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

PROVISIONAL AUDITED RESULTS AND CASH DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2018

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

This announcement covers the provisional audited summary financial results of FirstRand Limited based on International Financial Reporting Standards for the year ended 30 June 2018. 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. A detailed description of the difference between normalised and IFRS results is provided on pages 115 and 116 of the Analysis of financial results booklet on www.firstrand.co.za. Commentary is based on normalised results, unless otherwise indicated.

FINANCIAL HIGHLIGHTS

	Group (including Aldermore)		
R million	2018	2017	% change
Basic and diluted normalised earnings per share (cents)	470.8	436.2	8
Normalised earnings (R million)	26 411	24 471	8
Normalised net asset value per share (cents)	2 157.9	1 941.7	11
Ordinary dividend per share (cents)	275	255	8
ROE (%)	23.0	23.4	
Basic and diluted headline earnings per share (cents)	472.7	423.7	12
Basic and diluted earnings per share (cents) - IFRS	473.3	438.2	8
Net asset value per share (cents) - IFRS	2 157.9	1 941.2	11
Advances (net of credit impairments)	1 121 227	893 106	26
Deposits	1 267 448	983 529	29
Credit loss ratio (%)	0.84	0.91	

RESULTS EXCLUDING ALDERMORE

Any reference to financial information "excluding Aldermore" represents the subtraction of the Aldermore specific information from the group's income statement and statement of financial position.

	Group (excluding Aldermore)		
R million	2018	2017	% change
Normalised earnings	26 135	24 471	7
Advances (net of credit impairments)	957 810	893 106	7
Deposits	1 094 270	983 529	11
ROE (%)	22.8	23.4	

OVERVIEW OF RESULTS

"FirstRand's portfolio of businesses once again produced quality topline growth and a superior ROE. FNB's results reflect another strong performance from its South African business, growing earnings 16% on the back of growth in customers, volumes and balance sheet, and successful cross-sell strategies. RMB's diversified corporate and investment banking portfolio delivered a solid performance in a challenging market. WesBank had a tough year, however, it still delivered an acceptable return on equity. The recently acquired UK bank, Aldermore, enhanced group earnings and ROE.

These results represent another year of high quality earnings and sustainable returns for shareholders."

Alan Pullinger
CEO

INTRODUCTION

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

FirstRand can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel, licence and operating platform available within the portfolio. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows the group to fully optimise the franchise value of its portfolio. This has resulted in a long track record of consistent growth in high quality earnings, and superior and sustainable returns for shareholders.

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.

Currently group earnings are tilted towards South Africa and are generated by FirstRand's large lending and transactional franchises, which have resulted in deep and loyal customer and client bases, and the group remains focused on protecting and growing these valuable banking businesses. FirstRand also believes that through the utilisation of the origination capabilities, operating platforms and distribution networks of these businesses, it can diversify through capturing a larger share of profits from providing savings, insurance and investment products.

The growth opportunity is significant given the annual flows to other providers from FNB's customer base alone. Through the manufacture and sale of its own insurance, savings and investment products, the group will, over time, offer differentiated value propositions for customers and generate new and potentially meaningful revenue streams.

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

In the UK, the group has, over the past eight years, focused on organically transforming its existing business, MotoNovo, into the UK's third-largest independent used vehicle financier. In the year under review, the group took the decision to acquire Aldermore Group plc (Aldermore), a UK specialist lender, and is in the process of integrating the two businesses. FirstRand believes this will result in an appropriately diversified UK business, with an established and scalable local funding platform, that represents a more sustainable and less volatile business model. The group can also extract additional value for shareholders over the medium to longer term through introducing its successful financial resource management methodology, unlocking synergies between MotoNovo and Aldermore, and over the longer term, potentially building a transactional offering.

THE MACROECONOMIC ENVIRONMENT

South Africa's macroeconomic operating environment for the year to June 2018 was characterised by two distinctly different six-month periods.

In the first half of the group's financial year, policy ambiguity and political uncertainty weighed on domestic risk appetite, economic activity, and investor and consumer sentiment. This was particularly acute following the medium-term budget policy statement in October 2017, and the resultant S&P downgrade of South Africa's local currency sovereign rating to below investment grade.

The macroeconomic environment in the second half of the group's financial year started more positively following the change in leadership of the ruling party, the appointment of President Ramaphosa as head of the government and a relatively investor-friendly cabinet reshuffle in February 2018. These changes allowed the country to avoid further downgrades and were followed by new board and management appointments at key state-owned enterprises (SOEs) and other government agencies. This resulted in improved foreign and domestic confidence.

It is clear, however, that progress on meaningful structural reform will be difficult and slow. GDP expanded only 1% over the first three quarters of the group's financial year, credit growth remained in the mid-single digits and the unemployment rate remained static. Relatively muted inflation did provide some support to household finances and this allowed the South African Reserve Bank (SARB) to cut interest rates 50 bps over the course of the year.

In the rest of the sub-Saharan region, conditions remained mixed. Economic activity in Namibia and Botswana was subdued mainly on the back of South African macroeconomic weakness. The Nigerian economy continued to recover and the macroeconomic outlook will improve on the strength of supportive oil prices.

In the UK, macroeconomic uncertainty continued to be driven by Brexit (which will formally take effect at the end of March 2019). This has weighed somewhat on UK economic activity, although unemployment continued to drift lower and wages trended upwards, resulting in consumer demand and house prices holding up reasonably well.

OVERVIEW OF RESULTS

Against this mixed economic backdrop, FirstRand's portfolio of businesses once again produced quality topline growth. The group continued to strengthen its balance sheet and protect its return profile. Normalised earnings for the year to 30 June 2018 increased 8% with a normalised ROE of 23.0%.

The table below shows a breakdown of sources of normalised earnings from the portfolio.

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2018	% composition	2017	% composition	% change
FNB	14 877	56	12 801	53	16
- FNB SA	14 767		12 776		
- FNB Africa	110		25		
RMB	7 327	28	6 918	28	6
WesBank	3 626	14	3 996	16	(9)
Aldermore*	276	1	-	-	-
FCC (including Group Treasury) and other**,#,+	656	2	1 112	4	(41)
NCNR preference dividend	(351)	(1)	(356)	(1)	(1)

Normalised earnings	26 411	100	24 471	100	8

* After the dividend on the contingent convertible securities (AT1) of R115 million.

** Includes FirstRand Limited (company).

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

+ FCC represents group-wide functions.

FNB's results reflect another strong operating performance from its domestic franchise, driven by strong 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. FNB's rest of Africa portfolio showed an improved performance year-on-year.

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

WesBank's performance remained mixed with both the South African retail and UK VAF businesses posting declines in profits, whilst the personal loans business performed strongly and corporate delivered a solid performance.

The group's performance includes a three-month profit contribution from Aldermore, which was acquired by FirstRand effective 1 April 2018. The contribution to group earnings was R276 million post the AT1 dividend payment.

FCC's performance was negatively affected by lower central credit overlay releases, the first-time inclusion of the amortisation of the intangible assets associated with the acquisition of Aldermore, Aldermore deal fees and an increase in operational expenses.

Total group NII increased 10% (7% excluding Aldermore), underpinned by strong growth in deposits (+29% total, +11% excluding Aldermore) and solid advances growth (+25% total, +7% excluding Aldermore), offset by negative capital and deposit rate endowment following the 25 bps cuts in the repo rate in July 2017 and March 2018. Lending margins at FNB benefited from repricing new residential mortgage business and lower funding costs. Lending margins at RMB, however, remained under pressure from competition, particularly in investment-grade lending, and ongoing term funding pressures and liquidity costs. Both RMB and WesBank's corporate business continued to exercise discipline in origination to preserve returns.

Group NIR increased 7% (6% excluding Aldermore) and reflects strong fee and commission income growth of 10%, supported by higher volumes across FNB's digital and electronic channels and increased customer numbers. Private equity realisations also supported group NIR, albeit at lower levels than the previous year. Insurance revenue increased 6%, benefiting from strong volume growth of 20% and 8%, respectively, in funeral and credit life policies, resulting in annual premium income increasing 35% year-on-year. Fee, commission and insurance income represents 79% of group operational NIR.

Total cost growth of 9% reflects the inclusion of Aldermore from 1 April 2018. Excluding Aldermore, operating cost growth (7%) was slightly lower than the first half of the year, but continues to trend above inflation due to ongoing investment in insurance and asset management activities, platforms to extract further efficiencies and the build-out of the group's footprint in the rest of Africa. Despite these cost pressures, the group's cost-to-income ratio only increased marginally from 51.0% to 51.2% due to resilient topline growth.

The group's credit loss ratio of 90 bps (84 bps including Aldermore) is marginally down year-on-year and remains well below the group's through-the-cycle threshold, reflecting the positive impact of the group's origination strategies and provisioning policies over the past two financial years. Many of the group's lending books are trending in line or better than expectations, particularly unsecured and corporate credit. The credit impairment charge, however, increased 6% and was driven by the following factors:

- a continued deterioration in WesBank's SA VAF charge, mainly due to ongoing elevated arrears and NPLs and an increase in the emergence period;
- continued normalisation of the MotoNovo impairment charge, reflecting new business strain given strong book growth over multiple periods, the impact of business written prior to the risk cuts in the previous year and continued conservatism in portfolio impairments;
- an increase in FNB's commercial segment, reflecting new business strain which was expected given the continued growth in new customers, cross-sell and up-sell strategies and the impact of the ongoing drought in certain areas of South Africa;
- higher NPLs in FNB card and personal loans, but in line with expectations given the strong book growth in the prior year, however, the charge benefited from active collection strategies;
- a further increase in FNB's and WesBank's rest of Africa charge, reflecting the ongoing tough macros in various of the jurisdictions the group operates in and increased conservatism in provisions;
- an increase in corporate NPLs due to the migration of certain secured counterparties. The impairment charge benefited from the proactive provisioning in prior years; and
- a lower charge in residential mortgages, due to loss given default credit model recalibrations, despite higher NPL formation given cycle-driven normalisation.

Overall portfolio provisions increased 6% and reflect continued conservative provisioning on the back of book growth, and the still constrained macroeconomic operating environment in South Africa and many of the African jurisdictions the group operates in.

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 grew its pre-tax profits 15% to R21.4 billion, driven by a strong performance from its South African business, which grew pre-tax profits 16%. The turnaround in the rest of Africa portfolio continued. PBT for FNB's rest of Africa businesses declined 11%, an improvement compared to the 29% decline in the prior year. FNB produced an ROE of 40.7%.

FNB FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2018	2017	% change
Normalised earnings	14 877	12 801	16
Normalised profit before tax	21 416	18 624	15
- South Africa	20 510	17 744	16
- Rest of Africa*	906	880	3
Total assets	429 234	401 937	7
Total liabilities	409 151	383 680	7
NPLs (%)	3.48	3.24	
Credit loss ratio (%)	1.11	1.20	
ROE (%)	40.7	36.9	
ROA (%)	3.53	3.28	
Cost-to-income ratio (%)	53.5	54.5	
Advances margin (%)	3.74	3.57	

* Includes FNB's activities in India, which were discontinued in 2017. 2018 includes a once-off profit in FNB India.

SEGMENT RESULTS

R million	Year ended 30 June 2018	2017	% change
Normalised PBT			
Retail	12 505	10 620	18
Commercial	8 005	7 124	12
Rest of Africa	906	880	3
Total FNB	21 416	18 624	15

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

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

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Swaziland), combined with recently established (sub-scale) and start-up businesses, such as Mozambique, Zambia, Tanzania and Ghana. Whilst the portfolio has shown some recovery in the year under review, with losses reducing in the start-up subsidiaries, its performance continues to be impacted by increased credit impairments and continued investment in the organic build-out strategies.

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

%	FNB SA	Rest of Africa
PBT growth	16	3
Cost increase*	8	2
Advances growth	8	1
Deposit growth	10	4
NPLs	3.12	6.33
Credit loss ratio	1.00	2.00
Cost-to-income ratio	51.2	70.6
Operating jaws	1.9	1.6

* Rest of Africa cost increase benefited from a reduction in FNB India operating expenses as these activities were discontinued in 2017. Excluding this, rest of Africa costs increased 6%.

Despite the negative endowment impact of the 25 bps cuts in the repo rate in July 2017 and March 2018, FNB's NII increased 8%, driven by strong volume growth in both advances (+7%) and deposits (+9%).

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	12	24.3	7	16.6
- Consumer	5	4.1	3	1.1
- Premium	16	20.2	7	15.5
Commercial	7	14.4	12	9.8
FNB Africa	4	1.3	1	0.4
Total FNB	9	40.0	7	26.8

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. Growth in the premium segment was driven by unsecured lending origination, whilst the consumer segment experienced ongoing strong demand in affordable housing. Commercial continued to benefit from strong cross-sell momentum and focused asset growth.

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

		Consumer Advances	
R million	2018	2017	% change
Residential mortgages	24 583	22 480	9
Card	9 056	9 211	(2)
Personal loans	7 024	7 419	(5)
Retail other	2 788	3 199	(13)

		Premium Advances	
R million	2018	2017	% change
Residential mortgages	180 386	173 018	4
Card	18 084	14 589	24
Personal loans	10 137	6 953	46
Retail other	13 064	11 664	12

		Commercial	
R million	2018	2017	% change
Advances	93 987	84 146	12

The strength and quality of FNB's transactional franchise is clearly demonstrated in the strong NIR growth of 10% resulting from good growth in customers (total up 4% to 8.15 million) and transaction volumes. Customer growth per segment is shown in the table below.

CUSTOMERS

	Year-on-year growth
Customer segment	Customer numbers %
Consumer	3
Premium	17
Commercial	2

Premium's NIR growth of 14% reflects customer acquisition, transactional volumes and the first-time inclusion of the wealth and investment management (WIM) activities. The benefits of the product rationalisation and pricing actions taken last year are clearly showing up in the 7% increase in consumer's NIR. Overall fee and commission income benefited from transactional volume growth of 10% driven by FNB's digital and electronic channels, as can be seen from the table below.

CHANNEL VOLUMES

Thousands of transactions	2018	2017	% change
ATM/ADT	243 023	232 310	5
Internet banking	205 200	214 701	(4)
Banking app	164 018	99 410	65
Mobile (excluding prepaid)	43 716	43 818	-
Point of sale merchants	496 673	429 715	16
Card swipes	785 405	698 698	12

Cost growth is well controlled but continues to trend above inflation at 7%, mainly due to continued investment in diversification strategies and expansion in the rest of Africa. The domestic cost-to-income ratio improved to 51.2% (2017: 52.1%).

Whilst FNB's overall bad debt charge was marginally lower (R120 million), NPLs increased year-on-year (+15%), with the South African retail books tracking well within expectations at this point in the cycle. This reflects the quality of new business written, appropriate pricing strategies, the positive effect of cutbacks in higher risk origination buckets in prior periods and active collection strategies. NPL formation in the commercial book and FNB card are ticking up, as expected, given previous book growth and some residual pressure in the agricultural sector due to the drought. There was some cyclical normalisation in residential mortgage NPLs, which increased 11%, but this was expected given the low levels in previous years. Overall provisioning levels and overlays have increased.

Insurance revenue increased 8%, benefiting from good volume growth of 20% and 8% in funeral and credit life policies, respectively.

As disclosed previously, from 1 July 2017 the WIM activities were transferred from Ashburton Investments to FNB. Total WIM assets increased 8% to R245 billion at year end. Collective investment scheme (CIS) funds were launched to the FNB customer base (branded FNB Horizon) in July 2016.

During the current investment cycle, customers opted for lower risk, fixed income funds which resulted in FNB Horizon AUM declining 1% to R3.6 billion, whilst the Ashburton Stable Income fund grew from R3.6 billion to R5.6 billion over the same period. Share trading and stockbroking assets under execution (AUE) reduced 3% to R70.7 billion driven mainly by market decline, however, brokerage revenues showed good growth with trade values for the year up 7% to R23 billion.

Assets under administration on the LISP platform increased from R16 billion to R19 billion, and customers on the platform increased to 28 070 with sales through banker channels now enabled via phase 1 of robo-advice. Trust assets under administration also showed good growth from R34 billion to R38 billion, particularly in the philanthropy trust offering. Private client-managed share portfolio AUM grew 22% to R47 billion, including good growth in offshore portfolio management. Assets under advice increased from R61 billion to R67 billion, including net inflows of R5 billion for the year.

WIM ASSETS

R million	2018	2017	% change
FNB Horizon Series AUM	3 588	3 629	(1)
Assets under advice	66 812	60 811	10
Assets under administration	19 234	15 912	21
Trust assets under administration	37 906	34 318	10
Assets under management	46 775	38 396	22
Assets under execution	70 693	73 081	(3)
Total WIM assets	245 008	226 147	8

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, and a strong private equity track record to ensure delivery of an integrated corporate and investment banking (CIB) value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	2018	2017	% change
Normalised earnings	7 327	6 918	6
Normalised profit before tax	10 350	9 781	6
- South Africa and other	8 629	8 466	2
- Rest of Africa*	1 721	1 315	31
Total assets	453 084	432 652	5
Total liabilities	442 516	420 983	5
NPLs (%)	0.85	0.62	
Credit loss ratio (%)	0.08	0.20	
ROE (%)	25.3	25.8	
ROA (%)	1.64	1.61	
Cost-to-income ratio (%)	44.0	43.4	

* Includes in-country and cross-border activities.

RMB's diversified portfolio delivered a solid performance, with pre-tax profits increasing 6% to R10.4 billion. The ROE of 25.3% was underpinned by RMB's high quality earnings and solid operational leverage. RMB remains disciplined in its financial resource allocation to ensure preservation of returns and has maintained strong credit provisioning levels.

Notwithstanding the difficult operating environment, which included sovereign rating downgrades, RMB's continued focus on growing the group's corporate and institutional client base and revenue pools underpinned the performance of the South African portfolio with strong contributions from investment banking and advisory activities, and solid corporate and transactional banking earnings. In addition, excellent cost discipline enabled continued investment into the enhancement of core platforms.

The rest of Africa portfolio remains key to RMB's strategy. It produced pre-tax profits of R1.7 billion, up 31% on the prior year and now contributes 17% (2017: 13%) to RMB's overall pre-tax profits. This performance was supported by strong corporate and transactional banking and flow trading activities, combined with credit impairment overlay releases given the improvement in the oil and gas sector. RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
R million	2018	2017	% change
Investment banking and advisory	4 391	3 630	21
Corporate and transactional banking	1 861	1 731	8
Markets and structuring	1 532	1 598	(4)
Investing	2 507	2 837	(12)
Investment management	21	29	(28)
Other	38	(44)	(>100)
Total RMB	10 350	9 781	6

The investment banking and advisory activities delivered strong growth in an environment characterised by tough credit markets and low economic growth. This performance was underpinned by new deal origination, solid lending income and resilient fee income due to client mandates requiring advisory, capital markets and structuring activities, and lower credit impairments.

RMB's corporate and transactional franchise continued to focus on leveraging its platforms to grow product offerings locally and in the rest of Africa. This resulted in higher transactional volumes and average deposit balances in the rest of Africa. In addition, increased demand for working capital solutions supported performance.

Markets and structuring activities faced a difficult local operating environment, which resulted in reduced appetite from large clients. The performance was further impacted by a weaker result in the credit trading portfolio and an isolated operational event in the hard commodities portfolio. This was partially offset by a robust fixed income and foreign exchange performance, with the latter generating strong growth in Nigeria.

Investing activities produced satisfactory results off a high base, supported by realisations in the private equity portfolio. Given the macroeconomic environment and the significant realisations in prior periods, annuity earnings have come under pressure. The quality and diversity of the Ventures and Corvest portfolios are, however, still reflected in the strong unrealised value which has been maintained at R3.7 billion. The business remains in an investment cycle and, during the year, several additional acquisitions were made which will contribute to earnings growth in future periods.

Other activities benefited from the reduction in losses in the legacy portfolios and higher endowment earned on capital invested, together with continued investment into the group's markets infrastructure platform.

WESBANK

WesBank represents the group's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and the rest of Africa (where represented), and through MotoNovo in the UK. Through the Direct Axis brand, WesBank also operates in the unsecured lending market in South Africa. WesBank's leading position in its chosen markets is due to its longstanding alliances with leading motor manufacturers, suppliers and dealer groups, strong point-of-sale presence and innovative channel origination strategies.

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	2018	2017	% change
Normalised earnings	3 626	3 996	(9)
Normalised profit before tax	5 130	5 612	(9)
Total assets	228 433	214 222	7
Total liabilities	221 953	207 809	7
NPLs (%)	4.41	3.80	
Credit loss ratio (%)	1.93	1.68	
ROE (%)	17.4	20.0	
ROA (%)	1.61	1.87	
Cost-to-income ratio (%)	42.2	40.2	
Net interest margin (%)	4.95	4.93	

WesBank's total pre-tax profits declined 9%, and the business delivered an ROE of 17.4% and an ROA of 1.6%. The domestic personal loans and corporate lending businesses showed strong operational performances. MotoNovo's profits decreased 15% in pound terms. The local VAF business had a challenging year, and in the face of increasing competition, has focused on protecting its origination franchise and return profile through disciplined pricing. Its operating model and relationships strengthened with new partnerships secured with Isuzu, Mahindra, Haval and Opel.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
R million	2018	2017	% change
Normalised PBT			
VAF	3 662	4 192	(13)
- Retail SA*	2 235	2 658	(16)
- MotoNovo**	1 019	1 190	(14)
- Corporate and commercial	408	344	19
Personal loans	1 473	1 352	9
Rest of Africa	(5)	68	(>100)
Total WesBank	5 130	5 612	(9)

* Includes MotoVantage.

** Normalised PBT for MotoNovo down 15% to £59 million.

The performance of the SA VAF business was impacted by increased impairment levels, up from 1.54% in the prior year to 1.88%. The credit performance reflects some specific issues in the vehicle finance sector, such as increasing later stage arrears and NPL levels. Overall NPLs continued to be impacted by lengthening recovery timelines and more customers opting for court orders for repossessions.

As explained at the half year, higher than expected NPLs in the self-employed and small business segments resulted from operational issues with some scorecards, including third-party data quality, and this issue continued to play out in the second half.

SA VAF was further impacted by margin pressure, partly due to increased competitive activity and WesBank's current focus on originating lower-risk business, which is generally written at lower margins.

WesBank's personal loans business performed well on the back of strong advances growth of 10% year-on-year. Growth was achieved through optimisation of direct marketing channels and streamlining approval processes. Margins have stabilised post the NCAA rate caps and targeted risk cuts, and the impairment ratio has increased to 8.20% (2017: 7.91%), in line with expectations. NPLs in the personal loans portfolio have increased due to a lengthening in write-off period in anticipation of the adoption of IFRS 9. Similar impairment increases and higher provisions also impacted associate earnings.

The local corporate business posted a strong operational performance, albeit off a low base and despite a general slowdown in the sectors served. Volumes have grown strongly in the SME and business segment due to greater collaboration with FNB commercial. Impairments reduced 28% year-on-year on the back of a 5% improvement in NPLs.

MotoNovo's performance was impacted primarily by increased investment spend, margin pressure and rising credit impairments.

The lending margin pressure resulted from competitors benefiting from lower cost of funding. In addition, MotoNovo incurred costs related to building the online platform (findandfundmycar.com) and experienced some strain in the personal loans book due to its previous strategy of diversification.

FirstRand believes that some of these pressures will be alleviated when MotoNovo is integrated into Aldermore as it will no longer be disadvantaged from a cost of funds perspective and will not require further investment in diversification strategies given the mix of the Aldermore portfolio.

The MotoNovo credit performance is in line with expectations, particularly following a number of years of strong book growth. The business has taken specific actions regarding origination; these actions included targeted risk cuts and termination of certain origination relationships, which were resulting in higher risk new business. These actions also resulted in MotoNovo's new business production contracting 4% in pound terms (7% in rand terms). Increased NPLs and ongoing prudent provisioning resulted in an increase in the pound impairment ratio of 1.56% for the year under review (2017: 1.46%).

Total WesBank NIR growth continues to largely track growth in new units, which declined year-on-year and reflects subdued insurance revenues. Other NIR decreased as a result of the sale of RentWorks in November 2017, and the prior year also included a once-off credit of R68 million relating to the release of certain reserves. Excluding the effect of this, NIR increased 6% year-on-year.

WesBank continues to control operational expenditure and improve efficiencies. Its cost-to-income ratio has, however, increased mainly due to increased investment.

ALDERMORE

Aldermore is a UK specialist lender and savings bank, which has grown significantly on the back of a clear strategy to offer simple financial products and solutions to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords and savers. At 30 June 2018, Aldermore had 238 000 customers with assets of £10.4 billion and £7.8 billion of customer deposits.

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

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

A detailed strategic rationale for the group's acquisition of Aldermore was outlined in the group's announcement of interim results for the six months to December 2017. The acquisition became effective on 1 April 2018 and the group's performance for the year to June 2018 includes three months' profit contribution from Aldermore.

ALDERMORE FINANCIAL HIGHLIGHTS

	Three months ended 30 June	
	2018 R million	2018 £ million
Normalised earnings*	276	16
Normalised profit before tax	549	32
Total assets	189 867	10 446
Total liabilities	176 089	9 688
NPLs (%)	0.38	0.38
Credit loss ratio (%)	0.12	0.13
ROE (%)	12.1	12.9
ROA (%)	0.80	0.84
Cost-to-income ratio (%)	52.5	52.5
Advances margin (%)	3.15	3.15

* After the dividend on the contingent convertible securities (AT1) of R115 million.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Three months ended 30 June	
	2018 R million	2018 £ million
Normalised PBT		
Asset finance	220	13
Invoice finance	54	3
SME commercial mortgages	160	9
Buy-to-let mortgages	433	25
Residential mortgages	154	9
Central functions	(472)	(27)
Total Aldermore	549	32

On Thursday, 6 September 2018, Aldermore announces results for the 18 months to June 2018 and these can be accessed on https://investors.aldermore.co.uk. In this period, Aldermore delivered a strong operational performance, characterised by:

- advances growth of 20% to £9 billion;
- deposits of £7.8 billion, up 17%;
- statutory PBT of £195 million;
- ROE of 13.5%;
- NII of £430 million;
- net interest margin of 3.48%, in line with prior period;
- cost-to-income ratio of 53.7% (46.0% excluding the impact of deal fees, integration cost and impairment of intangible assets); and
- credit loss ratio of 16 bps, in line with expectations.

	Three months ended 30 June 2018*	
	R million	£ million
Net interest income before impairment of advances	1 224	71
Impairment charge	(46)	(3)
Net interest income after impairment of advances	1 178	68
Non-interest revenue	118	7
Income from operations	1 296	75
Operating expenses	(706)	(41)
Net income from operations	590	34
Share of profit of associates and joint ventures after tax	2	-
Income before tax	592	34
Indirect tax	(43)	(2)
Profit before tax	549	32
Income tax expense	(158)	(9)
Profit for the year	391	23
Contingent convertible securities (AT1)	(115)	(7)
Earnings attributable to ordinary shareholders	276	16
Cost-to-income ratio (%)	52.5	52.6
Diversity ratio (%)	8.9	9.0
Credit loss ratio (%)	0.12	0.13
NPLs as a percentage of advances (%)	0.38	0.38
Consolidated statement of financial position includes		
Advances (after ISP - before impairments)	163 876	9 016
- Normal advances	162 001	8 913
- Securitised advances	1 875	103
NPLs net of ISP	616	34
Investments in associates	92	5
Total deposits	173 178	9 528
Total assets	189 867	10 446
Total liabilities	176 089	9 688
Capital expenditure	1	-

* Aldermore acquisition date 1 April 2018.

ALDERMORE STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	R million	£ million
ASSETS		
Cash and cash equivalents	11 001	605
Derivative financial instruments	413	23
Investment securities	14 402	792
Advances	163 417	8 991
- Gross advances	163 876	9 016
- Impairment of advances	(459)	(25)
Accounts receivable	171	10
Investments in associates	92	5
Property and equipment	67	4
Intangible assets	262	14
Deferred income tax asset	42	2
Total assets	189 867	10 446
EQUITY AND LIABILITIES		
Liabilities		
Derivative financial instruments	304	17
Creditors, accruals and provisions	1 304	72
Current tax liability	106	5
Deposits	173 178	9 528
Employee liabilities	88	5
Tier 2 liabilities	1 099	60
Deferred income tax liability	10	1
Total liabilities	176 089	9 688
Equity		
Ordinary shares	582	35
Share premium	1 240	74
Reserves	10 722	575
Capital and reserves attributable to ordinary equityholders	12 544	684
Contingent convertible securities (AT1)	1 234	74
Capital and reserves attributable to equityholders of the group	13 778	758
Non-controlling interests	-	-
Total equity	13 778	758
Total equity and liabilities	189 867	10 446

ASHBURTON INVESTMENTS

The asset management activities of the group are represented by Ashburton Investments (Ashburton).

Ashburton was launched in 2013 as part of FirstRand's strategy to access broader financial services profit pools.

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

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

Ashburton Investments grew AUM 7.5% year-on-year to R102 billion. This AUM growth was driven by good flows into the fixed income range due to the market cycle and the strong performance in this range. The private markets business continues to deliver flows on the back of winning new mandates.

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

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2018	% composition	2017	% composition	% change
Retail	12 445	47	11 394	47	9
- FNB*	9 113		7 672		
- WesBank*	3 332		3 722		
Commercial	6 058	23	5 403	22	12
- FNB	5 764		5 129		
- WesBank	294		274		
Corporate and investment banking	7 327	28	6 918	28	6
- RMB*	7 327		6 918		
Aldermore**	276	1	-	-	-
Other	305	1	756	3	(60)
- FCC (including Group Treasury) and consolidation adjustments	656		1 112		
- NCNR preference dividend	(351)		(356)		
Normalised earnings	26 411	100	24 471	100	8

* Includes rest of Africa.
** After the dividend on the contingent convertible securities (AT1) of 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 is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

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

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

BALANCE SHEET STRENGTH

Capital and leverage position

Current targeted ranges and actual ratios are summarised below.

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.5	9.0	11.2	4.0
Targets	10.0 - 11.0	>12.0	>14.0	>5.0
Actual**	11.5	12.1	14.7	7.1

* Excluding the bank-specific capital requirements, but including the countercyclical buffer requirement.
** Includes unappropriated profits.

The year-on-year reduction in the group's CET1 ratio of 280 bps resulted from:
The acquisition of Aldermore, which was funded from the group's existing cash resources, and reduced the group's CET1 ratio by 240 bps:

- impairment of goodwill and intangibles (R8.3 billion); and
- consolidation of Aldermore's RWA without a commensurate increase in the capital base, as the Aldermore's purchased equity is eliminated at a group level.

The local currency sovereign downgrade, contributing 3% to RWA growth or a 20 bps reduction in the CET1 ratio.

Higher than expected RWA growth of 10% which resulted in a net consumption of capital. This RWA growth tracked the increase in total assets and was driven by the following:

- significant advances growth late in the financial year on the back of certain RMB transactions;
- increased high quality liquid assets (HQLA) in Group Treasury and certain securitisation structures; and
- strong growth in unsecured lending in FNB's premium segment.

Following the Aldermore acquisition, the group has continued to operate well above its stated capital targets. Post-acquisition earnings from Aldermore added 20 bps to the group's ROE.

The capitalisation of the underlying regulated entities did not change materially, and the standalone capitalisation of all regulated entities remained strong, particularly FirstRand Bank Limited, which reported a CET1 ratio of 12.7%.

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, and macroeconomic conditions and outlook.

The group continues to actively manage its capital composition and, to this end, issued R2.75 billion Basel III-compliant Tier 2 instruments in the domestic market, as well as $500 million in international markets during the year. This resulted in a more efficient capital structure, which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by issuing Additional Tier 1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and compensates for the haircut applied to capital instruments that are not compliant with Basel III, as well as the maturity of existing Tier 2 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 HQLA that are 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 group exceeds the 90% (2017: 80%) minimum liquidity coverage ratio (LCR) requirement set out by the SARB with the group's average LCR at 115% (2017: 97%). FirstRand Bank's average LCR was 118% (2017: 105%). At 30 June 2018, the group's average available HQLA sources of liquidity per the LCR amounted to R203 billion, up from R165 billion in the prior year.

The net stable funding ratio (NSFR) came into effect on 1 January 2018 with a regulatory requirement of 100%. At 30 June 2018, the group's NSFR was 112%, whilst FirstRand Bank's NSFR was 111%.

REGULATORY UPDATE

The South African regulatory architecture has been transformed to create a regulatory framework that will support an effective resolution regime. The Financial Sector Regulation Act was signed into law during August 2017 and underpins the twin peaks regulatory system.

The twin peaks supervisory framework model reduces the number of agencies involved in supervision, with the establishment of two new regulatory agencies on 1 April 2018: the Prudential Authority (PA) in the SARB and a Financial Sector Conduct Authority (FSCA). Whilst the PA/SARB is responsible for monitoring and enhancing financial stability as part of its explicit financial stability mandate, the SARB will also be responsible for assisting with the prevention of systemic events by means of its designation as the Resolution Authority (RA).

In January 2018, a draft resolution framework was released to the banking industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised. The resolution plans will allow the PA to prepare for an event from which the group's recovery actions have failed or are deemed likely to fail. Bank resolution plans will be owned and maintained by the RA, but will require a significant amount of bilateral engagement and input from the individual banks to enable the RA to develop a customised plan that is most appropriate to each bank.

The Financial Sector Regulation Act further empowers the PA to designate a group of companies as a financial conglomerate as well as to regulate and supervise such designated financial conglomerates. The PA has released the following:

- draft set of financial conglomerate supervision prudential standards;
- draft criteria for the designation of financial conglomerates, and
- draft reporting template for an informal consultation process with the industry.

The draft standards provide an early signal to the industry and affected stakeholders on the approach to the regulation and supervision of designated financial conglomerates. Comments were due by the end of August 2018 and standards are expected to be implemented during the first half of 2019.

In addition, the Basel Committee on Banking Supervision (BCBS) finalised the Basel III reforms in December 2017, with specific focus on reducing the variability of risk weighted assets. The BCBS has agreed on a lengthy five-year transitional period, starting 1 January 2022. The PA has confirmed a similar transitional period for banks in South Africa. The 2017 reforms aim to address weaknesses identified during the global financial crisis, such as the credibility of the risk-based capital framework and to introduce constraints on the estimates banks use in the internal models for regulatory capital purposes. The impact on the group capital position depends on the final implementation by the SARB given a level of national discretion, however, the group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms. Based on the Basel guidelines, the group is expected to comfortably meet these requirements over the transitional period.

IFRS 9 AND IFRS 15

The group adopted IFRS 9 and IFRS 15, retrospectively, with effect from 1 July 2018. The IFRS 9 programme is at present in the process of final internal approval and external audit validation.

The group will provide detailed audited transitional disclosure regarding the impact of the adoption of IFRS 9 and IFRS 15 during November 2018.

At present, the group believes the impact of adopting IFRS 9 and IFRS 15 will reduce the group's CET 1 ratio at 30 June 2018 by between 47 and 57 bps, on a fully loaded basis.

DIVIDEND STRATEGY

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

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

PROSPECTS

Following the outcome of the ANC elective conference in December 2017 sentiment and markets staged a recovery and the outlook for South Africa remains more positive than it has been for some time. Given, however, the structural nature of many of South Africa's challenges the group believes that domestic fundamentals will not change quickly.

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

In the medium to longer term, given the market leading positions of its businesses in South Africa and the growth strategies it is executing on, FirstRand considers itself strategically well positioned to benefit from renewed system growth. FNB's momentum is expected to continue on the back of customer and volume growth, and cross-sell and up-sell strategies will deliver higher insurance revenues and good deposit and advances growth. RMB's private equity realisations are expected to be lower in the current year compared to previous financial years.

With regard to the rest of Africa, there are signs that economic activity in most of the other sub-Saharan African countries that FirstRand operates in are picking up. The Nigerian economy is experiencing an oil price-induced lift and growth rates in Namibia and Botswana are also expected to improve. The group expects its portfolio to continue to show an improved performance.

In the UK, uncertainty over the outcome of Brexit continues to dominate the macroeconomic outlook and will continue to weigh on business and consumer confidence, which in turn will suppress investment spending to a certain degree. These ongoing headwinds were all anticipated when FirstRand acquired Aldermore and, as indicated previously, the group expects the growth trajectory to slow relative to the previous year, owing to competitive margin pressure and normalisation of credit costs.

The group expects to continue to deliver real growth in earnings and superior returns to shareholders.

EVENTS AFTER REPORTING PERIOD

DISCOVERY CARD

Subsequent to the year end, the group concluded a transaction with Discovery, through the issuance of preference shares, for the ultimate transfer and disposal of its remaining effective 25.01% interest in Discovery Card and Discovery Bank, respectively. The consideration of this transaction is R1.8 billion, which together with the preference share issuance of R1.3 billion in 2016, results in a total value unlock for FirstRand shareholders of approximately R3 billion. This transaction is expected to be concluded during the financial year ending 30 June 2019.

At 30 June 2018, FNB includes Discovery Card advances with a gross value of R4.3 billion which will also be transferred at carrying value.

FNB SWAZILAND

During the next financial year, a minority interest in FNB Swaziland will be offered to local investors through a listing.

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Appointments		
T Winterboer	Independent non-executive director	20 April 2018
M Vilakazi	COO	1 July 2018
Retirements		
BJ van der Ross	Independent non-executive director	30 November 2017
JH van Greuning	Independent non-executive director	30 November 2017
LL Dippenaar	Chairman and non-executive director	31 March 2018
JP Burger	CEO*	31 March 2018
PM Goss	Independent non-executive director	30 April 2018
PK Harris	Non-executive director	30 April 2018
Change in designation		
WR Jardine	Chairman	1 April 2018
JP Burger	Executive director	1 April 2018
AP Pullinger	CEO	1 April 2018
JP Burger	Non-executive director	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018

* JP Burger retired as CEO effective 31 March 2018. He remained an executive director until 31 August 2018 and became a non-executive director on 1 September 2018.

CASH DIVIDEND DECLARATIONS

DIVIDENDS

ORDINARY SHARES

The directors declared a gross cash dividend totalling 275 cents per ordinary share out of income reserves for the year ended 30 June 2018.

	Year ended 30 June	
Cents per share	2018	2017
Interim (declared 5 March 2018)	130.0	119.0
Final (declared 5 September 2018)	145.0	136.0
	275.0	255.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Tuesday 2 October 2018
Shares commence trading ex-dividend	Wednesday 3 October 2018
Record date	Friday 5 October 2018
Payment date	Monday 8 October 2018

Share certificates may not be dematerialised or rematerialised between Wednesday 3 October 2018 and Friday 5 October 2018, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate 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 116.00000 cents per share.

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

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

B PREFERENCE SHARES

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

DIVIDENDS DECLARED AND PAID

Cents per share	Preference dividends
Period:	
30 August 2016 - 27 February 2017	395.6
28 February 2017 - 28 August 2017	393.6
29 August 2017 - 26 February 2018	386.2
27 February 2018 - 27 August 2018	378.3

WR JARDINE	AP PULLINGER	C LOW
Chairman	CEO	Company secretary

5 September 2018

STATEMENT OF HEADLINE EARNINGS - IFRS (AUDITED)
for the year ended 30 June

R million	2018	2017	% change
Profit for the year	28 144	26 139	8
Contingent convertible securities (AT1)	(115)	-	-
NCNR preference shareholders	(351)	(356)	(1)
Non-controlling interests	(1 132)	(1 211)	(7)
Earnings attributable to ordinary equityholders	26 546	24 572	8
Adjusted for:	(37)	(810)	(95)
Gain on disposal of investment securities of a capital nature	(29)	(3)	
Loss/(gain) on disposal of available-for-sale assets	91	(52)	
Loss on disposal of non-private equity associates	-	5	
Impairment of non-private equity associates	-	4	
Gain on disposal of investments in subsidiaries	(97)	(1 817)	
Loss on reclassification of non-current assets and disposal groups held for sale which were not sold	-	95	
(Gain)/loss on disposal of property and equipment	(63)	14	
Fair value movement on investment properties	(29)	-	
Transfer from foreign currency translation reserve	108	-	
Impairment of goodwill	12	119	
Impairment of assets in terms of IAS 36	41	370	
Gain from a bargain purchase	(42)	-	
Property-related insurance recovery	(31)	-	
Tax effects of adjustments	-	26	
Non-controlling interests adjustments	2	429	
Headline earnings	26 509	23 762	12

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS
for the year ended 30 June

R million	2018	2017	% change
Headline earnings	26 509	23 762	12
Adjusted for:	(98)	709	(>100)
TRS and IFRS 2 liability remeasurement*	(54)	(63)	
Treasury shares**	18	(12)	
IAS 19 adjustment	(109)	(117)	
Private equity-related realisations#	47	901	
Normalised earnings	26 411	24 471	8

* The group uses 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 long-term incentive schemes. The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR. In the current year, FirstRand's share price increased R16.74 and during the prior year R2.31. This resulted in a significant mark-to-market fair value profit in the current year being included in the group's IFRS attributable earnings. The normalised results adjust for this year-on-year IFRS fair value volatility from the TRS.

** Includes FirstRand shares held for client trading activities.

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

BASIS OF PRESENTATION

The summary consolidated financial statements contained in this announcement are prepared in accordance with the JSE Listings Requirements for provisional reports and are derived from a complete set of the consolidated financial statements.

FirstRand prepares its summary consolidated financial results in accordance with:

- the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS);
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- IAS 34 Interim Financial Reporting; and
- requirements of the Companies no Act 71 of 2008, applicable to summary financial statements.

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

The directors take full responsibility and confirm that this information has been correctly extracted from the underlying report. Jaco van Wyk CA(SA), supervised the preparation of the consolidated financial statements and the summary consolidated financial statements. FirstRand's annual integrated report will be published on the group's website, www.firstrand.co.za on or about 4 October 2018.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived, are in terms of IFRS.

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.

The accounting policies are consistent with those applied for the year ended 30 June 2017. Amendments to IAS 7 and IAS 12 became effective in the current year. These amendments have not had an impact on the group's reported earnings, financial position or reserves, or a material impact on the accounting policies.

The amendments to IAS 7 introduces additional disclosures in the statement of cash flows and notes to the annual financial statements that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment has been applied retrospectively on a voluntary basis and comparative information has been presented in line with the amended disclosure requirements. The amendment to IAS 12 relates to the recognition of a deferred tax asset for unrealised losses on debt instruments that are measured at fair value for accounting purposes but considered at cost for tax purposes. The group is accounting for deferred tax of these assets in line with the amendments and the adoption of these amendments had no impact on the group.

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.

This pro forma financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons thereof can be found on www.firstrand.co.za. 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.

AUDITORS' REPORT

This announcement is itself not audited but is extracted from the underlying audited information.

The summary consolidated financial statements for the year ended 30 June 2018 contained in this announcement have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon, in terms of ISA 810 (Revised).

The auditors also expressed an unmodified opinion on the 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 summary consolidated financial statements on the full provisional report and of the auditors' report on the consolidated financial statements are available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the respective auditors' reports.

The auditors' report does not necessarily report on all of the information contained in this announcement. 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 announcement.

SUMMARY CONSOLIDATED INCOME STATEMENT - IFRS (AUDITED)
for the year ended 30 June

R million	2018	2017	% change
Net interest income before impairment of advances	49 098	44 917	9
Impairment and fair value of credit of advances	(8 567)	(8 054)	6
Net interest income after impairment of advances	40 531	36 863	10
Non-interest revenue	44 193	40 922	8
Income from operations	84 724	77 785	9
Operating expenses	(48 462)	(44 585)	9
Net income from operations	36 262	33 200	9
Share of profit of associates after tax	519	757	(31)
Share of profit of joint ventures after tax	390	281	39
Income before tax	37 171	34 238	9
Indirect tax	(1 077)	(1 081)	-
Profit before tax	36 094	33 157	9
Income tax expense	(7 950)	(7 018)	13
Profit for the year	28 144	26 139	8
Attributable to			
Ordinary equityholders	26 546	24 572	8
Contingent convertible securities (AT1)	115	-	-
NCNR preference shareholders	351	356	(1)
Equityholders of the group	27 012	24 928	8
Non-controlling interests	1 132	1 211	(7)
Profit for the year	28 144	26 139	8
Earnings per share (cents)			
- Basic	473.3	438.2	8
- Diluted	473.3	438.2	8
Headline earnings per share (cents)			
- Basic	472.7	423.7	12
- Diluted	472.7	423.7	12

SUMMARY CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME - IFRS (AUDITED)
for the year ended 30 June

R million	2018	2017	% change
Profit for the year	28 144	26 139	8
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	185	(150)	(>100)
Gains/(losses) arising during the year	283	(141)	(>100)
Reclassification adjustments for amounts included in profit or loss	(26)	(67)	(61)
Deferred income tax	(72)	58	(>100)
Available-for-sale financial assets	(650)	(282)	>100
Losses arising during the year	(1 009)	(397)	>100
Reclassification adjustments for amounts included in profit or loss	91	(52)	(>100)
Deferred income tax	268	167	60
Exchange differences on translating foreign operations	1 175	(1 633)	(>100)
Gains/(losses) arising during the year	1 175	(1 633)	(>100)
Share of other comprehensive loss of associates and joint ventures after tax and non-controlling interests	(72)	(157)	(54)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	38	169	(78)
Gains arising during the year	43	241	(82)
Deferred income tax	(5)	(72)	(93)
Other comprehensive income/(loss) for the year	676	(2 053)	(>100)
Total comprehensive income for the year	28 820	24 086	20
Attributable to			
Ordinary equityholders	27 217	22 574	21
Contingent convertible securities (AT1)	115	-	-
NCNR preference shareholders	351	356	(1)
Equityholders of the group	27 683	22 930	21
Non-controlling interests	1 137	1 156	(2)
Total comprehensive income for the year	28 820	24 086	20

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION - IFRS (AUDITED)
as at 30 June

R million	2018	2017
ASSETS		
Cash and cash equivalents	96 024	68 483
Derivative financial instruments	42 499	35 459
Commodities	13 424	14 380
Investment securities	208 937	167 427
Advances	1 121 227	893 106
- Advances to customers	1 065 997	848 649
- Marketable advances	55 230	44 457
Accounts receivable	9 884	8 878
Current tax asset	378	147
Non-current assets and disposal groups held for sale	112	580
Reinsurance assets	84	89
Investments in associates	5 537	5 924
Investments in joint ventures	1 726	1 430
Property and equipment	17 936	17 512
Intangible assets	10 847	1 686
Investment properties	754	399
Defined benefit post-employment asset	36	5
Deferred income tax asset	2 884	2 202
Total assets	1 532 289	1 217 707
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	9 999	15 276
Derivative financial instruments	50 954	44 403
Creditors, accruals and provisions	19 620	17 014
Current tax liability	438	277
Liabilities directly associated with disposal groups held for sale	-	195
Deposits	1 267 448	983 529
Employee liabilities	11 534	9 884
Other liabilities	6 989	6 385
Policyholder liabilities	4 593	3 795
Tier 2 liabilities	28 439	18 933
Deferred income tax liability	1 477	832
Total liabilities	1 401 491	1 100 523
Equity		
Ordinary shares	56	56
Share premium	7 994	7 960
Reserves	112 975	100 868
Capital and reserves attributable to ordinary equityholders	121 025	108 884
Contingent convertible securities (AT1)	1 250	-
NCNR preference shares	4 519	4 519
Capital and reserves attributable to equityholders of the group	126 794	113 403
Non-controlling interests	4 004	3 781
Total equity	130 798	117 184
Total equity and liabilities	1 532 289	1 217 707

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS - IFRS (AUDITED)
for the year ended 30 June

R million	2018	2017
Cash generated from operating activities		
Interest and fee commission receipts	124 420	108 306
Trading and other income	4 693	2 857
Interest payments	(40 941)	(35 285)
Other operating expenses	(37 177)	(35 106)
Dividends received	5 649	5 971
Dividends paid	(15 387)	(13 650)
Dividends paid to non-controlling interests	(923)	(1 099)
Taxation paid*	(9 414)	(8 237)
Cash generated from operating activities	30 920	23 757
Movement in operating assets and liabilities		
Liquid assets and trading securities	(27 540)	(24 588)
Advances	(90 785)	(59 143)
Deposits	126 565	71 085
Movement in accounts receivable and creditors	(990)	3 262
Employee liabilities	(5 220)	(5 337)
Other operating liabilities	(3 774)	(319)
Net cash generated from operating activities	29 176	8 717
Cash flows from investing activities		
Acquisitions of investments in associates	(308)	(98)
Proceeds on disposal of investments in associates	2 276	38
Acquisition of investments in joint ventures	(361)	(44)
Proceeds on disposal of investments in joint ventures	-	17
Acquisition of investments in subsidiaries#	(9 634)	(257)
Proceeds on disposal of investments in subsidiaries	212	1 815
Acquisition of property and equipment	(3 577)	(4 581)
Proceeds on disposal of property and equipment	519	514
Acquisition of intangible assets and investment properties	(586)	(434)
Proceeds on disposal of intangible assets and investment properties	8	-
Proceeds on disposal of non-current assets held for sale	219	170
Net cash outflow from investing activities	(11 232)	(2 860)
Cash flows from financing activities		
Proceeds from the issue of other liabilities	1 673	812
Redemption of other liabilities	(862)	(2 487)
Proceeds from the issue of Tier 2 liabilities	9 823	2 909
Repayment of Tier 2 liabilities	(1 272)	(1 968)
Acquisition of additional interest in subsidiaries from non-controlling interests	(45)	(162)
Issue of shares of additional interest in subsidiaries from non-controlling interests	14	-
Net cash inflow/(outflow) from financing activities	9 331	(896)
Net increase in cash and cash equivalents	27 275	4 961
Cash and cash equivalents at the beginning of the year	68 483	64 303
Effect of exchange rate changes on cash and cash equivalents	266	(763)
Transfer to non-current assets held for sale	-	(18)
Cash and cash equivalents at the end of the year	96 024	68 483
Mandatory reserve balances included above**	26 303	24 749

* In the current year taxation paid was reclassified from investment in operating assets and liabilities to cash generated from operations. The reclassification amounted to R8 237 million. The net impact on the prior year cash generated from operating activities was R8 237 million with a nil impact on the net cash generated from operating activities.

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

\# Gross cash paid less cash in subsidiaries on date of acquisition.

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - IFRS (AUDITED)
for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds													
R million	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares and contingent convertible securities*	Non-controlling interests	Total equity
Balance as at 1 July 2016	56	7 952	8 008	(930)	308	9	(441)	3 310	374	89 107	91 737	4 519	3 801	108 065
Net proceeds of issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from the issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share issue expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	8	8
Movement in other reserves	-	-	-	-	-	3	-	-	195	(167)	31	-	81	112
Ordinary dividends	-	-	-	-	-	-	-	-	-	(13 294)	(13 294)	-	(1 099)	(14 393)
Contingent convertible securities dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(356)	-	(356)
Transfer from/(to) general risk reserves	-	-	-	-	-	-	-	-	16	(16)	-	-	-	-
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	(175)	(175)	-	(166)	(341)
Movement in treasury shares	-	8	8	-	-	-	-	-	-	(8)	(8)	-	-	-
Total comprehensive income for the year	-	-	-	169	(150)	-	(274)	(1 620)	(123)	24 572	22 574	356	1 156	24 086
Vesting of share-based payments	-	-	-	-	-	(3)	-	-	-	6	3	-	-	3
Balance as at 30 June 2017	56	7 960	8 016	(761)	158	9	(715)	1 690	462	100 025	100 868	4 519	3 781	117 184
Net proceeds of issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Proceeds from the issue of share capital	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Share issue expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	-	-	-	(24)	-	-	(24)	1 250	(22)	1 204
Movement in other reserves	-	-	-	-	-	7	-	-	191	(226)	(28)	-	12	(16)
Ordinary dividends	-	-	-	-	-	-	-	-	-	(14 921)	(14 921)	-	(923)	(15 844)
Contingent convertible securities dividends	-	-	-	-	-	-	-	-	-	-	-	(115)	-	(115)
Preference dividends	-	-	-	-	-	-	-	-	-	-	-	(351)	-	(351)
Transfer from/(to) general risk reserves	-	-	-	-	-	-	-	-	18	(18)	-	-	-	-
Changes in ownership interest of subsidiaries	-	-	-	-	-	-	-	-	-	(139)	(139)	-	5	(134)
Movement in treasury shares	-	34	34	-	-	-	-	-	-	2	2	-	-	36
Total comprehensive income for the year	-	-	-	38	185	-	(646)	1 166	(72)	26 546	27 217	466	1 137	28 820
Vesting of share-based payments	-	-	-	-	-	(12)	-	-	-	12	-	-	-	-
Balance as at 30 June 2018	56	7 994	8 050	(723)	343	4	(1 361)	2 832	599	111 281	112 975	5 769	4 004	130 798

* The current amount for NCNR preference shares is R4 519 million and the contingent convertible securities (AT1) is R1 250 million.

RECONCILIATION OF NORMALISED TO IFRS SUMMARY CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2018

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	51 254	-	-	(2 252)	-	-	-	96	49 098
Impairment charge	(8 567)	-	-	-	-	-	-	-	(8 567)
Net interest income after impairment of advances	42 687	-	-	(2 252)	-	-	-	96	40 531
Total non-interest revenue	41 926	320	(18)	2 252	-	(27)	92	557	45 102
- Operational non-interest revenue	41 012	320	(13)	2 252	-	(27)	92	557	44 193
- Share of profit of associates and joint ventures after tax	914	-	(5)	-	-	-	-	-	909
Income from operations	84 613	320	(18)	-	-	(27)	92	653	85 633
Operating expenses	(47 664)	(320)	-	-	151	-	(53)	(576)	(48 462)
Income before tax	36 949	-	(18)	-	151	(27)	39	77	37 171
Indirect tax	(1 077)	-	-	-	-	-	-	-	(1 077)
Profit before tax	35 872	-	(18)	-	151	(27)	39	77	36 094
Income tax expense	(7 865)	-	-	-	(42)	(20)	-	(23)	(7 950)
Profit for the year	28 007	-	(18)	-	109	(47)	39	54	28 144
Attributable to									
Contingent convertible securities (AT1)	(115)	-	-	-	-	-	-	-	(115)
NCNR preference shareholders	(351)	-	-	-	-	-	-	-	(351)
Non-controlling interests	(1 130)	-	-	-	-	-	(2)	-	(1 132)
Ordinary equityholders of the group	26 411	-	(18)	-	109	(47)	37	54	26 546
Headline and normalised earnings adjustments	-	-	18	-	(109)	47	(37)	(54)	(135)
Normalised earnings attributable to ordinary equityholders of the group	26 411	-	-	-	-	-	-	-	26 411

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS SUMMARY CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2017

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	46 626	-	-	(1 796)	-	-	-	87	44 917
Impairment charge	(8 054)	-	-	-	-	-	-	-	(8 054)
Net interest income after impairment of advances	38 572	-	-	(1 796)	-	-	-	87	36 863
Total non-interest revenue	39 268	745	12	1 796	-	(1 788)	1 849	78	41 960
- Operational non-interest revenue	38 227	745	11	1 796	-	(1 788)	1 853	78	40 922
- Share of profit of associates and joint ventures after tax	1 041	-	1	-	-	-	(4)	-	1 038
Income from operations	77 840	745	12	-	-	(1 788)	1 849	165	78 823
Operating expenses	(43 773)	(314)	-	-	163	-	(584)	(77)	(44 585)
Income before tax	34 067	431	12	-	163	(1 788)	1 265	88	34 238
Indirect tax	(1 081)	-	-	-	-	-	-	-	(1 081)
Profit before tax	32 986	431	12	-	163	(1 788)	1 265	88	33 157
Income tax expense	(6 951)	-	-	-	(46)	30	(26)	(25)	(7 018)
Profit for the year	26 035	431	12	-	117	(1 758)	1 239	63	26 139
Attributable to									
Contingent convertible securities (AT1)	-	-	-	-	-	-	-	-	-
NCNR preference shareholders	(356)	-	-	-	-	-	-	-	(356)
Non-controlling interests	(1 208)	-	-	-	-	426	(429)	-	(1 211)
Ordinary equityholders of the group	24 471	431	12	-	117	(1 332)	810	63	24 572
Headline and normalised earnings adjustments	-	(431)**	(12)	-	(117)	1 332	(810)	(63)	(101)
Normalised earnings attributable to ordinary equityholders of the group	24 471	-	-	-	-	-	-	-	24 471

* FirstRand shares held for client trading activities.
** Private equity-related goodwill and other assessment impairments.

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

R million	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
Liabilities directly associated with disposal groups held for sale	-	-	-
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 ordinary equityholders	121 046	(21)	121 025
Contingent convertible securities (AT1)	1 250		1 250
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	126 815	(21)	126 794
Non-controlling interests	4 004	-	4 004
Total equity	130 819	(21)	130 798
Total equity and liabilities	1 532 310	(21)	1 532 289

* FirstRand shares held for client trading activities.

RECONCILIATION OF NORMALISED TO IFRS SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	68 483	-	68 483
Derivative financial instruments	35 459	-	35 459
Commodities	14 380	-	14 380
Investment securities	167 516	(89)	167 427
Advances	893 106	-	893 106
- Advances to customers	848 649	-	848 649
- Marketable advances	44 457		44 457
Accounts receivable	8 878	-	8 878
Current tax asset	147	-	147
Non-current assets and disposal groups held for sale	580	-	580
Reinsurance assets	89	-	89
Investments in associates	5 924	-	5 924
Investments in joint ventures	1 379	51	1 430
Property and equipment	17 512	-	17 512
Intangible assets	1 686	-	1 686
Investment properties	399	-	399
Defined benefit post-employment asset	5	-	5
Deferred income tax asset	2 202	-	2 202
Total assets	1 217 745	(38)	1 217 707
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	15 276	-	15 276
Derivative financial instruments	44 403	-	44 403
Creditors, accruals and provisions	17 014	-	17 014
Current tax liability	277	-	277
Liabilities directly associated with disposal groups held for sale	195	-	195
Deposits	983 529	-	983 529
Employee liabilities	9 884	-	9 884
Other liabilities	6 385	-	6 385
Policyholder liabilities	3 795	-	3 795
Tier 2 liabilities	18 933	-	18 933
Deferred income tax liability	832	-	832
Total liabilities	1 100 523	-	1 100 523
Equity			
Ordinary shares	56	-	56
Share premium	8 056	(96)	7 960
Reserves	100 810	58	100 868
Capital and reserves attributable to ordinary equityholders	108 922	(38)	108 884
Contingent convertible securities (AT1)	-	-	-
NCNR preference shares	4 519	-	4 519
Capital and reserves attributable to equityholders of the group	113 441	(38)	113 403
Non-controlling interests	3 781	-	3 781
Total equity	117 222	(38)	117 184
Total equity and liabilities	1 217 745	(38)	1 217 707

* FirstRand shares held for client trading activities.

ACQUISITION OF ALDERMORE (AUDITED)

Identifiable assets acquired and liabilities assumed at the 1 April 2018 fair value are as follows.

R million	Aldermore 2018
ASSETS	
Cash and cash equivalents	8 676
Derivative financial instruments	512
Accounts receivable	298
Current tax asset	-
Advances	147 447
Investment securities	11 922
Investments in associates	81
Property and equipment	68
Deferred income tax asset	58
Intangible assets	244
Total assets acquired	169 306
LIABILITIES	
Derivative financial instruments	266
Creditors and accruals	1 597
Current tax liability	164
Deposits	153 735
Employee liabilities	28
Other liabilities	-
Deferred income tax liability	10
Tier 2 liabilities	1 030
Total liabilities acquired	156 830
Net asset value at date of acquisition	12 476
Total goodwill is calculated as follows:	
Total cash consideration transferred	18 311
Total non-cash consideration transferred	-
Contingent consideration transferred	-
Less: net identifiable asset value at date of acquisition	(12 476)
Add: effective cash flow hedge	651
Less: intangible assets identified	(2 362)
Add: deferred tax	537
Add: non-controlling interests at acquisition of contingent convertible securities (AT1)	1 234
Goodwill on acquisition	5 895

FirstRand Limited acquired control by obtaining the entire issued share capital of Aldermore Group plc (Aldermore) through FirstRand International Limited. Aldermore is a UK-based specialist lender and savings bank. The acquisition will allow the group to expand its current UK operations, which focus on vehicle asset financing through MotoNovo. It allows the group immediate product diversification and potential subsequent cross-selling opportunities between MotoNovo and Aldermore's customer bases. The effective date of the acquisition was 1 April 2018. Aldermore is a separately reportable segment of the group.

The group's functional currency is rand and the purchase price was settled in pounds which resulted in foreign currency exposure for the group. The group hedged a portion of the purchase price in two tranches, which qualified for cash flow hedge accounting with effect from 27 September and 17 October 2017, with the fair value movements of the effective portion of the hedge recognised in other comprehensive income. At the date of acquisition, the amount of R651 million accumulated in other comprehensive income was released and adjusted against the investment in Aldermore, effectively resulting in an adjustment to the amount of goodwill recognised on consolidation.

On the acquisition of Aldermore, the outstanding deferred bonuses and long-term incentive awards of Aldermore employees were replaced with a deferred cash instrument aligned to the outstanding term of the awards. This cash instrument will vest on the same date as the original awards.

The accounting for the Aldermore business combination is provisional at 30 June 2018 due to the inherent complexity and judgement associated with identifying intangible assets, and determining the fair value of identified intangible assets and certain on-balance sheet items.

The acquisition resulted in the recognition of the following intangible assets:

Intangible assets	Amount (R million)	Description
Broker relationship	2 201	Brokers are a vital element of the Aldermore business model. The majority of new loans are sourced through a network of non-exclusive brokers. These brokers do not have the authority to underwrite the loans, but are responsible for business origination. These relationships are amortised on a straight line basis over seven years.
Core deposit	113	The core deposit intangible asset has been recognised for the unique funding model of Aldermore. Aldermore has a cost-efficient funding structure of readily available customer and wholesale market deposits. This core deposit intangible asset is amortised on a straight line basis over two years.
Trademark (brand)	48	The Aldermore trademark is established in the challenger bank market in the UK. This trademark is amortised on a straight line basis over two years.
Goodwill	5 895	Goodwill is attributable to the synergies arising from the acquisition of Aldermore as it provides the group with access to the UK market, opportunities to diversify its business, cross-selling of products, as well as the skills and technical talent of the Aldermore workforce.

The acquired receivables consisted of advances, accounts receivable and debt investment securities. The fair value of these receivables was a reasonable approximation of the carrying value (contractual cash less cash flows not expected to be collected) of these receivables at the acquisition date. Acquisition-related expenditure of R133 million has been disclosed as operating expenditure in the consolidated income statement.

From the date of acquisition, Aldermore contributed R1 344 million of revenue (NII and NIR) and R549 million to profit before tax of the group. If the acquisition had taken place at the beginning of the current period, the group revenue and profit before tax would have been R98 298 million and R37 517 million respectively.

FAIR VALUE HIERARCHY AND MEASUREMENTS (AUDITED)

Transfers between fair value hierarchy levels

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

			2018
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	-	-	There were no transfers into level 1.
Level 2	34	(1 101)	Certain over the counter equity options have been transferred to level 2 in the current year because the inputs used in the valuation of these positions have become observable as the maturity of these trades are less than 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 into level 3 of the fair value hierarchy.
Total transfers	1 135	(1 135)	

			2017
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	-	-	There were no transfers into level 1.
Level 2	-	(38)	There were no transfers into level 2.
Level 3	38	-	The JSE publishes volatilities of strike prices of options between 70% and 130%. Any volatility above or below this range results in inputs becoming unobservable. During the current year, the observability of volatilities used in determining the fair value of certain over-the-counter options became unobservable and resulted in the transfer of R38 million out of level 2 into level 3 of the fair value hierarchy.
Total transfers	38	(38)	

SUMMARY SEGMENT REPORT - IFRS (AUDITED)

for the year ended 30 June

	2018									
	FNB		RMB							
R million	FNB SA	FNB Africa	Investment banking	Corporate banking	WesBank	Aldermore	FCC (including Group Treasury) and other	FirstRand group normalised	Normalised adjustments	Total
Profit before tax	20 510	906	8 489	1 861	5 130	549	(1 573)	35 872	222	36 094
Total assets	379 397	49 837	399 444	53 640	228 433	189 867	231 692	1 532 310	(21)	1 532 289
Total liabilities	359 120	50 031	390 143	52 373	221 953	176 089	151 782	1 401 491	-	1 401 491

R million	FNB SA	FNB Africa	RMB Investment banking	RMB Corporate banking	WesBank	Aldermore	FCC (including Group Treasury) and other	FirstRand group normalised	Normalised adjustments	Total
	2017									
Profit before tax	17 744	880	8 050	1 731	5 612	-	(1 031)	32 986	171	33 157
Total assets	351 978	49 959	386 780	45 872	214 222	-	168 934	1 217 745	(38)	1 217 707
Total liabilities	333 698	49 982	377 349	43 634	207 809	-	88 051	1 100 523	-	1 100 523

CONTINGENCIES AND COMMITMENTS (AUDITED)
as at 30 June

R million	2018	2017	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	36 977	34 006	9
Letters of credit	10 681	6 731	59
Total contingencies	47 658	40 737	17
Irrevocable commitments	126 631	119 325	6
Committed capital expenditure	2 915	3 936	(26)
Operating lease commitments	3 588	3 779	(5)
Other	166	306	(46)
Contingencies and commitments	180 958	168 083	8
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.	181	129	40
Commitments			
Commitments in respect of capital expenditure and long-term investments approved by the directors	2 915	3 936	(26)

EVENTS AFTER REPORTING PERIOD (AUDITED)

DISCOVERY CARD

Subsequent to the year end, the group concluded a transaction with Discovery, through the issuance of preference shares, for the ultimate transfer and disposal of its remaining effective 25.01% interest in Discovery Card and Discovery Bank respectively. The consideration of this transaction is R1.8 billion, which together with the preference share issuance of R1.3 billion in 2016, results in a total value unlock for FirstRand shareholders of approximately R3 billion. This transaction is expected to be concluded during the financial year ending 30 June 2019.

At 30 June 2018, FNB includes Discovery Card advances with a gross value of R4.3 billion which will also be transferred at carrying value.

FNB SWAZILAND

During the next financial year, a minority interest in FNB Swaziland will be offered to local investors through a listing.

NUMBER OF ORDINARY SHARES IN ISSUE
for the year ended 30 June

	2018		2017	
	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	(1 045 515)	-	(311 919)	-
- Shares for client trading*	(1 045 515)	-	(311 919)	-
Number of shares in issue (after treasury shares)	5 608 442 486	5 609 488 001	5 609 176 082	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	(1 363 218)	-	(1 480 934)	-
- Shares for client trading*	(1 363 218)	-	(1 480 934)	-
Basic and diluted weighted average number of shares in issue	5 608 124 783	5 609 488 001	5 608 007 067	5 609 488 001

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

COMPANY INFORMATION

DIRECTORS

WR Jardine (chairman), AP Pullinger (CEO), HS Kellan (financial director), M Vilakazi (COO with effect from 1 July 2018), JP Burger (non-executive with effect from 1 September 2018), MS Bomela, HL Bosman, JJ Durand (alternate with effect from 3 September 2018), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, T Winterboer

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Fax: +27 11 282 4184

NAMIBIAN SPONSOR

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4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES - SOUTH AFRICA

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Fax: +27 11 688 5248

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5 September 2018