)	(10)
Closing balance	50	54

Contingencies and commitments (audited)

as at 30 June

<i>R million</i>	2019 IFRS 9	2018 IAS 39	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	38 273	36 977	4
Letters of credit	8 733	10 681	(18)
Total contingencies	47 006	47 658	(1)
Irrevocable commitments	136 580	126 631	8
Committed capital expenditure approved by the directors	4 034	2 915	38
Operating lease commitments	3 390	3 588	(6)
Other	136	166	(18)
Contingencies and commitments	191 146	180 958	6
Legal proceedings			
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.			
Provision made for liabilities that are expected to materialise.	192	181	6

Events after the reporting period (audited)

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 (audited)

for the year ended 30 June

R million	2019 IFRS 9												
	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	FNB SA	FNB Africa	Total FNB			Investment banking	Corporate banking	Total RMB					
Profit before tax	23 847	1 501	25 348	2 580	27 928	7 860	2 205	10 065	2 389	(1 694)	38 688	2 984	41 672
Total assets	419 082	57 552	476 634	138 254	614 888	459 295	64 681	523 976	225 323	304 852	1 669 039	23	1 669 062
Total liabilities*	401 763	57 789	459 552	135 146	594 698	449 127	63 214	512 341	205 626	211 804	1 524 469	–	1 524 469

* Total liabilities are net of interdivisional balances.

R million	2018 IAS 39												
	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	FNB SA	FNB Africa	Total FNB			Investment banking	Corporate banking	Total RMB					
Profit before tax	21 669	1 145	22 814	2 643	25 457	8 410	1 977	10 387	549	(521)	35 872	222	36 094
Total assets	390 430	57 516	447 946	142 104	590 050	418 073	53 640	471 713	189 867	280 680	1 532 310	(21)	1 532 289
Total liabilities*	368 809	57 663	426 472	139 643	566 115	408 772	52 373	461 145	176 089	198 142	1 401 491	–	1 401 491

* Total liabilities are net of interdivisional balances.

05

supplementary
information

Headline earnings additional disclosure

Set out below is additional information pertaining to Section 1 of Circular 04/2018 – Sector-Specific Rules for Headline Earnings.

ISSUE 1 – REMEASUREMENT RELATING TO PRIVATE EQUITY ACTIVITIES (ASSOCIATES AND JOINT VENTURES, EXCLUDING ANY PRIVATE EQUITY INVESTMENTS CARRIED AT FAIR VALUE IN TERMS OF IFRS 9) REGARDED AS OPERATING OR TRADING ACTIVITIES

<i>R million</i>	Year ended 30 June		% change
	2019 IFRS 9	2018 IAS 39	
Aggregate cost of portfolio	2 232	2 064	8
Aggregate carrying value	4 298	3 841	12
Aggregate fair value*	8 457	7 832	8
Equity-accounted income**	773	480	61
Profit on realisation [#]	269	1 335	(80)

* Aggregate fair value is disclosed including non-controlling interests.

** Income from associates and joint ventures is disclosed post-tax.

[#] Profit on realisation is disclosed post-tax and non-controlling interests.

ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PRODUCTS

<i>R million</i>	Year ended 30 June		% change
	2019 IFRS 9	2018 IAS 39	
Carrying value of investment properties	689	754	(9)
Fair value of investment properties	689	754	(9)

Number of ordinary shares in issue

for the year ended 30 June

	2019		2018	
	IFRS	Normalised	IFRS	Normalised
Shares in issue				
Opening balance as at 1 July	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	(385 962)	–	(1 045 515)	–
– Shares for client trading*	(385 962)	–	(1 045 515)	–
Number of shares in issue (after treasury shares)	5 609 102 039	5 609 488 001	5 608 442 486	5 609 488 001
Weighted average number of shares				
Weighted average number of shares before treasury shares	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	(445 105)	–	(1 363 218)	–
– Shares for client trading*	(445 105)	–	(1 363 218)	–
Basic and diluted weighted average number of shares in issue	5 609 042 896	5 609 488 001	5 608 124 783	5 609 488 001

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

Key market indicators and share statistics

for the year ended 30 June

	2019	2018	% change
Market indicators			
\$/R exchange rate			
– Closing	14.13	13.80	2
– Average	14.17	12.82	11
£/R exchange rate			
– Closing	17.98	18.18	(1)
– Average	18.33	17.27	6
SA prime overdraft (%)	10.25	10.00	
SA average prime overdraft (%)	10.15	10.20	
SA average CPI (%)	4.64	4.53	
JSE All Share Index	58 204	57 611	1
JSE Banks Index	9 720	9 026	8
Share statistics			
Share price			
– High for the year (cents)	7 195	7 725	(7)
– Low for the year (cents)	5 900	4 669	26
– Closing (cents)	6 855	6 389	7
Shares traded			
– Number of shares (millions)	2 717	3 239	(16)
– Value of shares (R million)	179 308	196 560	(9)
– Turnover in shares traded (%)	48.44	57.76	
Share price performance			
FirstRand average share price (cents)	6 608	5 999	10
JSE Bank Index (average)	9 261	8 794	5
JSE All Share Index (average)	55 420	57 427	(3)

Company information

DIRECTORS

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

COMPANY SECRETARY AND REGISTERED OFFICE

C Low

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Website: www.firstrand.co.za

JSE SPONSOR

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Fax: +27 11 282 4184

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Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

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Jukskei View
2090

Deloitte & Touche

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Woodmead, Sandton
2052

Listed financial instruments of the group

at 30 June 2019

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares		
Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304
Non-cumulative non-redeemable B preference shares		
Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares		
Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares		
Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

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	FRX19	ZAG000073685	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

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS129	ZAG000125865	FRS169	ZAG000145780
FRS37	ZAG000077793	FRS131	ZAG000126186	FRS170	ZAG000145954
FRS43	ZAG000078643	FRS132	ZAG000126194	FRS171	ZAG000147448
FRS46	ZAG000079807	FRS133	ZAG000126541	FRS172	ZAG000147455
FRS49	ZAG000081787	FRS134	ZAG000126574	FRS173	ZAG000148180
FRS51	ZAG000086117	FRS135	ZAG000126608	FRS174	ZAG000148198
FRS62	ZAG000090614	FRS136	ZAG000126780	FRS175	ZAG000149451
FRS64	ZAG000092529	FRS137	ZAG000127549	FRS176	ZAG000149444
FRS81	ZAG000100892	FRS138	ZAG000127556	FRS177	ZAG000152885
FRS85	ZAG000104985	FRS142	ZAG000130782	FRS178	ZAG000153107
FRS87	ZAG000105420	FRS143	ZAG000130790	FRS179	ZAG000153321
FRS90	ZAG000106410	FRS145	ZAG000134263	FRS180	ZAG000154147
FRS100	ZAG000111634	FRS146	ZAG000134636	FRS181	ZAG000154188
FRS101	ZAG000111774	FRS147	ZAG000135724	FRS182	ZAG000154386
FRS103	ZAG000111840	FRS149	ZAG000136573	FRS183	ZAG000154568
FRS104	ZAG000111857	FRS150	ZAG000136615	FRS184	ZAG000155490
FRS108	ZAG000113515	FRS151	ZAG000136987	FRS185	ZAG000155540
FRS109	ZAG000113564	FRS152	ZAG000136995	FRS186	ZAG000156522
FRS110	ZAG000113663	FRS153	ZAG000137670	FRS187	ZAG000156514
FRS112	ZAG000115395	FRS158	ZAG000145012	FRS188	ZAG000156506
FRS114	ZAG000116070	FRS159	ZAG000145020	FRS189	ZAG000157462
FRS119	ZAG000118951	FRS160	ZAG000145038	FRS190	ZAG000157835
FRS120	ZAG000119298	FRS161	ZAG000145046	FRS191	ZAG000157827
FRS121	ZAG000120643	FRS162	ZAG000145111	FRS192	ZAG000157850
FRS122	ZAG000121062	FRS163	ZAG000145129	FRS193	ZAG000157892
FRS123	ZAG000121328	FRS164	ZAG000145160	FRS194	ZAG000160516
FRS124	ZAG000122953	FRS165	ZAG000145178	FRS195	ZAG000160524
FRS126	ZAG000125188	FRS167	ZAG000145764	RMBI01	ZAG000050865
FRS127	ZAG000125394	FRS168	ZAG000145772	RMBI02	ZAG000052986
Credit-linked notes					
FRC169	ZAG000104852	FRC246	ZAG000135476	FRC278	ZAG000153560
FRC178	ZAG000107897	FRC247	ZAG000135484	FRC279	ZAG000153578
FRC179	ZAG000108168	FRC248	ZAG000135450	FRC280	ZAG000153776
FRC181	ZAG000108549	FRC249	ZAG000135542	FRC281	ZAG000153834
FRC195	ZAG000114745	FRC250	ZAG000135559	FRC282	ZAG000154063
FRC207	ZAG000117649	FRC251	ZAG000141813	FRC283	ZAG000154394
FRC208	ZAG000117656	FRC252	ZAG000142225	FRC284	ZAG000154642
FRC209	ZAG000118613	FRC254	ZAG000144825	FRC285	ZAG000155201
FRC210	ZAG000120296	FRC256	ZAG000145806	FRC286	ZAG000156548
FRC212	ZAG000121054	FRC257	ZAG000146564	FRC287	ZAG000156860

Listed financial instruments of the group *continued*

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes <i>continued</i>					
FRC213	ZAG000121047	FRC258	ZAG000146580	FRC288	ZAG000156852
FRC215	ZAG000121021	FRC259	ZAG000147414	FRC289	ZAG000157108
FRC219	ZAG000121138	FRC260	ZAG000147596	FRC290	ZAG000157447
FRC221	ZAG000121229	FRC261	ZAG000147653	FRC291	ZAG000157629
FRC225	ZAG000121435	FRC262	ZAG000147646	FRC292	ZAG000157777
FRC233	ZAG000128752	FRC264	ZAG000149345	FRC293	ZAG000158783
FRC234	ZAG000130816	FRC265	ZAG000149485	FRC294	ZAG000158791
FRC236	ZAG000135211	FRC266	ZAG000149824	FRC295	ZAG000159310
FRC237	ZAG000135203	FRC267	ZAG000150004	FRC296	ZAG000159369
FRC238	ZAG000135237	FRC269	ZAG000150806	FRC297	ZAG000159351
FRC239	ZAG000135245	FRC270	ZAG000151234	FRC298	ZAG000159427
FRC240	ZAG000135252	FRC271	ZAG000151556	FRC299	ZAG000159575
FRC241	ZAG000135393	FRC272	ZAG000151564	FRC300	ZAG000159674
FRC242	ZAG000135401	FRC274	ZAG000151952	FRC301	ZAG000159872
FRC243	ZAG000135419	FRC275	ZAG000152372	FRC302	ZAG000160029
FRC244	ZAG000135427	FRC276	ZAG000152430	FRC303	ZAG000160425
FRC245	ZAG000135468	FRC277	ZAG000153552	FRC304	ZAG000160565

Other

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK01	ZAE000193959	FRPT01	ZAE000205480

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	Subordinated debt
XS1178685084	XS1810806395
XS0610341967	
XS1225512026	

Issuer: First National Bank of Namibia Limited
JSE

ISIN code
ZAG000142803
ZAG000142902

NSX
Domestic medium-term note programme

ISIN code
Senior unsecured
NA000A188PX0
NA000A188PY8
NA000A188PV4
NA000A19FKU3
NA000A188PW2
NA000A19FKV1
NA000A1G3AG0
NA000A1G3AF2

Issuer: Aldermore Group plc
LSE

ISIN code
Tier 2
XS1507529144

Irish Stock Exchange

ISIN code
Contingent convertible securities
XS1150025549

Issuer: First National Bank of Botswana Limited
BSE
Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700

Bond code	ISIN code
Senior unsecured	
FNBB005	BW 000 000 1510
FNBB006	BW 000 000 1528
FNBB009	BW 000 000 1916

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
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
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

ALM	Asset and liability management
APE	Annual premium equivalent
ASF	Available stable funding
AT1	Additional Tier 1
AUA	Assets under administration
AUE	Assets under execution
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BIS	Bank for International Settlements
BSE	Botswana Stock Exchange
BTL	Buy-to-let
C&TB	Corporate and transactional banking
CAGR	Compound annual growth rate
Capex	Capital expenditure
CAR	Capital adequacy ratio
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
DIS	Deposit insurance scheme
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
EPS	Earnings per share
FLAC	First loss-absorbing capacity
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRN	Floating rate notes
FSB	Financial Services Board
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
HQLA	High-quality liquid assets
IB	Investment banking
IB&A	Investment banking and advisory
IFRS-IC	IFRS Interpretation Committee

IM	Investment management
INV	Investing
ISP	Interest in suspense
JSE	Johannesburg Stock Exchange
JV	Joint venture
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
LSE	London Stock Exchange
LTV	Loan to value
M&S	Markets and structuring
MCA	Market Conduct Authority
Moody's	Moody's Investors Service
MTM	Mark-to-market
NCAA	National Credit Amendment Act
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
PD	Probability of default
P/E	Price/earnings
PN	Promissory note
RA	Resolution Authority
RMBS	Residential mortgage-backed securities
ROA	Return on assets
ROE	Return on equity
RSF	Required stable funding
RWA	Risk weighted assets
S&P	S&P Global Ratings
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium enterprises
SPPI	Solely payments of principal and interest
SRB	Special Resolution Bill
TLAC	Total loss-absorbing capacity
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 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

[illegible]



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