RMH

CONDENSED UNAUDITED INTERIM FINANCIAL RESULTS ANNOUNCEMENT

for the six months ended 31 December 2019

Contents

Basis of preparation

This report covers the unaudited interim financial results of RMB Holdings Limited (RMH), based on International Financial Reporting Standards (IFRS), for the six months ended 31 December 2019.

The primary results and accompanying commentary are presented on a normalised basis as we believe this most accurately reflects the group's underlying economic performance. The normalised earnings were derived from the unaudited IFRS financial results. A reconciliation of the adjustments made to derive normalised earnings is presented in the accompanying schedules.

Refer to page 16 for the computation of normalised earnings.

Ellen Marais, CA(SA) prepared these financial results under the supervision of Herman Bosman, LLM CFA.

On 19 November 2019, RMH announced its intention to unbundle its interest in FirstRand Limited (FirstRand). At the date of this announcement, the details of the unbundling have not yet been announced. Careful consideration was applied to determine whether the definition of a non-current asset held for sale classified as a discontinued operation per *IFRS 5: Non-current Assets Held for Sale and Discontinued Operations* was met. The conclusion we reached was that the requirements were not satisfied at the date of this announcement and therefore *IFRS 5* was not applied in the accounting treatment of RMH's interest in FirstRand in this announcement. Refer to page 3.

Artwork used in this announcement

RMH commissioned sculptor **Ndabuko Ntuli** to create an artwork referencing its lion and key motif in his own way. Ndabuko makes a living from his home in Alexandra township, without any formal training and his sculptures find expression from plastic waste gathered from the streets. Bottle tops, computer parts, timber and bones are given a second chance. This reflects on RMH's sustainability journey.

Financial indicators

for the six months ended 31 December 2019

RMH is an investment holding company with a proud track record of investing in dynamic and entrepreneurial financial services businesses. This performance has been achieved by partnering with exceptional management teams for the long term.

We create sustainable and enduring value for stakeholders, built on strong, ethical and enduring values.

Net asset value (R billion)	+7%	50.9	2018: 47.5
Intrinsic value of portfolio (R billion)	-5%	119.7	2018: 125.4
Market capitalisation (R billion)	+2%	113.6	2018: 111.4
Net income (R billion)	-15%	4.7	2018: 5.5
Headline earnings (R billion)	+3%	4.6	2018: 4.4
Normalised earnings (R billion)	+3%	4.6	2018: 4.4

About RMH

RMH was listed on the JSE in 1992 as a vehicle for shareholders to co-invest with the founders of Rand Merchant Bank (RMB). The group has established numerous successful businesses, including FirstRand, Discovery and OUTsurance. RMH is proud of its role in growing these businesses. It also provided independence to these companies, whilst retaining significant shareholdings as the group's continued strategic input is valued by the respective underlying management teams.

In 2011, RMH's insurance interests (Discovery, Momentum Metropolitan and OUTsurance) were separately listed as Rand Merchant Investment Holdings Limited (RMI). In 2016, RMH expanded its investment strategy to include a property investment business, comprising scalable, entrepreneur-led businesses with proven track records in property.

Investment portfolio

FIRSTRAND

RMH is the founding and largest shareholder in FirstRand, one of Southern Africa's leading financial services groups, with a 34% stake.

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. FirstRand 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.

FirstRand is listed separately and had a market capitalisation of R352.2 billion as at 31 December 2019 (2018: R367.8 billion).

First National Bank (FNB)

Retail and commercial bank

Rand Merchant Bank (RMB)

Corporate and investment bank

WesBank

Instalment finance business

Aldermore

UK-based bank

Ashburton Investments

Group's investment management business

RMH PROPERTY

RMH's property investments are housed in a majority-owned subsidiary, RMH Property Holdings Proprietary Limited (RMH Property), managed by a dedicated investment team.

The intrinsic value created in RMH Property amounted to R672 million (2018: R971 million) (down 31%).

Atterbury

Leading South African property group

Atterbury Europe

European property group

Integer

Mezzanine debt and equity funding business

Divercity

Urban renewal fund

Restructuring

On 19 November 2019, RMH advised shareholders that, following a review of the RMH investment portfolio, the board resolved to restructure the company's portfolio of assets and liabilities.

In terms of the restructuring, it is the board's intention to distribute the FirstRand shareholding to RMH shareholders and to monetise RMH Property in an orderly manner over time. The distribution will be after full settlement of funding obligations and, on appropriate capitalisation of RMH post unbundling. This will be done subject to the customary conditions precedent, including obtaining the required shareholder and regulatory approvals.

On the same date, Remgro also announced its intention to distribute, in full or in part, its exposure to both RMH and FirstRand to Remgro shareholders. Remgro and RMH are currently busy finalising the detailed mechanics and transaction steps to give effect to the respective restructurings.

RMH shareholders are referred to a paper entitled "Additional Tax Policy and Administrative Adjustments" published by National Treasury on 26 February 2020 which proposes changes to section 46 of the Income Tax Act in relation to unbundling transactions. We have considered these proposed amendments, and, having taken advice, do not expect these to impact the implementation of the proposed restructurings.

As previously communicated, a detailed announcement setting out the terms and conditions of the restructuring will be published before the end of the first quarter 2020.

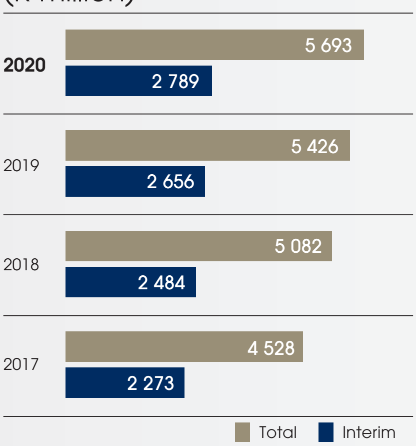
Dividend policy

RMH has a stated policy of returning net dividends (after providing for funding and operational costs incurred at the centre) received in the ordinary course of business to shareholders.

In its efforts to implement the restructuring in the most efficient manner, RMH will not pay an interim cash dividend for the period ended 31 December 2019. The value of the cash dividend received from FirstRand will instead be incorporated into the economic value to be distributed to shareholders pursuant to the proposed restructuring.

We expect to complete the restructuring before the end of our current financial year. The restructuring announcement will detail the treatment of the interim cash dividend.

FIRSTRAND DIVIDENDS RECEIVABLE/RECEIVED BY RMH (R million)



Group structure

Remgro Limited – 28.2%

Royal Bafokeng Holdings Proprietary Limited – 12.5%

Directors – 6.2%

RMH

FirstRand – 34.1%

RMH PROPERTY[1] – 100%

FNB represents FirstRand's retail and commercial activities in South Africa and the broader African continent.

WesBank represents FirstRand's activities in vehicle and asset finance in the retail, commercial and corporate segments.

RMB offers advisory, funding, trading, corporate banking and principal investing solutions.

Aldermore is a UK bank providing asset finance, invoice finance, mortgage and deposit products to SMEs, homeowners, landlords and individuals.

Ashburton is an investment management business.

27.5% – ATTERBURY

37.5% – ATTERBURY EUROPE

Various[2] – INTEGER PROPERTIES

20.4% – DIVERCITY URBAN PROPERTY FUND

1. The simplified group and shareholding structure is based on direct shareholdings. Some indirect shareholding exists due to cross-shareholdings in the underlying property group entities.
2. The investment in Integer properties consists of the following shareholdings:

9%	Integer Properties 1 Proprietary Limited
20%	Integer Properties 2 Proprietary Limited
50%	Integer Properties 3 Proprietary Limited

Performance and outlook

External environment

SA government under pressure

President Ramaphosa recognised the economic challenges SA currently faces in his State of the Nation address to Parliament, including unreliable energy provision, the precarious fiscal position and, more broadly, the weak GDP growth environment, while placing emphasis on the role of the private sector to help solve these challenges. The impact of the President's policy proposals on confidence and economic prospects remains to be seen.

Ratings downgrade risk

All three major credit rating agencies have SA's credit rating on a negative outlook. If Finance Minister Tito Mboweni's budget fails to result in a credible fiscal consolidation trajectory over the medium term, ratings downgrades could follow. This will raise the cost of funding in SA, dealing a further blow to depressed business and consumer confidence.

Slow or no economic growth

Key economic indicators point towards a high probability of another quarterly GDP contraction during Q4. This implies that three of the four quarters of 2019 experienced a decline. Load shedding affected both factories and trade negatively.

Moody's lowered its outlook for real GDP growth to 0.7% in 2020, from a previous forecast of 1%. They anticipate growth to marginally pick up in 2021 to 0.9%. They cited lacklustre private sector demand and a lack of action to contain state spending as key risks.

Unemployment concerns

The unemployment rate remained at 29.1% in 2019Q4.

Inflation up but subdued

Consumer inflation, as measured by the consumer price index (CPI), accelerated to a seven-month high of 4.5% in January 2020. In the short-term, inflation is expected to remain subdued.

UK growth also slowing

GDP growth also stalled in the UK during the 2019Q4. The weak performance was driven by ongoing Brexit uncertainty and a slowdown in international trade. Consumer spending increased at the weakest rate in four years and manufacturing output fell sharply, especially in the car industry. A slowdown in international trade amid the US-China trade war also weighed heavily on UK growth.

Coronavirus causes some concern

Markets reflected initial concerns about the global impact of the Covid-19. Fears also impacted on emerging market currencies, including the Rand. While the Chinese economy is set to suffer in the first quarter at least, the long-term impact on global growth remains to be seen.

FNB SA economic forecasts

	2016	2017	2018	2019F	2020F	2021F
% Real GDP growth	0.4	1.4	0.7	0.3	0.6	0.8
% Unemployment	26.7	27.5	27.7	29.1		
% CPI (average)	6.3	5.3	4.6	4.1	4.2	4.2
Rand/Dollar (average)	14.7	13.3	13.25	14.5	14.9	15.5

Enduring value created

Despite the macroeconomic challenges and other pressures during the second half of 2019, RMH, on the back of a resilient performance by FirstRand, produced satisfactory results.

- **Normalised earnings** increased 3% to R4.6 billion (2018: R4.4 billion).
- Normalised earnings per share amounted to 325.1 cents per share (2018: 314.9 cents per share).
- RMH's core investment, **FirstRand**, produced a solid performance despite the challenging economic climate, increasing normalised earnings by 5% (2018: 7%) and delivering a return on equity of 21.2% (2018: 22.3%). FirstRand franchises, FNB, RMB and Aldermore produced good operating results, with WesBank adversely affected by the macroeconomic climate.
- **RMH Property**'s net intrinsic value created amounted to R672 million (2018: R971 million). This was mainly driven by the increase in net asset value of Atterbury Europe, which was as a result of a Euro 100 million subscription by Pareto Limited for 25% of Atterbury Europe on 17 July 2019. The increase in the value of Atterbury Europe was off-set by the goodwill written down on Atterbury SA as a result of a general rerating of property shares. The goodwill paid on the acquisition of Atterbury SA has now been fully impaired. RMH Property delivered normalised profit of R10 million (2018: R15 million).
- RMH's **market capitalisation** increased slightly from R111.4 billion to R113.6 billion period-on-period.

Sources of income

FirstRand's well-diversified income stream provides a universal set of transactional, lending, investment and insurance products and services. RMH's normalised earnings are made up as follows:

	For the six months ended 31 December			For the year ended
R million	**2019**	2018	% change	30 June 2019
FNB	**9 167**	8 742	5	17 745
RMB	**3 456**	3 274	6	6 975
WesBank	**966**	957	1	1 808
Aldermore	**797**	1 037	(23)	1 658
Other*	**(377)**	(668)	44	(292)
FIRSTRAND NORMALISED EARNINGS	**14 009**	13 342	5	27 894
Attributable to RMH	**4 763**	4 544	5	9 502
RMH Property	**10**	15	(33)	140
Centre costs	**(182)**	(112)	63	(248)
RMH NORMALISED EARNINGS	**4 591**	4 447	3	9 394

* *Other is the total of FCC including group treasury, other equity instruments, the capital endowment, the impact of accounting mismatches, interest rate management and foreign currency and liquidity management.*

A reconciliation of the adjustments made to derive normalised earnings is presented on page 16.

Underlying intrinsic value

At 31 December 2019, RMH's market capitalisation was R113.6 billion (2018: R111.4 billion) at 8 044 cents (2018: 7 890 cents) per share. This equates to a 5.1% (2018: 11.2%) discount to RMH's underlying intrinsic value. Net asset value per share increased 7% to 3 604.7 (2018: 3 363.7) cents per share.

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Market value of listed interest (FirstRand)	**120 038**	125 314	(4)	130 960
Net intrinsic value of RMH Property	**672**	971	(31)	748
Gross value	**3 425**	3 641		3 350
Property funding	**(2 753)**	(2 670)		(2 602)
Other net funding	**(996)**	(897)	11	(914)
TOTAL INTRINSIC VALUE	**119 713**	125 388	(5)	130 794
Intrinsic value per share (cents)	**8 480.0**	8 882.0	(5)	9 265.0
Net asset value per share (cents)	**3 604.7**	3 363.7	7	3 492.4

Board changes

On 15 November 2019, RMH announced the appointment of Mr Per Lagerström as chairman of the audit and risk committee and the resignation of Mr Peter Cooper from the investment committee.

For and on behalf of the board

Jannie Durand
Chairman

Herman Bosman
Chief Executive Officer

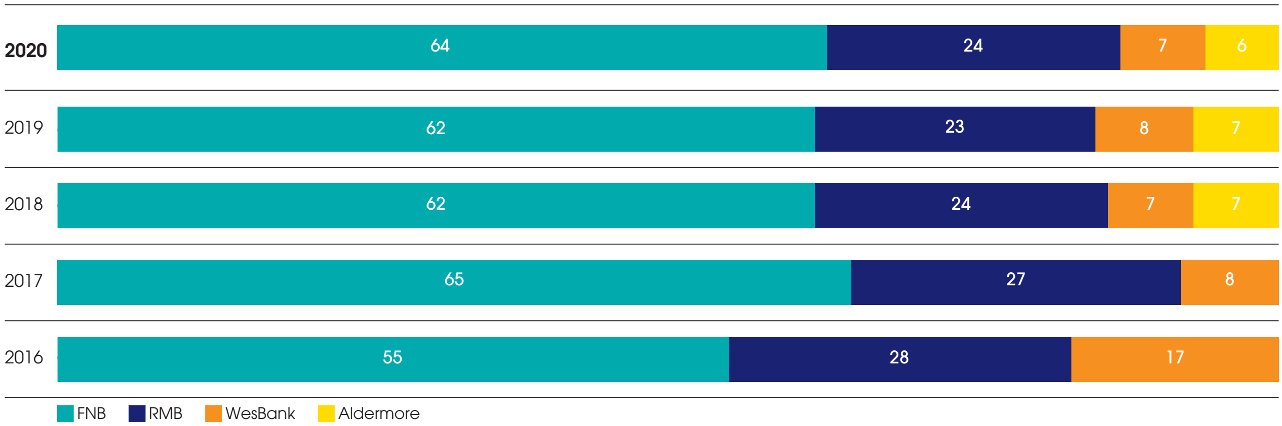
Sandton
11 March 2020

Portfolio review

FirstRand

Why we invest in FirstRand
• Strong track record of superior growth • Consistent dividend growth for 8 years • Experienced, ethical leadership • Innovation • Client base willingness to adopt change and technology

CONTRIBUTION TO NORMALISED EARNINGS (%)



Performance for the six months

Despite a deteriorating macroeconomic backdrop in South Africa, FirstRand produced normalised earnings growth of 5%. The group continued to maintain its balance sheet strength and protect its return profile, producing a normalised ROE of 21.2%. FirstRand's performance for the six months was influenced by the following factors:

- **Net interest income** (NII) increased by 8% and, although advances growth slowed to 4%, growth in deposits increased 7%. FNB's NII growth moderated slightly to 9% but still benefited from advances growth of 8%, and deposit growth of 10%, particularly from the premium and commercial segments. RMB delivered good NII growth of 12%, benefiting slightly from higher-yielding cross-border activity, increased utilisation of trade and working capital facilities and 5% growth in deposits in the corporate bank. WesBank's NII reflected a tough operating environment, with advances growing by 1%.
- **Non-interest revenue** (NIR) growth slowed to 5%, mainly reflecting relatively lower fee and commission income growth (up 3%), and the non-repeat of private equity realisations in the comparative six months to December 2018 (investment income was down 73%). FNB's fee and commission income grew 5%, mainly due to increased volumes across its digital and electronic channels, however, as expected, absolute growth in volumes has slowed due to constrained customer disposable incomes and competitive pressures.
- **Insurance income** grew 14%, benefiting from volume growth of 8% and 1%, respectively, in FNB's funeral and credit life policies. This resulted in a 17% increase in the in-force annual premium equivalent (APE). WesBank's insurance income increased 11%, reflecting an improved performance from MotoVantage.
- **Fair value income**, mainly driven by RMB's markets business, again showed strong growth of 18%.
- **Cost growth** remained above inflation, although the absolute increase of 7% is lower than previous periods. This reflects an increased focus on efficiencies, particularly given current top-line pressures, and was achieved against a backdrop of above-inflation staff wage increases and ongoing investment in growth strategies, namely insurance and asset management activities and platforms to extract further efficiencies; and the build-out of the group's footprint in the rest of Africa. The group's cost-to-income ratio decreased from 52.3% to 52.1%.
- **Gross non-performing loans** (NPLs) increased by 17% or R6 447 million since 31 December 2018. FirstRand adopted IFRS 9 on 1 July 2018. As indicated previously, IFRS 9 has a significant impact on certain balance sheet credit metrics such as NPLs and coverage as well as income statement impairment levels. Certain IFRS 9-specific changes will start normalising in the current financial year.

For a comprehensive, in-depth review of FirstRand's performance, RMH shareholders are referred to **www.firstrand.co.za**.

FirstRand's franchises performed as follows:

FNB

FNB produced **5% growth** in pre-tax profits to **R13.2 billion** with an ROE of 39.9% (2018: 42.4%). The **cost-to-income ratio improved marginally to 49.9%** (2018: 50.6%).

- **NII** increased by 9%, driven by strong volume growth in both advances (up 8%) and deposits (up 10%). FNB's focus on customer acquisition and cross-selling into its core transactional customer base continues to be the main underpin to advances growth in the premium and commercial segments.
- **NIR** grew 7% on the back of ongoing growth in volumes across all segments. Premium saw particularly strong growth in card transactional volumes, lending NIR and digital volumes. However, NIR in both consumer and premium was negatively impacted by fee reductions and pricing pressures due to increased competition.
- **Cost** growth continues to trend above inflation at 7%, 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, the overall cost-to-income ratio improved to 49.9%.
- FNB recorded an increase of 20% in **NPLs**, impacted by continued normalisation in residential mortgages, higher NPLs in personal loans and card; and the lengthening of the write-off period and longer curing points.
- The **rest of Africa** increased pre-tax profits by 7%. Advances growth was flat and deposits increased by 5%.

RMB

RMB's pre-tax profits **increased by 6% to R4.9 billion**, notwithstanding investing activities being down by 46% due to lower private equity realisations.

- The **rest of Africa** portfolio remains key to RMB's growth strategy, producing pre-tax profits of R1.1 billion, up 29% on the prior period. This performance was driven by flow trading activities, particularly in Nigeria. RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.
- **Investment banking and advisory** delivered strong profit growth of 11%, in an environment characterised by a constrained economic cycle, subdued corporate credit demand and low investor confidence. This performance was underpinned by disciplined origination to ensure a balance of risk and return. While advisory and equity capital market activities showed a decline, notable debt capital market deals were concluded in the current period.
- **Corporate and transactional banking** delivered solid results, up 7% against the backdrop of global macroeconomic pressures. Trade and working capital results were underpinned by higher utilisation of facilities and good fee income, coupled with increased transactional banking client volumes. In contrast, the performance of the foreign exchange business was dampened by a decline in volumes.
- **Markets and structuring** delivered a strong performance, up 22%. Foreign exchange activities were bolstered by a robust performance in Nigeria, which leveraged off the flows in the London-Africa corridor. The structuring and credit trading portfolios continued to deliver good growth, offset by a softer performance from domestic foreign exchange.
- **Investing** performance declined in the current period on the back of lower private equity realisations. Despite the constrained macroeconomic environment, equity-accounted earnings remained robust with positive contributions made by new investments. The quality and diversification of the portfolio is reflected in its unrealised value of R3.8 billion (2018: R3.7 billion). The business remains in an investment cycle.
- **Other activities** reflect the continued de-risking of the legacy portfolio, and investment into the group's markets infrastructure platform.

WesBank

WesBank's normalised profit before tax **increased by 1% to R1.4 billion** and the business delivered an ROE of 18.4% and an ROA of 1.35%.

- WesBank's **credit loss ratio** at 1.27% showed a marginal deterioration (2018: 1.25%). The corporate VAF business experienced further deterioration in credit quality emanating from ongoing stress in a number of 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.
- The risk cuts in both portfolios resulted in **advances** showing a marginal increase of 0.5%. 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.
- **NIR** (mainly insurance and fleet revenues) excluding associate income increased by 7%. Rental revenues increased by 20% due to growth in the full maintenance leasing (FML) book. Good growth in WesBank's insurance revenue was driven by a strong performance by MotoVantage. The business gained larger market share through better dealer relationships and a focus on telesales capabilities. Certain system modernisation programmes are nearly complete, which should deliver efficiency improvements in the future and full integration into the FNB base is expected to produce good growth in the medium term.
- While the cost-to-income ratio has deteriorated due to top-line pressure, overall **cost** growth excluding growth in full maintenance leasing-related expenditure increased by only 1%.

Aldermore

Aldermore produced a solid operational performance underpinned by growth in origination across all portfolios. Absolute period-on-period growth in earnings was, however, impacted by new origination strain in MotoNovo and a £4.4 million mark-to-market loss on loan portfolio hedging compared to a £6.4 million profit in the comparative period. If adjusted for the impact of the £4.4 million, **operational profit before tax increased 5%**.

- **NII** increased on the back of the growth in business finance advances in SME commercial mortgages (up 14%), invoice finance (up 20%) and residential mortgages (up 28%).
- **Retail finance** benefited from strong origination in buy-to-let due to a focus on specialist customers and residential mortgages, which grew 28% on the back of new product launches and better retention of existing clients. Despite increasing competition, Aldermore's market share has stayed stable and the business continues to develop simpler automated solutions for customers and brokers.
- Aldermore's **credit loss ratio** remained resilient at 22 bps (46 bps including MotoNovo), which was lower than expected, the impairment change was driven by a small number of specific individual provisions raised in asset finance.
- The **cost-to-income** ratio of 56.0% reflects continued investment and the inclusion of the MotoNovo operational cost base, including staff, property and other costs since May.

ASHBURTON INVESTMENTS

Ashburton Investments' assets under management remained flat at **R98 billion**.

While 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 the realisation of the Westport African Property Development Fund, 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 **alternatives** business continues to deliver inflows on the back of winning new mandates. Despite another tough year for local financial markets, investment performance remains resilient, with the majority of funds delivering solid performances relative to peer groups.

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.

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

Capital

FirstRand's Common Equity Tier 1 (CET1) ratio strengthened to 12.4% (2018: 12.0%) and was driven by:

- Net earnings generation, partly offset by muted risk weighted assets growth, which is a function of the low growth environment;
- Limited credit risk migration; and
- Successful financial resource management optimisation strategies.

This was partly offset by the transitional impact of IFRS 9 (≈12.5 bps decrease) on 1 July 2019. The full IFRS 9 impact of 50 bps will be reflected in the CET1 numbers once the transition period is concluded on 1 July 2021.

The group's internal targets were revised during the period under review, incorporating various stakeholder considerations, specifically the increased minimum capital requirement following the step-up in the countercyclical buffer for UK exposures and rating agency methodologies. These targets are also more closely aligned to the peer group in South Africa.

Liquidity position

FirstRand's liquidity coverage ratio (LCR) strengthened significantly from December 2018, driven primarily by the increase in the bank's LCR. The movement in the group's LCR ratio relates to the following:

Build-up of liquidity for the seasonally low levels available in the December holiday period; and

Additional holdings of high-quality liquid assets (HQLA), given excess funding deployed in liquid assets.

Prospects

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

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

RMH PROPERTY

RMH Property

As part of its diversification strategy, RMH identified the property industry as one where value can be unlocked by partnering with specialist property entrepreneurs. In August 2017, RMH appointed a dedicated specialist team to execute the RMH property strategy.

RMH Property currently owns the following investments:

	CORE PARTNERSHIPS		SATELLITE PARTNERSHIPS	
	Atterbury Office, retail and industrial property	**Atterbury Europe** Retail and office property	**Integer Properties** Mezzanine debt and equity funding business	**Diversity** Urban renewal fund
% HELD	27.5	37.5	Various	20.4
DATE ACQUIRED	July 2016	February 2018	December 2016 and September 2018	October 2018

On 17 July 2019, the shareholders of Pareto Limited subscribed for 25% of the issued share capital of Atterbury Europe for Euro 100 million, diluting RMH Property's shareholding from 50% to 37.5%. The investment provides Atterbury Europe with an additional strategic shareholder and more development capital to expand its European operations.

Rationale for core partnerships

- Best-of-breed management team
- Scalable development operation diversified across traditional property asset categories (office, retail, industrial)
- Sizeable capital base in an unlisted vehicle providing scope and opportunity to increase development potential of the partnership
- Liquid vehicle to potentially monetise property interest in the future

Atterbury is RMH Property's core property partner. Atterbury, through Atterbury Property Holdings Proprietary Limited (APH) , targets retail, office and industrial property in South Africa, Namibia and Mauritius and, through Atterbury Europe BV (Atterbury Europe), targets predominantly retail and office property in Romania, Cyprus and Serbia.

APH has a number of strategic land holdings at Castle Gate in Pretoria, Richmond Park and King Air (previously King David Golf Course) in Cape Town, Barlow Park in Sandton and Old Mint in Midrand. The development team is engaged in a number of projects spread across the various land holdings. In addition to the ongoing developments on its land holdings, APH developed the new Deloitte's Head Office in the Waterfall precinct in which it has a 28.43% interest.

Atterbury Europe saw the successful completion of major refurbishments to the Mall of Cyprus in Nicosia and the Openville Mall in Timisoara, Romania in the final quarter of 2019. The development of the new BEO Mall in Belgrade, Serbia is progressing well and is on track for the planned opening in April 2020.

RMH Property has a 50% direct interest in **Atterbury Bucharest,** which translates into a 25% interest in a landmark development opportunity in Bucharest. The land is strategically located next to the Romexpo exhibition centre. This is part of a planned development in Bucharest that will, on completion, be the largest real estate project in Romania's history and house the tallest building in Romania, in addition to 14 buildings which will include retail, office, residential and a five-star hotel.

The Bucharest development will be undertaken together with Atterbury Europe's in-country partner, Mr Iulian Dascalu. As previously disclosed, RMH Property committed Euro 200 million to the Bucharest project, Euro 150 million as equity and Euro 50 million as a loan. As at 31 December 2019, Euro 43 million have been placed on deposit and remain under RMH Property's control. This amount, as well as the remaining Euro 157 million, will be disbursed into the project once certain conditions are fulfilled.

Rationale for satellite partnerships

- Ability to partner with best-of-breed specialist developers on a portfolio and/or asset-specific basis in key niches of the property market
- Allows for diversification of RMH Property's portfolio
- Satellite partnerships may achieve higher yields/ faster NAV growth than the more traditional core partnership

Satellite partnerships include partnerships with best-of-breed specialist developers on a portfolio and asset-specific basis in key niches of the property market. These partnerships are aimed at achieving higher yields and faster net asset value growth than the more traditional core portfolio.

Divercity invests in residential, commercial and retail assets in dense urban nodes, with a focus on human-centred design and integrated public space. Divercity has completed, or is nearing completion on, three major projects, namely the redevelopment of ABSA Towers and Jewel City and the development of a residential block known as Vuja De.

Integer Properties (Integer) was started in 2010 by Brian Roberts. RMH Property acquired a stake in the business in 2017 as part of its satellite portfolio. Integer focusses on building long-term partnerships with property specialists, investing in opportunities that offer high growth potential. Over the years, Integer has taken advantage of niche opportunities by investing in commercial, industrial, retail and residential assets across South Africa. The portfolio continues to trade well.

Performance for the period

RMH Property's normalised earnings are made up as follows:

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Core partnerships	23	77	(70)	211
Satellite partnerships	(9)	(50)	(82)	(56)
RMH Property	(4)	(12)	(67)	(15)
RMH PROPERTY NORMALISED EARNINGS	10	15	(33)	140

Earnings from the core partnerships remained stable but were negatively impacted by a weaker Euro. The loss in the satellite portfolio reduced due to the voluntary liquidation of Propertuity in October 2018. Good progress has been made in finalising the liquidation, but it had not been concluded as at 31 December 2019. The domestic property market, however, remained under pressure.

Intrinsic value

R million	As at 31 December 2019	2018	% change	As at 30 June 2019
Core partnerships	3 130	3 386	(8)	3 068
Satellite partnerships	272	249	9	268
Holding company net assets	23	6	>100	14
RMH Property funding	(2 753)	(2 670)	3	(2 602)
RMH PROPERTY INTRINSIC VALUE	672	971	(31)	748

The decrease in the gross value of the core partnerships was due to a decrease in the value of the investment in Atterbury Bucharest, directly linked to a weaker Euro. The operational performance of Atterbury Europe was satisfactory. The biggest contributor to the increase in net asset value was, as highlighted previously, the subscription by Pareto Limited on 17 July 2019 of a 25% interest. This was off-set by the write-down of the goodwill paid on the acquisition of Atterbury SA. The domestic core partnerships delivered a resilient performance, with property valuations remaining under pressure due to the macroeconomic environment.

The increase in the gross value of the satellite partnerships was due to a slight increase in the value of Divercity.

Prospects

As previously communicated, RMH Property, with approximately R4 billion in investments, is adequately capitalised, providing a foundation for future growth.

As per the restructuring announcement on 19 November 2019, it is RMH's intention to monetise the value of RMH Property in an orderly manner over time. Subsequent to the proposed FirstRand unbundling, the only asset remaining in RMH will be RMH Property. Brian Roberts will remain as CEO of RMH Property. He will be responsible for managing the portfolio and extracting and monetising the value of RMH Property.

Further details of RMH Property's future prospects and strategy will be incorporated in the shareholder documentation in relation to the restructuring to be published in due course.

Financial review

The dominant part of RMH's income is its share in the after-tax profits of FirstRand, amounting to R4 762 million (2018: R5 360 million).

CONDENSED CONSOLIDATED INCOME STATEMENT

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Investment income	12	18		26
Share of after-tax profit of associates	5 016	5 564		10 391
Revenue	5 028	5 582	(10)	10 417
Fee income	3	1		67
Net fair value (loss)/gain on financial assets and liabilities	(134)	12		57
Net impairment losses on financial assets	(131)	(54)		(143)
Net income	4 766	5 541	(14)	10 398
Administration expenses	(63)	(78)	(19)	(149)
Income from operations	4 703	5 463	(14)	10 249
Finance costs	(139)	(109)	28	(253)
Profit before tax	4 564	5 354	(15)	9 996
Income tax expense	2	1	100	(18)
PROFIT FOR THE PERIOD	4 566	5 355	(15)	9 978
Attributable to:				
Equity holders of the company	4 566	5 355	(15)	9 978
PROFIT FOR THE PERIOD	4 566	5 355	(15)	9 978

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Profit for the period	4 566	5 355	(15)	9 978
Other comprehensive income, after tax:				
Items that may be reclassified to profit or loss				
Share of other comprehensive income of associate after tax and non-controlling interests	(97)	150		65
Cash flow hedges: Profit arising during the period	–	90		–
Exchange difference on translating foreign operations	(56)	40		(3)
Items that may not subsequently be reclassified to profit or loss				
Share of other comprehensive loss of associate after tax and non-controlling interests	(13)	(11)		(78)
Other comprehensive (loss)/income	(166)	269	>(100)	(16)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4 400	5 624	(22)	9 962

COMPUTATION OF HEADLINE EARNINGS

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Earnings attributable to equity holders	**4 566**	5 355	(15)	9 978
Adjusted for:				
RMH's share of adjustments made by FirstRand				
Gain on disposal of investment securities and other investments of capital nature	**–**	(657)		(657)
Transfer from foreign currency translation reserve	**–**	–		(24)
Gain on disposal of investments in non-private equity associates	**–**	(369)		(369)
Impairment of non-private equity associates	**–**	–		11
Gain on disposal of investments in subsidiaries	**–**	–		(2)
Loss/(gain) on disposal of property and equipment	**2**	(24)		(18)
Impairment of assets in terms of IAS 36	**–**	–		42
Tax effects of adjustments	**(1)**	236		225
RMH's share of adjustments made by RMH Property associates				
Fair value gain on investment properties	**(135)**	(146)		(6)
Loss on change of effective shareholding of associate	**–**	–		47
Impairment of assets in terms of IAS 36	**–**	–		36
Impairment of associates	**131**	47		135
Tax effects of adjustments	**–**	–		2
RMH's own adjustments				
Loss/(profit) on deemed sale of associate due to change in effective shareholding	**20**	(1)		(10)
Impairment of assets in terms of IAS 36	**–**	7		–
HEADLINE EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS	**4 583**	4 448	3	9 390

COMPUTATION OF NORMALISED EARNINGS

RMH regards normalised earnings as the appropriate basis to evaluate business performance as it eliminates the impact of non-recurring items.

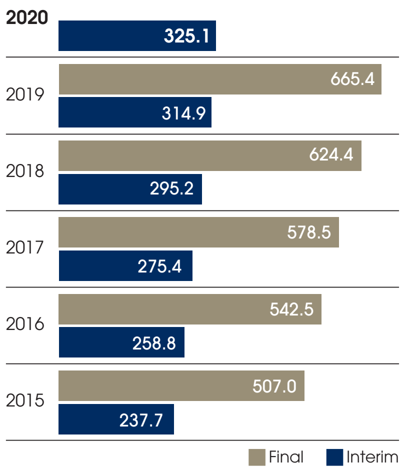
R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Headline earnings attributable to equity holders	**4 583**	4 448	3	9 390
RMH's share of adjustments made by FirstRand				
TRS and IFRS 2 liability remeasurement	**26**	22		27
Treasury shares	**(3)**	(5)		–
IAS 19 adjustment	**(16)**	(18)		(33)
Private equity subsidiary realisations	**–**	–		9
Adjusted for:				
Group treasury shares[1]	**1**	–		1
NORMALISED EARNINGS FOR THE PERIOD	**4 591**	4 447	3	9 394

1. Adjustment to reflect earnings impact based on actual RMH shareholding in FirstRand i.e. reflecting treasury shares as if they are non-controlling interests.

COMPUTATION OF PER SHARE INFORMATION

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Earnings attributable to equity holders	4 566	5 355	(15)	9 978
Headline earnings attributable to equity holders	4 583	4 448	3	9 390
Normalised earnings attributable to equity holders	4 591	4 447	3	9 394
Net asset value	50 899	47 495	7	49 303
Number of shares in issue (millions)	1 412	1 412	–	1 412
Weighted average number of shares in issue (millions)	1 412	1 411	–	1 412
Diluted weighted average number of shares in issue (millions)	1 412	1 411	–	1 412
Weighted average number of shares in issue (millions) for normalised earnings	1 412	1 412	–	1 412
Earnings per share (cents)	323.4	379.5	(15)	706.9
Diluted earnings per share (cents)	323.4	379.5	(15)	706.9
Headline earnings per share (cents)	324.6	315.2	3	665.2
Diluted headline earnings per share (cents)	324.6	315.2	3	665.2
Normalised earnings per share (cents)	325.1	314.9	3	665.4
Diluted normalised earnings per share (cents)	325.1	314.9	3	665.4
Net asset value per share (cents)	3 604.7	3 363.7	7	3 492.4

NORMALISED EARNINGS PER SHARE (cents)



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The investment in associates increased with RMH's share of after-tax comprehensive income of R4 850 million (2018: R5 743 million) and RMH's share of associates' other negative reserves of R4 million (2018: R1 million). This was offset by dividends received of R2 918 million (2018: R2 770 million).

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
ASSETS				
Cash and cash equivalents	**61**	76		117
Loans and receivables	**796**	763		848
Investment securities	**167**	527		184
Taxation receivable	**6**	–		1
Derivative financial instruments	**77**	138		70
Investment in associates and joint ventures	**53 803**	49 874	8	52 038
Non-current asset held for sale	**28**	–		–
TOTAL ASSETS	**54 938**	51 378	7	53 258
Equity				
Share capital and premium	**8 825**	8 825	–	8 825
Reserves	**42 074**	38 670	9	40 478
TOTAL EQUITY	**50 899**	47 495	7	49 303
Liabilities				
Trade and other payables	**914**	99		190
Provisions	**–**	47		–
Taxation payable	**–**	1		3
Financial liabilities	**2 940**	3 716		3 697
Derivative financial instruments	**127**	–		19
Long-term liabilities	**42**	–		26
Deferred tax liability	**16**	20		20
TOTAL LIABILITIES	**4 039**	3 883	4	3 955
TOTAL EQUITY AND LIABILITIES	**54 938**	51 378	7	53 258

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

R million	For the six months ended 31 December 2019	2018	% change	For the year ended 30 June 2019
Cash flow from operating activities				
Cash generated from operations	2 870	2 070		5 204
Income tax paid	(2)	(1)		(17)
NET CASH GENERATED FROM OPERATING ACTIVITIES	2 868	2 069	39	5 187
Cash flow from investing activities				
Investment in associates	–	(374)		(470)
Loans to associates	(5)	–		(746)
Proceeds from sale of investments securities	–	–		387
NET CASH USED IN INVESTMENT ACTIVITIES	(5)	(374)	>100	(829)
Cash flow from financing activities				
Preference shares issued	281	150		150
Notes (repaid)/issued	(246)	–		850
Borrowings (repaid)/drawn	(68)	870		15
Interest paid	(44)	(7)		(14)
Dividends paid on preference shares in issue	(47)	(92)		(190)
Dividends paid to equity holders	(2 795)	(2 583)		(5 095)
NET CASH OUTFLOW IN FINANCING ACTIVITIES	(2 919)	(1 662)	(76)	(4 284)
Net (decrease)/increase in cash and cash equivalents	(56)	33	>(100)	74
Cash and cash equivalents at the beginning of the period	117	43		43
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	61	76	(20)	117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital and premium	Equity accounted reserves	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total equity holders' funds
Balance as at 1 July 2018	8 825	34 425	7	94	333	2 639	46 323
Adoption of *IFRS 9* and *IFRS 15*	–	(1 868)	(7)	–	–	7	(1 868)
Restated balance as at 1 July 2018	8 825	32 557	–	94	333	2 646	44 455
Total comprehensive income	–	139	–	40	90	5 355	5 624
Dividends paid	–	–	–	–	–	(2 583)	(2 583)
Income of associates retained	–	2 936	–	–	–	(2 936)	–
Reserve movements of associates	–	(1)	–	–	–	–	(1)
BALANCE AS AT 31 DECEMBER 2018	8 825	35 631	–	134	423	2 482	47 495
Balance as at 1 July 2018	8 825	34 425	7	94	333	2 639	46 323
Adoption of *IFRS 9* and *IFRS 15*	–	(1 868)	(7)	–	–	7	(1 868)
Restated balance as at 1 July 2018	8 825	32 557	–	94	333	2 646	44 455
Total comprehensive income for the year	–	(13)	–	(3)	–	9 978	9 962
Dividends paid	–	–	–	–	–	(5 095)	(5 095)
Income of associates retained	–	5 102	–	–	–	(5 102)	–
Reserve movements relating to associates	–	(19)	–	–	–	–	(19)
BALANCE AS AT 30 JUNE 2019	8 825	37 627	–	91	333	2 427	49 303
Adoption of *IFRS 16*	–	(5)	–	–	–	–	(5)
Restated balance as at 1 July 2019	**8 825**	**37 622**	**–**	**91**	**333**	**2 427**	**49 298**
Total comprehensive income	–	(110)	–	(56)	–	4 566	4 400
Dividends paid	–	–	–	–	–	(2 795)	(2 795)
Income of associates retained	–	2 359	–	–	–	(2 359)	–
Reserve movements of associates	–	110	–	–	–	(114)	(4)
BALANCE AS AT 31 DECEMBER 2019	8 825	39 981	–	35	333	1 725	50 899

Basis of presentation of results

The condensed consolidated financial statement are prepared in accordance with:

- The JSE Limited Listings Requirements;
- The framework concepts and the recognition and measurement requirements of International Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- As a minimum, the information required by *IAS 34: Interim Financial Reporting*; and
- The requirements of the South African Companies Act, 71 of 2008, applicable to summary financial statements.

The condensed consolidated interim results for the six months ended 31 December 2019 have not been audited or independently reviewed by the external auditor.

Accounting policies

These condensed results incorporate accounting policies that are consistent with those used in preparing the financial results for the year ended 30 June 2019, except for the adoption of certain IFRS that became effective in the current year.

These results 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.

The group adopted *IFRS 16: Leases* effective 1 July 2019, which replaces *IAS 17* and various related interpretations. *IFRS 16* introduced a single lease accounting model for lessees, impacted the group's accounting policies for lessees and had an impact on the group's financial results since 1 July 2019.

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

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

No other new or amended IFRS become effective for the six months ended 31 December 2019 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

For more details on the impact of adopting the new and amended standards, please refer to page 22.

Normalised results

RMH believes that normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account the following non-operational and accounting anomalies:

- RMH's portion of normalised adjustment made by its associate, FirstRand Limited, which have a financial impact:
  - The Total Return Swap, which is an economic hedge against the cash-settled share-based payment;
  - FirstRand shares held for client trading activities;
  - *IAS 19* measurement of plan asset; and
  - The consolidation of private equity subsidiaries, which is excluded from the Rule 1 exemption in *Circular 01/2019, Headline Earnings per Share*.
- RMH shares held for client trading activities by FirstRand's addition, in terms of *IAS 28: Investments in Associates*, upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of *IAS 32: Financial Instruments: Presentation*, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, RMH's portion of the fair value change in RMH shares by FirstRand is, therefore, deducted from equity accounted earnings and the investment recognised using the equity accounted method.
- Adjustment to reflect earnings impact based on actual RMH shareholding in FirstRand based on actual number of shares issued by FirstRand.

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

Impact of revised IFRS

RMH adopted *IFRS 16* and the amendment to *IAS 12* during the current period. The group, as permitted by these standards, elected not to restate any comparative information. Accordingly, the impact of adopting the revised requirements has been applied retrospectively with an adjustment to RMH's 1 July 2019 opening reserves. Reported information in the prior interim period and the financial year ended 30 June 2019 were unaffected by the application of *IFRS 16* and the amendment to *IAS 12*.

Description	Impact on FirstRand	Impact on RMH
IFRS 16		
IFRS 16 requires the lessees to recognise a right-of-use asset (ROUA) and corresponding lease liability in respect of all leases previously classified as operating leases in terms of *IAS 17: Leases*.	This led to the recognition of a lease liability of R2 834 million with a ROUA of R2 755 million, a decrease of R20 million in the FCTR reserve of FirstRand and an increase of R5 million in retained earnings. The net impact was a decrease of R15 million in equity.	The impact on RMH was a reduction of R5 million in equity accounted reserves and a corresponding decrease in the carrying value of FirstRand.
IAS 12		
The amendment to *IAS 12* clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity according to where the past transactions or events that gave rise to the distributable reserves from which the dividends were declared were recognised.	This amendment affected the recognition of the income tax deduction on FirstRand's contingent convertible securities and Additional Tier 1 (AT1) instruments within other equity instruments.	This amendment had no impact on RMH as RMH does not own any of these FirstRand instruments.

Other required disclosure

Fair value measurements

This note provides information about how the fair values of instruments are determined and includes judgments and explanations on the uncertainty estimation involved.

VALUATION METHODOLOGY APPLIED

Fair value is defined as the price that would be received when selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. Fair value is therefore a market-based measurement and, when measuring fair value, RMH uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value, it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

The fair value of non-traded derivatives is based on discounted cash flow models and option pricing models, as appropriate. The group recognises derivatives as assets when the fair value is positive and as liabilities when the fair value is negative. The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or based on a valuation technique with variables that include only data from observable markets. When such evidence exists, the group recognises profits or losses on day one. Where fair value is determined using valuation techniques with variables that include non-observable market data, the difference between the fair value and the transaction price (the day one profit or loss) is not recognised in the statement of financial position. These differences are, however, monitored for disclosure purposes. If observable market factors that market participants would consider in setting a price subsequently become available, the balance of the deferred day one profit or loss is released to profit or loss.

FAIR VALUE MEASUREMENT

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

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets.

FINANCIAL INSTRUMENTS

When determining the fair value of a financial instrument, RMH uses the most representative price.

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant who would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets is their current use.

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: Non-Current Assets Held for Sale and Discontinued Operations*, where fair value less costs to sell is the recoverable amount, *IFRS 3: Business Combinations*, where assets and liabilities are measured at fair value at acquisition date, and *IAS 36: Impairments of Assets*, where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include 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. The fair values of these items are determined by using observable quoted market prices where these are available, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis.

Fair value hierarchy and measurements

Valuations based on observable inputs include:

- **Level 1** – Fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date. An active market is one in which transactions occur with sufficient volume and frequency to reliable provide pricing information on an on-going basis; and
- **Level 2** – Fair value is determined through valuation techniques based on observable market inputs. These valuation techniques maximise the use of observable market data, where available, and rely as little as possible on entity-specific estimates.

Valuations based on unobservable inputs include:

- **Level 3** – Fair value is determined through valuation techniques that use significant unobservable inputs.

The table below sets out the valuation techniques applied by RMH for fair value measurements of financial assets and liabilities categorised as Level 2 asset and liabilities in the fair value hierarchy.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments – Equity derivative	Quoted market closing price less market-related interest rate times the number of units	The models calculate fair value based on input parameters such as closing share price on valuation date and the interest rate charged on the overdraft facility.	Market interest rates and prices
Loans and receivables	Discounted cash flows	The future cash flows are discounted using a market-related interest rate, adjusted for credit inputs, over the contractual period.	Market interest rates and interest rate curves
Financial assets and liabilities not measured at fair value but for which fair values are disclosed	Discounted cash flows	The future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs (which are not considered a significant input)	Market interest rates and curves
Derivative financial instruments – Forward exchange contracts	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, interest rate curves and dividend yield

The table below sets out the valuation techniques applied by RMH for fair value measurements of financial assets and liabilities categorised as Level 3 asset and liabilities in the fair value hierarchy.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Unobservable inputs
Financial guarantee contracts	Discounted cash flows	Present value of the assessment of the probability of default times the exposure at default	Probability of default
Long-term liabilities	Discounted cash flows	The difference of the carrying value of the underlying investment less the notional outstanding amounts.	Carrying value of unlisted investments

R million	Level 1	Level 2	Level 3	Total
As at 31 December 2019				
Recurring fair value measurements				
Financial assets measured at fair value				
Investment securities: equity instruments	167	–	–	167
Loans and receivables	–	677	–	677
Derivative financial instruments	77	–	–	77
Financial assets not measured at fair value but for which fair value is disclosed				
Investment in associate	120 038	–	–	120 038
FAIR VALUE OF FINANCIAL ASSETS	120 282	677	–	120 959
Recurring fair value measurements				
Financial liabilities measured at fair value				
Financial liabilities	–	2 940	–	2 940
Derivative financial instruments	127	–	–	127
Long-term liabilities	–	–	42	42
FAIR VALUE OF FINANCIAL LIABILITIES	127	2 940	42	3 109
As at 31 December 2018				
Recurring fair value measurements				
Financial assets measured at fair value				
Investment securities: equity instruments	197	–	166	363
Loans and receivables	–	–	164	164
Derivative financial instruments	90	48	–	138
Financial assets not measured at fair value but for which fair value is disclosed				
Investment in associate	128 601	–	–	128 601
FAIR VALUE OF FINANCIAL ASSETS	128 888	48	330	129 266
Recurring fair value measurements				
Financial liabilities measured at fair value				
Financial liabilities	–	3 716	–	3 716
FAIR VALUE OF FINANCIAL LIABILITIES	–	3 716	–	3 716
As at 30 June 2019				
Recurring fair value measurements				
Financial assets measured at fair value				
Investment securities: equity instruments	184	–	–	184
Loans and receivables	–	693	–	693
Derivative financial instruments	–	70	–	70
Financial assets not measured at fair value but for which fair value is disclosed				
Investment in associate	130 960	–	–	130 960
FAIR VALUE OF FINANCIAL ASSETS	131 144	763	–	131 907
Recurring fair value measurements				
Financial liabilities measured at fair value				
Financial liabilities	–	3 697	–	3 697
Derivative financial instruments	–	19	–	19
Long-term liabilities	–	–	26	26
FAIR VALUE OF FINANCIAL LIABILITIES	–	3 716	26	3 742

R million	For the six months ended 31 December 2019	2018	For the year ended 30 June 2019
Reconciliation of Level 3 assets measured at fair value			
Balance at the beginning of the period	**–**	321	321
Additions in the current period	**–**	–	–
Disposals during the current period	**–**	–	(388)
Fair value movement recognised in profit	**–**	9	67
Fair value movement recognised in other comprehensive income	**–**	–	–
BALANCE AT THE END OF THE PERIOD	**–**	330	–
Reconciliation of Level 3 liabilities measured at fair value			
Balance at the beginning of the period	**26**	–	161
Disposals during the period	**(4)**	–	(177)
Fair value movement recognised in profit	**20**	–	42
BALANCE AT THE END OF THE PERIOD	**42**	–	26

Effect of changes in significant unobservable assumption of Level 3 instruments:

R million	Description of valuation technique and main assumptions	Changes to significant unobservable data	As at 31 December 2019 Fair value	Using more positive assumptions	Using more negative assumptions
Liabilities Long-term liabilities	Discounted cash flow	Reduced and increased the underlying value by 10%	**42**	**46**	**38**

R million	Description of valuation technique and main assumptions	Changes to significant unobservable data	As at 31 December 2018 Fair value	Using more positive assumptions	Using more negative assumptions
Assets Equity instrument	The net asset value of the underlying entity is used as basis of calculation. The net asset value is then adjusted for non-tangible liabilities such as deferred tax and future development profit not included in the net asset value	Reduced and increased underlying value by 10%	166	182	149
Debt instruments	Accrued value at current market rates including exchange rates	Reduced and increased underlying value by 10%	164	180	148

R million	Description of valuation technique and main assumptions	Changes to significant unobservable data	As at 30 June 2019 Fair value	Using more positive assumptions	Using more negative assumptions
Liabilities					
Long-term liabilities	Discounted cash flow	Reduced and increased the underlying value by 10%	26	29	23

CONTINGENCIES AND COMMITMENTS

R million	As at 31 December 2019	2018	% change	As at 30 June 2019
Guarantees	2 530	3 852	(34)	3 881
BALANCE AT THE END OF THE PERIOD	2 530	3 852	(34)	3 881

As at 31 December 2019, RMH had issued guarantees in respect of debt funding raised in terms of the debt programme to the value of R1 888 million (2018: R2 481 million). R642 million (2018: R1 371 million) of the total guarantees in issue relates to funding facilities provided to RMH Property associates. The above table includes the funding raised for the Euro 43 million placed on deposit (as detailed on page 13), but excludes the remaining Euro 157 million committed to the Bucharest project.

EVENTS SUBSEQUENT TO REPORTING PERIOD

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

SEGMENTAL REPORT

R million	FNB	RMB	WesBank	Aldermore	FCC and other	FirstRand	RMH Property	Other	RMH
Six months ended 31 December 2019									
Investment income	–	–	–	–	–	–	7	5	12
Share of after-tax profit/(loss) of associates	3 122	1 177	329	271	(137)	4 762	274	(20)	5 016
Revenue	3 122	1 177	329	271	(137)	4 762	281	(15)	5 028
Fee income	–	–	–	–	–	–	–	3	3
Net fair value (loss)/gain on financial assets and liabilities	–	–	–	–	–	–	(126)	(8)	(134)
Net impairment loss	–	–	–	–	–	–	(131)	–	(131)
Net income	3 122	1 177	329	271	(137)	4 762	24	(20)	4 766
Administration expenses	–	–	–	–	–	–	(6)	(57)	(63)
Income/(loss) from operations	3 122	1 177	329	271	(137)	4 762	18	(77)	4 703
Finance costs	–	–	–	–	–	–	(4)	(135)	(139)
Profit/(loss) before tax	3 122	1 177	329	271	(137)	4 762	14	(212)	4 564
Income tax expense	–	–	–	–	–	–	–	2	2
PROFIT/(LOSS) FOR THE PERIOD	3 122	1 177	329	271	(137)	4 762	14	(210)	4 566
Headline earnings/(loss)	3 122	1 177	329	271	(136)	4 763	10	(190)	4 583
Normalised earnings/(loss)	3 122	1 177	329	271	(128)	4 771	10	(190)	4 591
As at 31 December 2019									
Assets	–	–	–	–	–	–	846	289	1 135
Investment in associates	–	–	–	–	–	51 224	2 579	–	53 803
TOTAL ASSETS	–	–	–	–	–	51 224	3 425	289	54 938
TOTAL LIABILITIES	–	–	–	–	–	–	2 753	1 286	4 039
Six months ended 31 December 2018									
Investment income	–	–	–	–	–	–	13	5	18
Share of after-tax profit/(loss) of associates	2 977	1 115	326	353	589	5 360	197	7	5 564
Revenue	2 977	1 115	326	353	589	5 360	210	12	5 582
Fee income	–	–	–	–	–	–	–	1	1
Net fair value (loss)/gain on financial assets and liabilities	–	–	–	–	–	–	5	7	12
Net impairment losses	–	–	–	–	–	–	(54)	–	(54)
Net income	2 977	1 115	326	353	589	5 360	161	20	5 541
Administration expenses	–	–	–	–	–	–	(56)	(22)	(78)
Income/(loss) from operations	2 977	1 115	326	353	589	5 360	105	(2)	5 463
Finance costs	–	–	–	–	–	–	(3)	(106)	(109)
Profit/(loss) before tax	2 977	1 115	326	353	589	5 360	102	(108)	5 354
Income tax expense	–	–	–	–	–	–	5	(4)	1
PROFIT/(LOSS) FOR THE PERIOD	2 977	1 115	326	353	589	5 360	107	(112)	5 355
Headline earnings/(loss)	2 977	1 115	326	353	(226)	4 545	15	(112)	4 448
Normalised earnings/(loss)	2 977	1 115	326	353	(227)	4 544	15	(112)	4 447
As at 31 December 2018									
Assets	–	–	–	–	–	–	1 188	316	1 504
Investment in associates	–	–	–	–	–	47 421	2 453	–	49 874
TOTAL ASSETS	–	–	–	–	–	47 421	3 641	316	51 378
TOTAL LIABILITIES	–	–	–	–	–	–	1 315	2 568	3 883

R million	FNB	RMB	WesBank	Aldermore	FCC and other	FirstRand	RMH Property	Other	RMH
Year ended 30 June 2019									
Investment income	–	–	–	–	–	–	16	10	26
Share of after-tax profit of associates	6 044	2 376	616	565	689	10 290	91	10	10 391
Revenue	6 044	2 376	616	565	689	10 290	107	20	10 417
Fee income	–	–	–	–	–	–	–	67	67
Net fair value gain on financial assets and liabilities	–	–	–	–	–	–	42	15	57
Net impairment losses	–	–	–	–	–	–	(143)	–	(143)
Net income	6 044	2 376	616	565	689	10 290	6	102	10 398
Administration expenses	–	–	–	–	–	–	(79)	(70)	(149)
Income/(loss) from operations	6 044	2 376	616	565	689	10 290	(73)	32	10 249
Finance costs	–	–	–	–	–	–	(6)	(247)	(253)
Profit/(loss) before tax	6 044	2 376	616	565	689	10 290	(79)	(215)	9 996
Income tax expense	–	–	–	–	–	–	5	(23)	(18)
PROFIT/(LOSS) FOR THE PERIOD	6 044	2 376	616	565	689	10 290	(74)	(238)	9 978
Headline earnings/(loss)	6 044	2 376	616	565	(103)	9 498	140	(248)	9 390
Normalised earnings/(loss)	6 044	2 376	616	565	(99)	9 502	140	(248)	9 394
As at 30 June 2019									
Assets	–	–	–	–	–	–	815	405	1 220
Investment in associates	–	–	–	–	–	49 503	2 535	–	52 038
TOTAL ASSETS	–	–	–	–	–	49 503	3 350	405	53 258
TOTAL LIABILITIES	–	–	–	–	–	–	1 268	2 687	3 955

GEOGRAPHICAL SEGMENTS

R million	South Africa	United Kingdom	Europe	RMH
Six months ended 31 December 2019				
Share of after-tax profit of associates	4 499	271	246	5 016
Profit for the period	4 049	271	246	4 566
As at 31 December 2019				
Investment in associates	45 168	6 812	1 823	53 803
Six months ended 31 December 2018				
Share of after-tax profit of associates	5 047	353	164	5 564
Profit for the period	4 838	353	164	5 355
As at 31 December 2018				
Investment in associates	43 239	5 022	1 613	49 874
Year ended 30 June 2019				
Share of after-tax profit of associates	9 623	565	203	10 391
Profit for the year	9 210	565	203	9 978
As at 30 June 2019				
Investment in associates	43 506	6 709	1 823	52 038

Administration

RMB HOLDINGS LIMITED (RMH)
(Incorporated in the Republic of South Africa)

Registration number:
1987/005115/06

JSE ordinary share code: RMH
ISIN code: ZAE000024501

DIRECTORS

JJ Durand (Chairman), HL Bosman (CEO and FD), JP Burger, P Cooper, (Ms) SEN de Bruyn, LL Dippenaar, PK Harris, (Ms) A Kekana, P Lagerström, (Ms) MM Mahlare, MM Morobe, RT Mupita, O Phetwe and JA Teeger

Alternate directors: F Knoetze, DA Frankel and UH Lucht

SECRETARY AND REGISTERED OFFICE

(Ms) EJ Marais

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SPONSOR

(in terms of JSE Limited Listings Requirements)

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(a division of FirstRand Bank Limited)

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TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

Physical address:	Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
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RMH

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