FirstRand

owner-manager culture
innovation
entrepreneurship
franchise value

’18 annual integrated report

about this report

The group continues to present both new and existing content in an accessible and diagrammatical style.

Of particular note:

- additional commentary on the principles that underpin the group's approach to remuneration on pages 100 and 101;
- graphical representation of the group's strategic framework and new operating model;
- two spreads that seek to demonstrate how the operations of the group positively impact the broader needs of society.

The commentary and financial results in the chairman, CEO and CFO reports and the operational reviews are based on the normalised results of the group. The normalised results have been derived from the IFRS financial results. A detailed description on the differences between normalised and IFRS results and detailed reconciliation between normalised and IFRS results are provided on pages 210 to 217.

FirstRand

1966/010753/06
Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers.
This analysis is available on the group's website:
www.firstrand.co.za
Email questions to
investor.relations@firstrand.co.za

contents

firstrand **group** 01

review of **operations** 02

corporate **governance** 03

01 firstrand group

statement of intent

The group has a portfolio branding strategy and there are a number of leading brands within the group.

FNB

RMB

WesBank

Aldermore

ASHBURTON INVESTMENTS

PORTFOLIO

FirstRand is a portfolio of integrated financial services businesses and offers 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.

STRATEGY

Strategy is executed utilising **disruptive and innovative** thinking, enabled by disruptive digital and data platforms, an owner-manager culture and the disciplined allocation of financial resources.

OBJECTIVE

The group's objective is to build **long-term franchise** value and ensure sustainable, superior returns for shareholders.

TRACK RECORD

Achieved through a combination of **organic growth, acquisitions, and creating additional sources of revenue** through the start-up and development of completely new businesses.

integrated highlights

FINANCIAL

ORDINARY DIVIDEND PER SHARE (CENTS)

8%

2018: 275.0 I 2017: 255.0

NORMALISED RETURN ON EQUITY

23.0%

2017: 23.4%

DILUTED NORMALISED EARNINGS PER SHARE (CENTS)

8%

2018: 470.8 I 2017: 436.2

NORMALISED EARNINGS PER SHARE (R MILLION)

8%

2018: 26 411 I 2017: 24 471

NORMALISED NET ASSET VALUE PER SHARE (CENTS)

11%

2018: 2 157.9 I 2017: 1 941.7

FNB

NORMALISED EARNINGS

16%

RMB

NORMALISED EARNINGS

6%

WesBank

NORMALISED EARNINGS

9%

SOCIAL

ECONOMIC VALUE ADDED TO SOCIETY (R MILLION)
↑ 12%
2018: 124 270 | 2017: 110 827

TOTAL WORKFORCE (NUMBER)
46 284
2017: 44 916

SOUTH AFRICAN WORKFORCE (NUMBER)
37 958
2017: 37 728

% ACI EMPLOYEES (SA OPERATIONS)
77%
2017: 76%

EDUCATION GRANTS
R243m
2017: R284m

CARBON EMISSIONS (SA OPERATIONS) (TONNES)
↓ 13%
2018: 224 190 | 2017: 258 878

PROCUREMENT FROM BLACK-OWNED COMPANIES
R3.7bn
2017: R2.8bn

B-BBEE STATUS
Level 1

OPERATIONS

FNB CUSTOMER NUMBERS
↑ 4%
2018: 8.15m

FNB DIGITAL TRANSACTIONS
↑ 71%
of total FNB transactions

FNB SOLD
3.7m
policies on new group life licence

RMB M&A ADVISED ON
R87.2bn
worth of deals

RMB MORGAN STANLEY IS
#1
JSE equity trading values

WESBANK FINANCES
1 in 3
vehicles in SA

MOTONOVO IS
#2
independent motor finance lender in UK

firstrand's integrated reporting framework

Strategic framework

CORE PURPOSE

Create long-term franchise value, and deliver superior growth and returns.

18 CEO's report
26 CFO's report

PORTFOLIO MANAGEMENT

Actively manage the portfolio of businesses to deliver on this strategic focus; a dynamic process that is constantly measured with appropriate frameworks that balance risk, growth and returns.

18 CEO's report
26 CFO's report
137 Risk report

SUSTAINABLE RETURNS

Deliver sustainable returns within acceptable levels of earnings volatility; managing the business on a through-the-cycle basis and utilising strategic and operational levers – capital, balance sheet and operating platforms.

18 CEO's report
26 CFO's report
137 Risk report

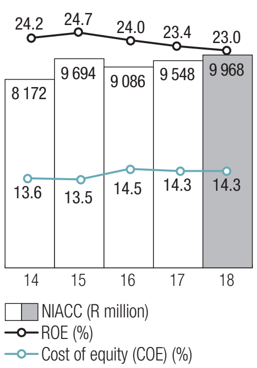
Measuring performance

The group believes that the true measures of value creation are **return on equity (ROE) and net income after capital charge (NIACC).** The group's ROE target range for normal economic cycles is 18% to 22% and it believes that this range is sustainable going forward.

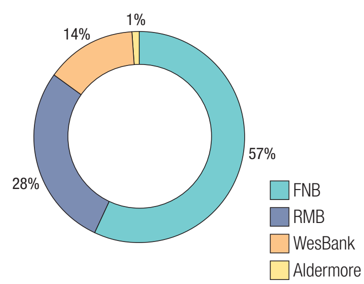
The group seeks **optimal diversification** from its portfolio. This chart demonstrates the portfolio diversification by operating business, which the group believes is appropriate. FirstRand is, however, executing on strategies to further increase diversification on a product, segment, activity and geographic basis.

The group believes its **client franchise** is key to sustainability and therefore analyses the proportion of revenues generated from client activities as this represents the highest quality of earnings. This chart shows that 97% of gross revenue emanates from client activities.

NIACC and ROE

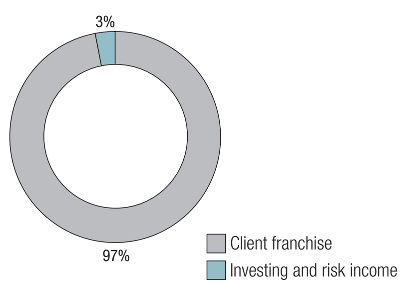


BUSINESS DIVERSIFICATION*
normalised earnings



* *Excluding FCC (incl. Group Treasury), FirstRand company consolidated adjustments and NCNR preference dividend.*

GROSS REVENUE
%



FirstRand has carefully considered the principles and objectives of integrated reporting. The group's aims is to apply best reporting practice, in so far that it assists in explaining the group's strategy, operations and performance. It does not seek to tick all the boxes, but rather provide stakeholders with enough relevant information to take an informed view on the quality of leadership's strategic thinking, execution of strategy and utilisation of operating platforms, financial resources and risk capacity. The approach is fundamentally designed to present substance over form.

Depicted here is FirstRand's reporting framework which represents the five key pillars of the group's approach to delivering superior and sustainable returns to its stakeholders. It indicates some key sections or pages in this report where the reader can find narrative and data that substantiates the statement of intent.

VALUES AND CULTURE

Maintain an ethical and entrepreneurial culture with a strong focus on innovation. This has proven to be a meaningful underpin to the group's performance.

45 Operational reviews
137 Risk report

Innovation programmes have been refocused resulting in fewer, more **impactful innovations**. The chart below shows the growth in number of innovations implemented.

STAKEHOLDERS

Create value for the providers of capital and for the benefit of all stakeholders – customers, regulators, employees and the communities the group serves.

12 Chairman's report
08 Measuring social impact
67 Corporate governance report
45 Operational reviews
137 Risk report

The group manages its business for a **broad range of stakeholders**, this chart indicates the economic value distribution to the different stakeholders of the group.

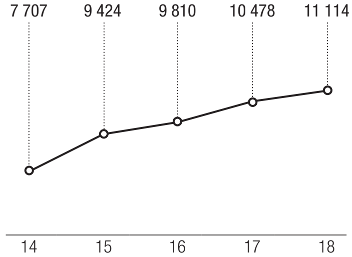
GOVERNANCE

Implement the highest standards of corporate governance and ethics oversight at all levels.

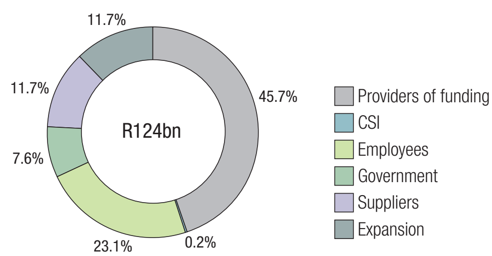
67 Corporate governance report
137 Risk report

Review governance processes to ensure ongoing improvement.

CUMULATIVE INNOVATIONS IMPLEMENTED *CAGR 10%*



ECONOMIC VALUE DISTRIBUTION
%



measuring social impact

The nature, size and scale of the group's business activities means that it inevitably **impacts society** in its broadest sense, as a

- > **systemic provider of credit**
- > **keeper of the country's deposits and savings**
- > **provider of channels for people to access their funds and spend**
- > **material taxpayer**
- > **large employer**

FirstRand recognises that it has a shared value contract with society. The group has started to measure certain aspects of its business to try and provide stakeholders with insights as to how it utilises its balance sheet, products, platforms, technology, people and innovative culture to deliver superior economic value that also meets or solves broader societal needs.

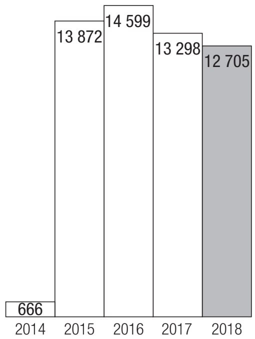
How the group's balance sheet drives economic growth and inclusion

As one of the Big 4 banks in South Africa the group is a significant provider of credit to the economy

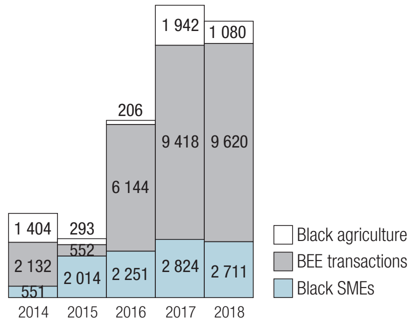
How the group's transactional platforms benefit the broader community

FirstRand's balance sheet has made a **material contribution to the development of the country's infrastructure, particularly in the renewables sector.**

FNB has provided **R24 billion** of funding for the SME sector which is a major contributor to **economic growth and job creation.**



Transformational infrastructure



Lending to black SMEs, BEE transactions and black agriculture

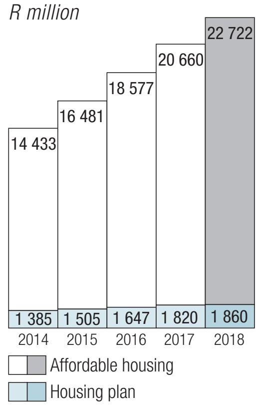
In addition, through providing credit to individuals, the group has enabled home ownership across all social spectrums.

The **economic benefits** of homeownership are immense. Owning a home not only provides individuals with tangible wealth-building opportunities, it brings **substantial social benefits** for families, communities and the country as a whole.

The group's affordable housing book has grown strongly

R24.5 billion representing **95 612** customers

This book is focused on providing access to housing finance to lower household income groups



Deepening access through provision of electronic channels

Approximately **1.8 million** people in low-earning segments of the population regularly used FNB's electronic channels during the year

Representing a **20%** increase from the previous year

Overall FNB has **6.1 million** active users of its eWallet product, with an average of 3 million transactions a month

Representing a **28%** increase from the previous year

How the group treats its customers fairly

CONSUMER FINANCIAL EDUCATION

Given the complex nature of its products and services, the group's large retail business FNB and WesBank invest significantly in consumer education initiatives particularly in the low income market.

How the group is using its financial strength to contribute to the needs of the poor and vulnerable

SYSTEMIC SOCIAL INVESTING

The group's social investing objectives adopt a systemic approach, designed to confront the root causes of social problems (not only the symptoms) through strategic interventions.

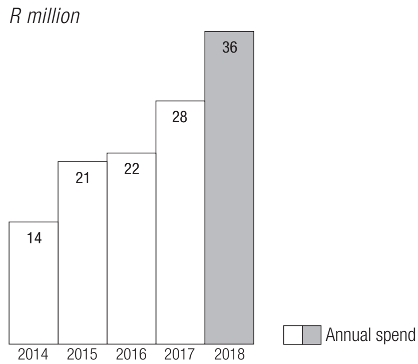
How the group is addressing transformation and employment equity

WORKFORCE DIVERSITY

Approximately **77%** of the group's South African workforce is composed of African, Coloured and Indian employees. While significant progress has been made at junior levels, further improvement is required with only **39%** ACI representation at senior management level.

Approximately **61%** of the group's workforce is female.

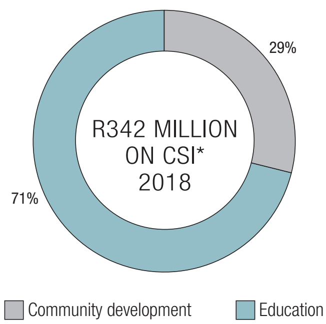
During the year
R36 million
was committed to these initiatives, representing a
29% increase
from the prior year



Spend on consumer financial education

These programmes help customers to make **informed financial decisions**

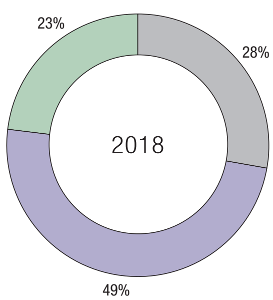
Since its creation in 1998 the FirstRand Foundation has granted over
R1 billion
for social investment projects



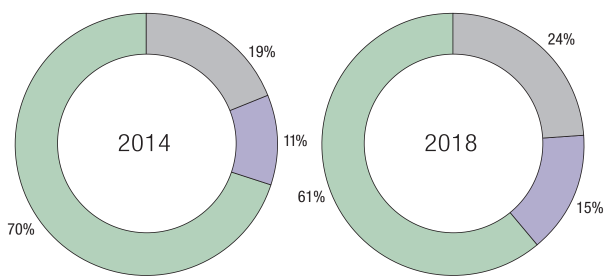
* *FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust*

The FirstRand Empowerment Foundation created from the group's BEE transaction represents one of the **largest endowments in South Africa at**
R6 billion
and is black controlled

SA WORKFORCE DIVERSITY



SENIOR MANAGEMENT DIVERSITY



ACI male | ACI female | White and foreign national

Diversity in senior management shows a **positive trend since 2014**

chairman's report

Roger Jardine

"Someone is sitting in the shade today because someone planted a tree a long time ago."

So said Warren Buffett, "the sage of Omaha", a man of world renown who has demonstrated over many decades an expansive and highly successful vision for his business. But he is just as famous for his folksy and seemingly simple style when commenting on his strategy (as anyone would know when reading his annual letter to shareholders). Buffett's style should not, however, distract us from the profound nature of his insight.

I consider myself very fortunate to follow in the footsteps of two founders of FirstRand.

As I sit here today, writing my first statement as chairman of FirstRand, the quote above resonates with me. I consider myself very fortunate to follow in the footsteps of two founders of FirstRand, GT Ferreira and Laurie Dippenaar. Along with Paul Harris, the third member of the founding trio, GT and Laurie have been instrumental in creating what is arguably today one of the most well-regarded financial institutions in South Africa. They planted many "trees" that were the enduring foundations of this business. The combination of long-term thinking, sustainable business practices and great people operating in a unique corporate culture that fostered an enduring entrepreneurial mindset, have all resulted in a powerful heritage. I look forward to playing my part, together with the board and the management team of FirstRand, in writing another chapter of this legacy.

I take over this role at a time when the business is in excellent shape, as demonstrated in the results for the year to June 2018 covered later in this report, however, it is an extremely challenging time for our country.

POLICY UNCERTAINTY REMAINS A CONSTRAINT TO CONFIDENCE AND GROWTH

Slow economic growth over the last ten years, alongside ever increasing public spending, has resulted in a fiscus that is under enormous strain, with government debt still accumulating rapidly and unemployment at unacceptable levels. In addition, government has embarked on a number of populist policies which the South African balance sheet simply cannot afford: higher public-sector wages, a questionable approach to higher education funding and, more recently, the proposed process for the introduction of National Health Insurance. Also, with regard to the land debate, the government is seeking constitutional amendments that, if implemented poorly, run the risk of compromising the property rights of South African citizens.

This unfortunately paints a rather bleak picture and is negative for investor and business confidence, both of which are required for the country to attract much needed further investment. The government must drive major structural reform for South Africa to return to a growth path and deliver the positive outcome this country and its people, particularly our youth, so sorely needs. Structural reform is, however, painful and unpopular. It requires strong leadership and a unified government to make the tough decisions.

The election of Cyril Ramaphosa as president of South Africa earlier this year marked a significant shift away from nearly a decade of a very poor local and international narrative about the country characterised by state capture, looting and a general breakdown in public sector governance and trust.

We have seen some early signs of positive change. Certainly, the new boards at the large state-owned enterprises (SOEs) are welcomed and have been well received by investors and rating agencies. The importance of these changes should not be underestimated, as some of the larger entities continue to place risk on the country's balance sheet.

We have seen early signs of positive change

Whilst the tackling of broken balance sheets and business models at the systemic SOEs does seem to be top of mind for government, I also believe we must shape a view on the less systemic enterprises. For instance, we need to ask ourselves if South Africa really requires a national carrier that costs the country billions of rand a year when the vast majority of our citizens do not use its services. How can it make sense, in a country with thousands of chronically underfunded state schools and hospitals, that tax monies continue to flow to SAA and SA Express, particularly as both businesses are incurring material operational losses? The banks can step in with short-term liquidity, but this is just "kicking the can down the road" and it is not sustainable. If there are strong business cases in support of tourism and business revenues, then perhaps government needs to make a shareholder decision to accelerate the process of finding strategic equity partners for these assets. Fiscal resources of the magnitude required to keep these SOEs going can be used elsewhere for the benefit of a much larger proportion of our population. Questions of ideology around the ownership of "state assets" cannot and should not prevail when children are drowning in pit toilets.

Another policy topic I want to touch on is land reform, which is certainly one of the most important issues facing the country and, whilst the debate is not idiosyncratic to South Africa, it is relevant to developing economies with large Gini coefficients.

South Africa's Gini coefficient currently stands at 0.68, which makes us one of the most unequal countries in the world.

Interestingly, Brazil's Gini coefficient was very similar to South Africa's in 1994. Since then, however, inequality in Brazil has fallen on the back of strong economic growth and, in addition, the country has experienced a significant rise in secondary school enrolments and graduations.

South Africa on the other hand, over the same period, experienced low economic growth, a moderate reduction in poverty levels, but a sharp rise in income inequality. The obvious question is why does South Africa remain such an unequal country 24 years after democracy? Why did Brazil do better?

There are many reasons, one of which is that ours is an economy that is both skills-intensive and capital-intensive and does not generate a sufficient number of blue collar jobs, which is critical to reducing unemployment and inequality. Circling back to the land reform debate, however, the World Bank and other institutions have also identified that the skewed distribution of land and productive assets is a key constraint to South Africa's economic growth potential.

There is tremendous upside potential should property rights evolve to be more inclusive of SA's real economy

Best estimates suggest that more than half of South Africans occupy land without their property rights being recorded in the deeds registry, leaving them outside of the formal economy and unable to put these assets to productive work within it. This is why land reform is back on the table in a real way. There is tremendous upside potential should property rights evolve to be more inclusive of South Africa's real economy.

However, if land reform is done in a way that prejudices property rights, the downside risk potential is equally significant. So far, the Presidency is navigating this issue well. The process is transparent and designed to be inclusive of all views, but, the assertion that mortgaged private property assets can be expropriated without compensation (and the banks will just have to absorb the loss) is a ludicrous and dangerous fallacy. The Banking Association of South Africa estimates that the current total exposure that banks have to property assets is approximately R1.6 trillion. Most importantly, these loans are funded by depositors' money – that's yours and mine.

The earlier point about the improvement in Brazil's education system should not be forgotten. The political economist Thomas Piketty argues that good schooling and a healthy educational pipeline play a crucial role in an economy's long-run growth trajectory and is critical for reducing inequality. This is why the private sector is fully committed to partnering with government to address the education crisis. In fact, our own foundations have aligned their funding strategies to systemic interventions in education and this year alone contributed R243 million to education initiatives.

It is encouraging that the economic stimulus package announced by President Ramaphosa recognised that the South African economy is in dire need of supply-side reforms rather than an increase in government spending. In fact, a plan to increase government spending would have led to further sovereign downgrades, rising cost of capital and further long-term economic malaise.

Instead, by announcing initiatives that should provide more policy clarity, increase the stock of capital in the country and reduce the cost of doing business, the stimulus plan could represent a few important steps down the path of structural reforms that the South African economy so desperately needs.

The success of the plan will, however, depend on its implementation and the extent that it is followed by other initiatives that will improve South Africa's production capacity. I therefore hope the government will make use of the offers from the private sector to get involved in the management and implementation of some aspects of the government's reform initiatives. PPPs will be key to unlocking the potential of this country and the country's renewables strategy is an excellent example of what success in this space looks like.

It is also important that policymakers provide guidance on how they plan to deal with other structural constraints that are keeping the economy from delivering its full potential.

These include plans to deal with the dire financial positions and inefficient service delivery at several SOEs that I mentioned earlier, plans to implement measures that can improve the quality of education in the country and plans to eradicate the ambiguities surrounding other policy initiatives. This includes the uncertainty around the implementation and impact of the National Health

Insurance scheme on the delivery of quality health care in South Africa. Especially if one weighs the ambitions of such a scheme against the country's current skills and financial constraints.

FIRSTRAND DEMONSTRATES AGAIN THAT THE BUSINESS IS EFFECTIVELY NAVIGATING DIFFICULT CONDITIONS

Now turning back to the group's performance, despite this mixed economic and political backdrop, FirstRand's portfolio of businesses once again produced quality results for the year to June 2018. Normalised earnings increased 8% with a normalised ROE of 23.0%. The numbers are unpacked in detail in the CFO's report on pages 26 to 44 and, in his CEO's report, Alan Pullinger shares his vision for an integrated financial services model which will ensure that the group fully capitalises on its portfolio of leading businesses to deliver long-term sustainable returns for our shareholders.

It is a very compelling strategy which accommodates a broad set of growth opportunities across the financial services universe from a product, market, segment and geographic perspective.

There has been a prevailing view for some time that businesses with large and profitable domestic franchises would be unable to deliver growth because of the poor macroeconomic environment, and that the broader African continent represented more fertile ground for growth. FirstRand's earnings remain very tilted towards South Africa, yet the business continues to outperform. This demonstrates that the group's excellent leadership, sound strategic thinking, focused execution and unique culture remain the cornerstones of its track record of delivering superior returns for shareholders.

The group finalised a meaningful acquisition during the year, acquiring the UK challenger bank Aldermore Group plc, and the strategic rationale for this transaction is unpacked in detail in the CEO's report. Importantly, post this transaction, FirstRand still operates well above its stated capital targets. Its ongoing strong capital generation and high return profile means that 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.

GOOD CORPORATE GOVERNANCE REQUIRES THE RIGHT BLEND OF SKILLS, DIVERSITY AND EXPERIENCE

FirstRand prides itself on its approach to governance and one of the topics that I take a particular interest in is the composition of the FirstRand board and how we achieve the right balance from a skills, race, gender and tenure perspective.

There is excellent value in appointing independent directors to the board as these directors play a crucial role through the provision of independent perspectives. They also act as custodians of the rights of shareholders (including minority shareholders) and stakeholders. I believe that between King IV and the Banks Act there are appropriate measures in place to deal with issues of independence.

However, we need to balance independence with experience. Worryingly, international best practice is moving towards the practice of tenure as a mechanistic criterion to determine independence. This will not be a good outcome for the financial services sector which is extremely complex and, as the custodians of the nation's savings, banks are systemically important institutions.

In an effort to reconcile these two conflicting requirements of independence and tenure, the group undertook a King IV independence assessment on directors with tenure of more than nine years. The details of this assessment are outlined on page 81 of the governance section. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently and in the best interests of the group.

Over the course of the year we have seen some significant changes at a board level. Laurie Dippenaar, Paul Harris, Pat Goss, Hennie van Greuning and Ben van der Ross have all retired. On behalf of the board, I want to thank them for their outstanding contributions over many years. On a personal note, I would like to thank my predecessor, Laurie Dippenaar, for his stewardship as chairman of FirstRand over a period of ten years and his great interest and assistance in my transition to the role of chairman. Johan Burger resigned from his position as CEO at the end of March and joined the board as a non-executive director with effect from 1 September. The board appreciates Johan's deep influence and impact on the group having served FirstRand in various capacities over 32 years and wishes to express its profound gratitude to him for his role in building the company. We are delighted that he will remain on the board as a non-executive director. I also want to welcome to the board Tom Winterboer as a new independent non-executive and Mary Vilakazi, our new group chief operating officer.

I feel that the board represents a good balance of skills and diversity, with 54% independent non-executives, 31% women and 56% black. The board regularly reviews its composition with a view to strengthening its skills and demographic mix over time.

I would also like to welcome to the group, Phillip Monks, the CEO of Aldermore and all of our new colleagues at Aldermore.

LOOKING FORWARD WE REMAIN CAUTIOUSLY OPTIMISTIC

Many of the risks I described at the beginning of my statement will be around for quite some time, and it is easy to be pessimistic about the future. We should, however, not forget how despondent we were this time last year and that 2018 started in a much more positive place following the change in leadership of the governing party, the appointment of President Ramaphosa as head of the government and a relatively investor-friendly cabinet reshuffle in February. The country avoided further downgrades. All of this we should celebrate.

Looking forward, I remain hopeful that the government will partner with business and labour and successfully implement the measures included in the stimulus package. These reforms are not expected to lift economic activity meaningfully over the near term, however, together with other structural reform initiatives – such as addressing SOE finances and removing other policy uncertainties – they could start to bear fruit towards the end of next year and into 2020.

Failure to implement these initiatives will, unfortunately, keep South Africa's growth prospects weak and unemployment high. A low growth environment will raise concerns around government debt sustainability and pose serious socio-economic and business challenges for all stakeholders in the South African economy.

FirstRand has proved time and again it can weather difficult operating conditions. The operations are in great shape, the new growth strategies that Alan outlines in his CEO report are gaining traction and we consider ourselves strategically well positioned to benefit from renewed system growth.

In closing I would like to send a heartfelt thank you to all of the employees of the group, it is your commitment and hard work that drives continued outperformance.

ROGER JARDINE
Chairman: FirstRand Limited

ceo's report

Alan Pullinger

THE GROUP'S STRATEGIC FRAMEWORK ACCOMMODATES A BROAD SET OF GROWTH OPPORTUNITIES ACROSS THE FINANCIAL SERVICES UNIVERSE FROM A PRODUCT, MARKET, SEGMENT AND GEOGRAPHIC PERSPECTIVE.

The group chooses to diversify its portfolio to deliver both growth and premium returns.

INTRODUCTION

Pleasingly for the year to 30 June 2018, FirstRand reported growth in earnings that exceeded nominal GDP, maintained its return profile slightly above the group's long-term target range of 18% – 22%, and increased the dividend in line with earnings.

These can be considered a solid set of numbers and there is a detailed explanation of the group's financial performance in the CFO's report. In addition, detailed financial and operating reviews of the underlying businesses can be found on pages 46 to 61.

This report provides some commentary on the group's current strategic themes across its three geographic regions (South Africa, rest of Africa and UK), an update on its operating model and some insight on traction of new growth strategies.

A STRATEGY DESIGNED TO MAINTAIN OUTPERFORMANCE DESPITE MACRO, REGULATORY AND COMPETITIVE PRESSURES

The group continues to operate in an uncertain and challenging operating environment. Most macro issues remain material and include:

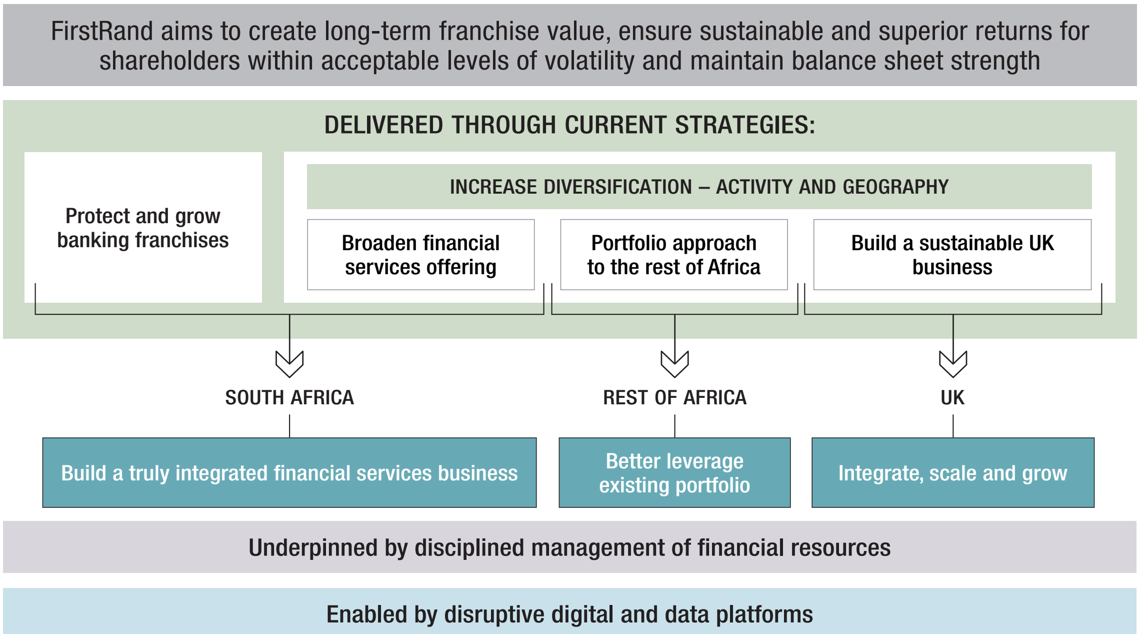
- persistently low GDP growth in South Africa;
- fiscal challenges coupled with rising government indebtedness;
- political and policy uncertainty;
- increasing cost and scarcity of financial resources;
- ongoing introduction of new regulations and legislation (particularly in banking activities), which will impact profitability over the medium to long term;
- intensifying competition in banking profit pools from non-traditional disruptors (specifically those with low cost infrastructures) and insurance players;
- rising regulatory and macro risks in the rest of Africa.

FirstRand believes that certain of these pressures are structural rather than cyclical in nature and will prevail for some time. In order to continue to deliver on its commitments to stakeholders, the group chooses to diversify its portfolio to deliver both growth and premium returns going forward.

Last year in his report to shareholders, Johan Burger outlined the group's new strategic framework. Over the past twelve months the group has further refined this framework and has taken some significant steps to expedite execution.

As demonstrated in the schematic below, the group's strategic framework accommodates a broad set of growth opportunities across the financial services universe from a product, market, segment and geographic perspective.

GROUP STRATEGIC FRAMEWORK



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

At the same time, FirstRand is working hard to find other sources of capital-light revenues and its strategy to deliver integrated financial services to the group's more than 8.1 million customers is gaining traction. This approach, which is underpinned by the disciplined allocation of financial resources and enabled by disruptive digital and data platforms, allows FirstRand to better optimise the franchise value of its broader portfolio.

CUSTOMER CENTRICITY AT THE HEART OF INTEGRATED FINANCIAL SERVICES

Put simply, an integrated financial services company provides insurance, banking, and investment products to its customers through a variety of distribution channels. Historically, this strategy was largely limited to the concept of cross-selling products between banking and insurance channels (the traditional bancassurance model).

The new starting point is to develop a detailed view on financial services from the customer's perspective. With regard to the retail segment, at various stages of life, a customer may need products that focus on asset protection, asset accumulation and asset distribution, and neither a standalone bank nor a standalone insurer can meet all these needs. An integrated financial services business does, however, have the capability to develop and distribute products across the entire life cycle. Similarly, for corporate clients, an integrated approach can provide a holistic set of products to enable "being in business" (from vanilla lending to more structured lending products, transactional and advisory services, potentially right through to the provision of employee benefits).

Ultimately it is critical to shift from only supplying banking, insurance, or investment products to customers. A successful integrated financial services business must offer financial solutions that cater for the customer's ever-changing needs and, in the process, create a long-term relationship. This relationship will ultimately translate into a real competitive advantage, lower costs, better service, an improved value proposition for the customer, and increased returns to shareholders.

Other critical components include:

- using data to understand and anticipate customer needs;
- an efficient technology infrastructure;
- a trusted brand or multiple brands that create confidence when offering banking customers non-banking products; and
- multiple distribution channels – digital and physical.

Lower distribution costs on new sales and customer acquisition, an increase in the number of products per customer (cross-sell) and better profitability on existing business due to higher retention will result in sustainable and beneficial customer and shareholder outcomes.

FIRSTRAND'S INTEGRATED FINANCIAL SERVICES MODEL IS BECOMING A REALITY IN SOUTH AFRICA

In its domestic market, through the effective utilisation of the origination capabilities, operating platforms and distribution networks of its banking operations, FirstRand is busy transforming into a financial services business with a fully integrated, customer-centric approach. The group is incrementally capturing a larger share of profits from providing savings, insurance and investment products to its customers and the growth opportunity is significant given the annual flows to other providers from FNB's customer base alone.

Some examples of traction are outlined below.

On the back of a massive focus on gathering retail deposits, and when tracking the group's performance relative to money supply, FirstRand has, over several years, been able to gather a greater share of deposits. This has been achieved through product innovation and tactical pricing, which has driven cross-sell of savings products into its customer base. FNB has more than R430 billion of deposits from retail and commercial customers.

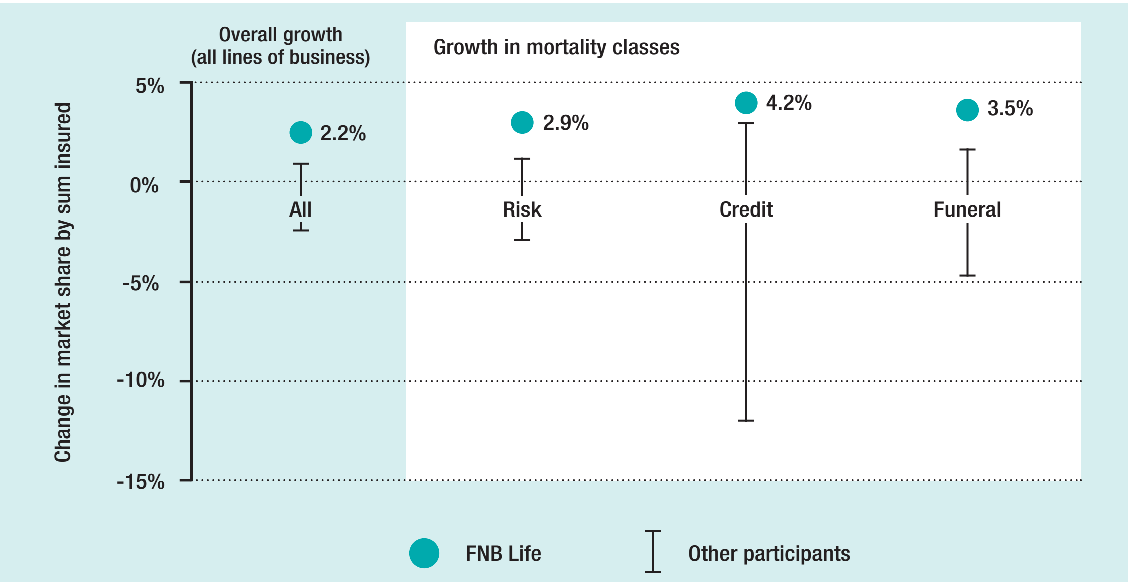
Looking at wealth and investment management, this business is all about integration and distribution – integration into FNB's ecosystem and distribution into the retail and commercial customer base. Advice channels focus on pre-packaged solutions and top picks or best buy. The business has continued to grow assets under management and the group is optimistic that its wealth and investment management activities will scale further in the years ahead.

FNB Life, launched three years ago, showed a very strong performance in in-force annual premium equivalent, up 35% in the current year. What is pleasing, apart from the growth in credit life and funeral products, is how the standalone risk products are starting to scale in both the consumer and premium segments. The number of policies increased 14% to >3.7 million in FNB Life. Branches continue to be important points of distribution and sales through digital channels are expected to increase. Often, where a transaction is initiated on a digital channel, fulfilment happens in a branch or call centre.

The value of new business (VNB) was up strongly (+32%), whilst gross embedded value (EV) increased 18%. The lower EV increase was due to model adjustments based on actual experience, as well as dividends paid out of the insurance businesses up to the group. Adjusting for both of these factors, EV would have increased more than 40% year-on-year.

In the industry survey shown below, it is clear that FNB Life is scaling fast, already attaining the number 1 position in digital market share, banks market share, growth in overall market share and growth in mortality market share for risk products, credit and funeral. Going forward, the group will be increasingly focused on standalone risk products and also expects to activate the short-term insurance business, FNB Insure, in the coming year following the granting of its short-term insurance licence.

FNB Life: #1 in growth in new business in 2017



FNB Life:
#1 Digital direct market share
#1 Banks market share
#1 Growth in overall market share
#1 Growth in mortality market share for risk products, credit and funeral

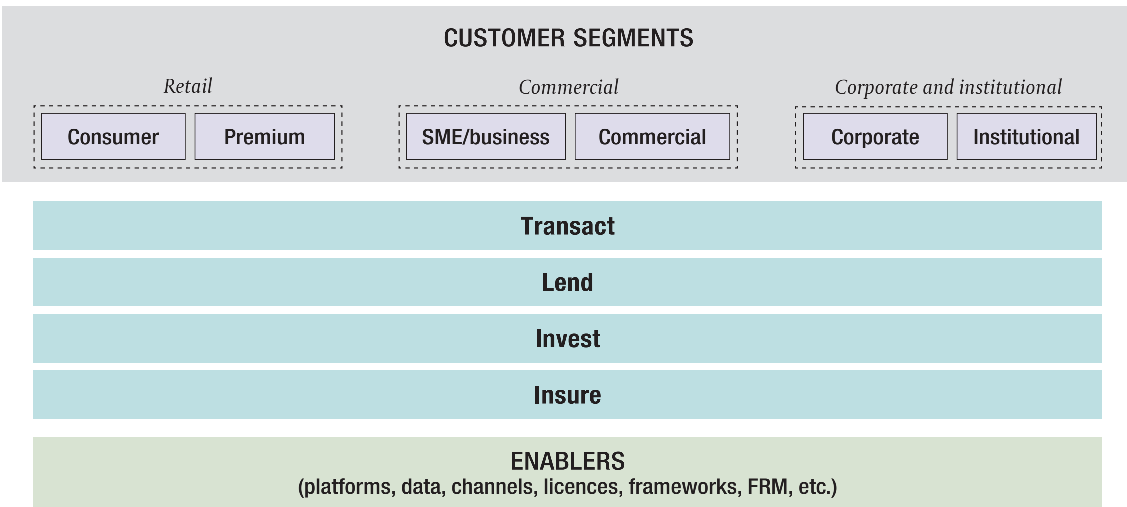
Source: Swiss Re Individual Risk Market New Business Volume Survey 2018. Market share and change in market share are by sum assured for the 2017 calendar year.

The biggest contributor to WesBank's insurance activities is MotoVantage, which relates to post-sale value added products and services (VAPS) linked to the vehicle. These are sold on a per unit basis, so the 1% decline in the number of MotoVantage policies and 11% increase in gross written premium reflects vehicle sales and inflation. The majority of VAPS sales happen at point of sale.

Ashburton Investments, the group's asset management business, is distinct from the wealth and investment management business, and is about origination and product differentiation, and the track record of the asset manager. The customers are institutional (for example, pension funds and IFAs).This business has had good success in fixed income, renewable energy and private equity and RMB is the origination platform for these attractive institutional assets making it an important enabler. It will take time to build and mature this business, however, Ashburton Investments has been able to grow assets under management in the current year particularly on the back of fixed income, although equity markets remained challenging.

During the year under review, the internal operating model was changed in order to better execute on the integrated financial services objectives. The group believes that real customer centricity is necessary to effectively deliver integrated offerings. Where the group was previously structured around business silos, it has now designed a model structured around customer segments – i.e. putting the customer at the centre of business.

A high-level depiction of this internal operating model is shown below.



The segments are responsible for customer value propositions across the lend, transact, invest and insure universe, as they are mandated to understand customer context/needs. Externally these customer propositions will continue to be delivered through the market-facing businesses, namely, FNB, RMB, WesBank, Ashburton Investments, DirectAxis and MotoVantage.

Enablers are both product- and segment-neutral to ensure equitable prioritisation in line with overall group objectives. In addition, enablers will be mandated to:

- extract efficiencies by removing/avoiding duplication;
- run independent transfer pricing and cost recovery principles to ensure neutrality; and
- ensure collective decision making (involving all segments).

The group believes this model change is appropriate to encourage collaboration in delivering an integrated offering to customers.

BUILDING OUT THE REST OF AFRICA PORTFOLIO

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

The group has nine subsidiaries in the rest of Africa and the schematic below gives some insight to the group's portfolio approach.

Mature businesses

Botswana, Namibia, Swaziland

- Universal banks, insurance and asset management
- Systemic, therefore, impacted by macros
  - Credit cycle
  - Economic growth
- Long track records of strong returns and dividends

Start-ups

Ghana

- Business model has to be disruptive
- CCIB is the immediate opportunity
- Regulatory challenges

Emerging businesses

Nigeria

- Focused CIB business
- Profitable
- Ahead of business case
- ROE accretive

Zambia, Mozambique, Lesotho, Tanzania

- Subscale businesses
- Operating in often volatile macro environments
- Need to shift focus to CCIB
- Long-term patience required

The mature businesses (Botswana, Namibia and Swaziland) have a long track record of profitability. They are well-established universal banks and have repeatedly paid dividends to shareholders. The strategies in those markets are similar to FNB's in South Africa, focusing on VSI and broadening financial services offerings. E-channel migration is also playing out in these subsidiaries.

Ghana is a two-year old start-up with a strategy to scale the business with a focus on commercial, corporate and investment banking (CCIB). There are some challenges in that market, most specifically the proposal for a significant hike in the minimum capitalisation of banks by the end of this year.

Nigeria, with an investment banking licence, is profitable, return generative and opportunities are emerging for RMB to enter the corporate transactional space.

In the last category of emerging subsidiaries, the three bigger banks (Zambia, Mozambique and Tanzania) are somewhat challenged. This was primarily due to the macroeconomic environment in those countries, which translated into much higher levels of impairments – typical for a subscale bank in a volatile operating environment. These businesses also need to shift their focus towards CCIB opportunities.

ESTABLISHING A MORE DIVERSIFIED AND SUSTAINABLE UK BUSINESS

In the UK, FirstRand has, over the past eight years, focused on organically transforming its existing business, MotoNovo, into the UK's second-largest independent used vehicle financier. For some time however, the group considered MotoNovo to be undiversified from a product and market perspective and at a long-term structural funding disadvantage without a local deposit raising platform. To resolve these issues in the year under review, FirstRand made a formal offer for Aldermore Group plc one of the UK's specialist lenders. A detailed overview of Aldermore's business can be found on pages 60 and 61 of the operating reviews.

Strategically, the acquisition will result in an appropriately diversified UK business, with an established and scalable local funding platform. This represents a more sustainable and less volatile business model.

The group believes it can also generate 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.

LOOKING FORWARD – IT REMAINS CHALLENGING ON MANY FRONTS, BUT THE GROUP IS WELL POSITIONED

As outlined in the prospects section of the CFO's report, in South Africa the macroeconomic environment remains depressed. The group, however, continues to strive for outperformance and the momentum in the business, driven by the current strategies as outlined above, should drive good growth and returns.

With respect to the UK, there is much political noise around Brexit, but Aldermore and MotoNovo are small UK-only operations in a very large market with deep financial services profit pools. This allows for optionality and the ability to respond and adapt as market conditions change.

ALAN PULLINGER
CEO

cfo's report

Harry Kellan

THERE WAS GOOD GROWTH IN ALL REVENUE DRIVERS AND THE GROUP'S VALUABLE LENDING AND TRANSACTIONAL FRANCHISES REMAIN SIGNIFICANT CONTRIBUTORS. THERE WAS ALSO PLEASING TRACTION FROM INSURANCE.

The group remains well capitalised with a CET1 ratio in excess of its stated targets.

INTRODUCTION

FirstRand delivered a solid financial performance for the year to June 2018, with growth in normalised earnings within the group's long-term target range and the ROE at 23.0% remaining above target despite difficult operating conditions.

FirstRand also increased net income after cost of capital (NIACC), the group's primary measure of shareholder value creation, 4% to R9 968 million.

Normalised earnings increased 8% to R26.4 billion, underpinned by quality topline growth.

Strong growth in NII was driven by lending and deposit activities. NIR benefited from higher fee and commission income, reflecting 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, and the group's insurance activities also contributed to revenue growth.

Despite NPL increases, the group's credit loss ratio of 90 bps (84 bps including Aldermore) declined marginally 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. The group remains prudently provided with portfolio impairments as a percentage of the performing book still exceeding the annual credit charge at 94 bps (excluding Aldermore).

Investment continued 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, however, the group's cost-to-income ratio only increased marginally from 51.0% to 51.2% due to the resilient topline growth.

Post the Aldermore acquisition, the group remains well capitalised with a CET1 ratio of 11.5%, still in excess of its stated targets. This, combined with the group's high return profile, allowed the board to maintain the dividend cover at 1.7x, which continues to track below its stated long-term cover range of 1.8x to 2.2x.

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.

Any reference to financial information "excluding Aldermore" represents the subtraction of the Aldermore-specific information (refer pages 206 to 209) from the group's normalised income statement and statement of financial position (refer pages 212 to 217).

	Group (excluding Aldermore)		
R million	**2018**	2017	% change
Earnings performance			
Normalised earnings	**26 135**	24 471	7
Balance sheet			
Advances (net of credit impairments)	**957 810**	893 106	7
Deposits	**1 094 270**	983 529	11
ROE (%)	**22.8**	23.4	
ROA (%)	**2.03**	2.07	
Credit loss ratio (%)	**0.90**	0.91	
Performing book coverage ratio (%)	**0.94**	0.95	
Cost-to-income ratio (%)	**51.1**	51.0	

CHALLENGING MACROECONOMIC BACKDROP

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 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 provided some support to households and this allowed the South African Reserve Bank (SARB) to cut interest rates 50 basis points over the course of the year.

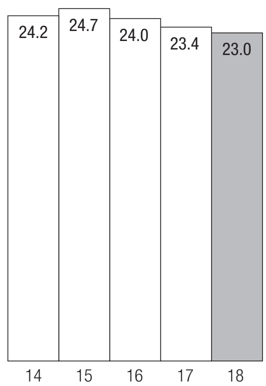
In the rest of the sub-Saharan region, conditions remained mixed. Economic activity in Namibia and Botswana was subdued mainly because of South African macroeconomic weakness. The Nigerian economy continued to recover, and the macroeconomic outlook will improve on the strength of supportive oil prices.

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.

KEY PERFORMANCE METRICS

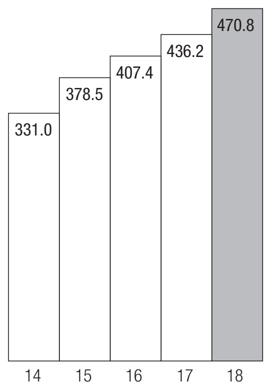
The group continued its track record of growth in earnings and superior returns, as shown below.

ROE
%



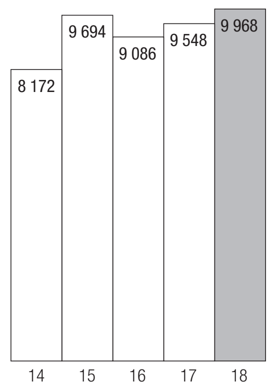
When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

DILUTED NORMALISED EPS
cents



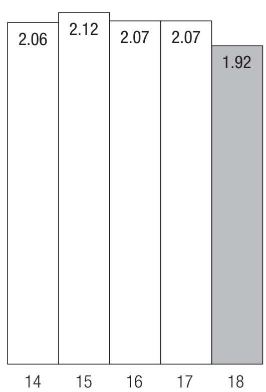
The group targets earnings growth of nominal GDP growth plus >0% to 3%.

NIACC
R million



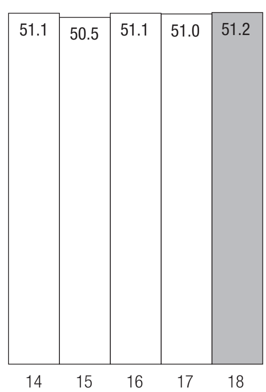
Growth in NIACC is the group's internal benchmark for assessing performance. The group continues to achieve returns above its cost of equity, resulting in NIACC growth despite higher levels of capital.

ROA
%



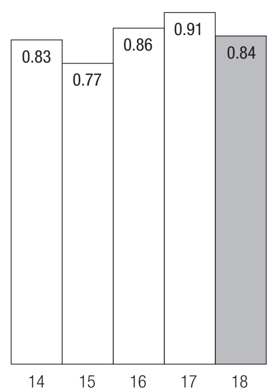
Maximising ROA is a key objective in creating shareholder returns. Although the group's ROA reduced with the acquisition of Aldermore, it remains structurally higher due to portfolio mix and strategic choices.

COST-TO-INCOME RATIO
%



The group monitors efficiency through the cost-to-income measure. Whilst the group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

CREDIT LOSS RATIO
%

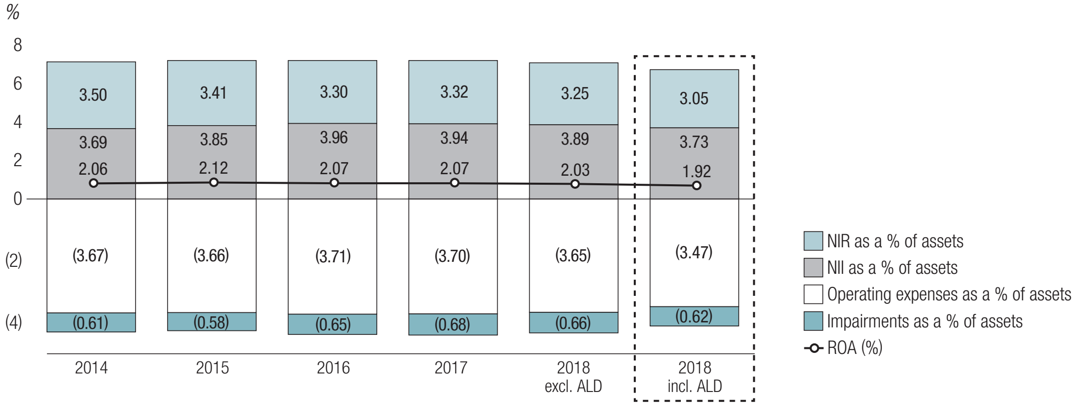


The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range of 100 to 110 bps (excluding Aldermore).

STRATEGIC ACTIONS SUPPORT SUSTAINABILITY OF RETURNS

The group's ROE continues to be driven by its structurally higher ROA, the composition of which is depicted in the following graphic.

ROA ANALYSIS



The group continues to seek avenues to protect and grow returns, including expanding and enhancing its transactional banking business, which (excluding Aldermore) delivers roughly half of gross revenue.

FirstRand's relative advances mix compared to the sector also enhances ROA as the group has a lower proportion of low-yielding assets, with credit underwriting and pricing models anchored around preserving returns.

The group's disciplined allocation and pricing of financial resources (capital, funding and liquidity and risk capacity) has also provided an underpin to its superior ROA.

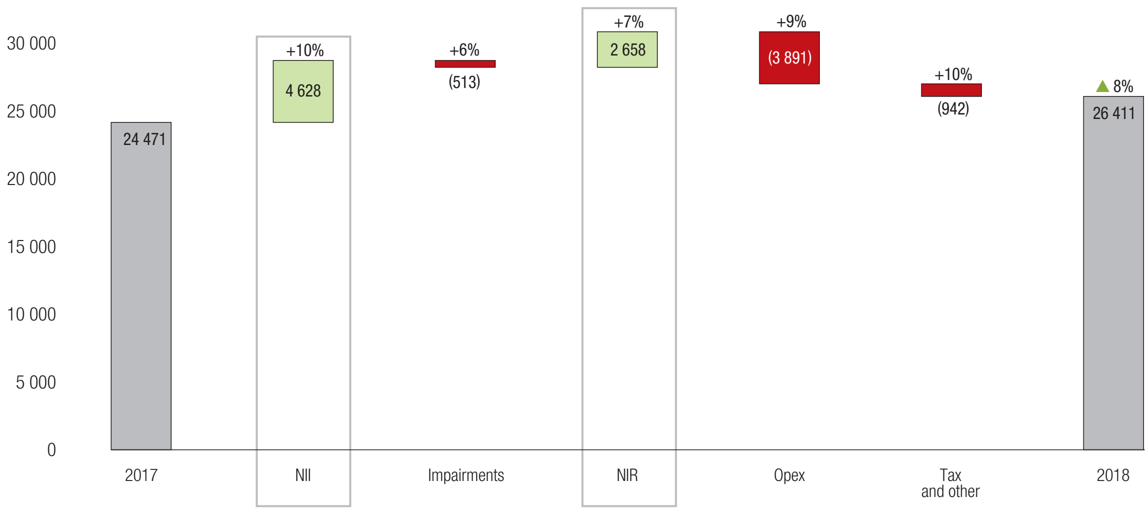
FirstRand's private equity franchise is also a key differentiator and has consistently delivered high returns, although the business is currently in an investment cycle.

Traditional banking revenues will, however, come under pressure in the fullness of time. This is primarily going to come from the competitive environment, with new entrants into the space. FirstRand is focused on its integrated financial services offering and diversifying into the adjacent activities around banking in order to preserve its return profile over the longer term.

MAINTAINING HIGH QUALITY TOPLINE GROWTH

The graph below unpacks the group's performance by income statement category and shows that the group's performance was underpinned by high quality revenue growth of just over 9% achieved in tough market conditions.

NORMALISED EARNINGS
R million

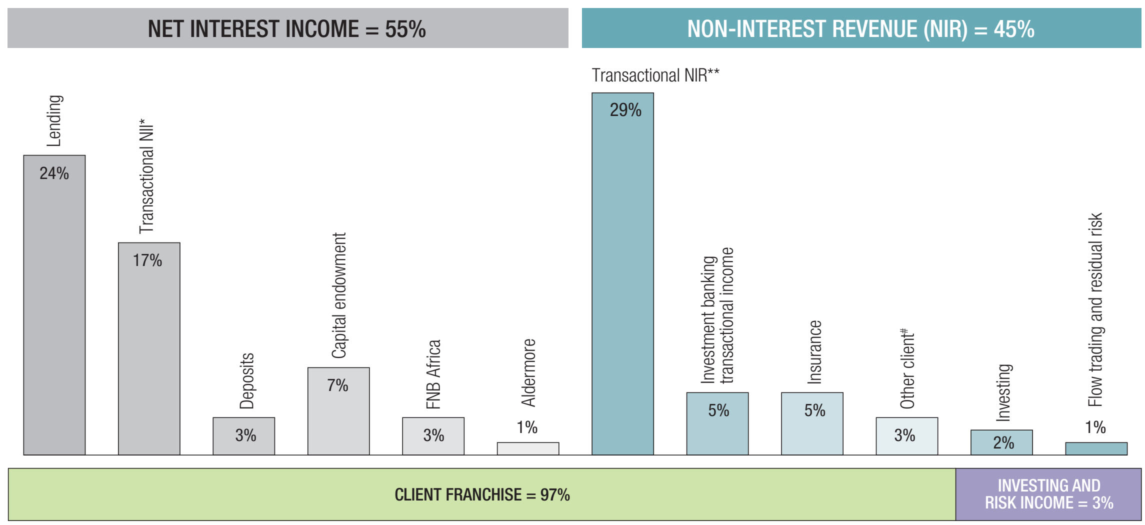


GENERATING QUALITY, SUSTAINABLE REVENUE

Client activities account for 97% of revenues, with the balance from investing and risk income.

The group has maintained a good balance between NIR and NII as can be seen from the chart below.

GROSS REVENUE ANALYSIS



* Includes transactional accounts and related deposit endowment, overdrafts and credit card.
** From retail, commercial and corporate banking.
\# Includes WesBank associates.

There was good growth in all revenue drivers and the group's valuable lending and transactional franchises remain significant contributors to overall revenue and growth. There is also pleasing traction in insurance, as discussed in the CEO report.

A further breakdown of NII is provided in the following table.

NET INTEREST INCOME*

R million	2018	2017#	% change
Lending	**22 023**	20 227	9
Transactional NII**	**15 600**	14 306	9
Deposits	**3 071**	2 957	4
Capital endowment	**6 097**	5 664	8
Group Treasury	**637**	584	9
FNB Africa	**3 027**	3 178	(5)
Other NII (negative endowment, e.g. fixed assets)	**(425)**	(290)	47
Total NII excluding Aldermore	**50 030**	46 626	7
Aldermore	**1 224**	–	n/a
Total NII including Aldermore	**51 254**	46 626	10

* *After taking funds transfer pricing into account.*

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

2017 figures restated to reflect refined allocation methodology for lending. For transactional and deposit NII there has been a reallocation between segments to better reflect the nature of transactions.

The following commentary excludes Aldermore.

Lending NII was supported by strong advances growth and a slight increase in margins.

Transactional NII, which relates to NII from overdrafts, credit card and transactional deposits, reflect the strength of FNB and RMB's transactional franchises, covered in more detail in the review of operations.

There was good growth in deposit NII despite competitive pricing pressures.

Capital endowment benefited from higher capital levels, despite two rate cuts of 25 basis points each during the year under review.

Group Treasury NII reflects the drag of higher high quality liquid assets (HQLA) holdings as well as the impact of foreign exchange management, offset by the positive benefit of interest rate management activities.

EXCLUDING ALDERMORE, MARGINS EXPANDED SLIGHTLY

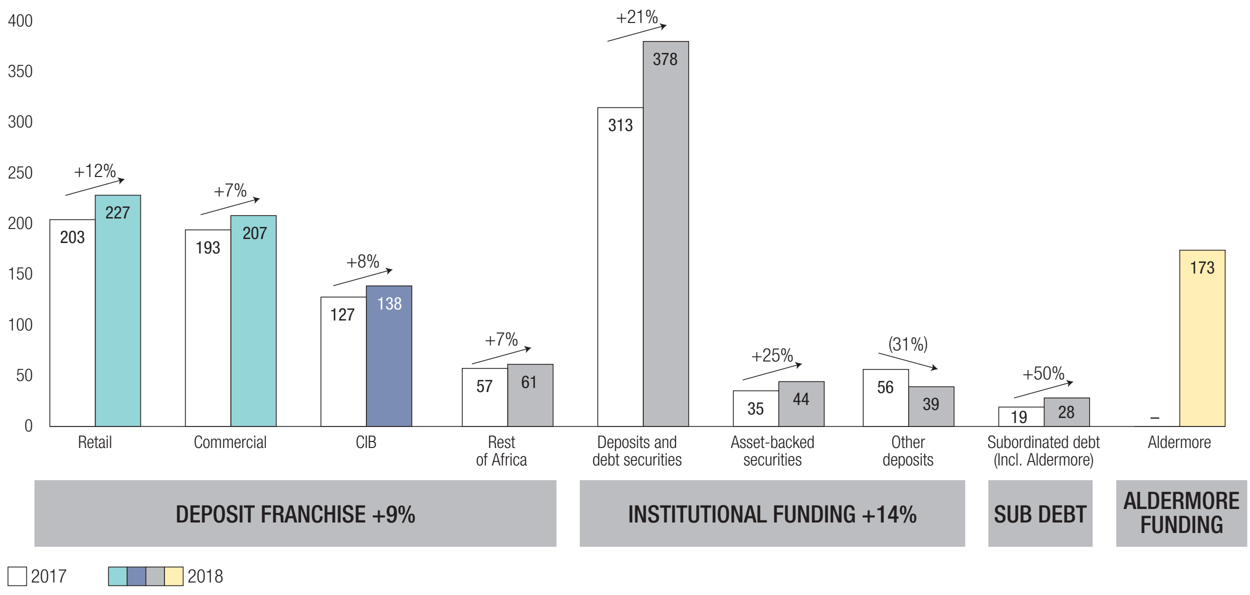
Margin expansion was driven by asset pricing and a change in funding mix, due to the continued growth of the deposit franchise. This has come at a cost, as strong competition for deposits resulted in deposit pricing negatively impacting margins.

The inclusion of Aldermore results in a structural shift in the group's net interest margin, given the large proportion of lower-margin secured advances on its balance sheet. Aldermore does not currently have a transactional business and therefore has no deposit endowment. Its deposit market is also more rate-sensitive. The net impact is a reduction in the group's net interest margin from 530 bps to 489 bps. This structural shift does, however, come at a better risk-adjusted return profile.

Bps	FirstRand excl. Aldermore	Aldermore
Advances margin	359	315
Deposit margin	236	128
Total margin	530	273
Overall weighting of average assets	84%	16%

DEPOSIT STRATEGY BEARING FRUIT – DEPOSITS UP 29% (11% EXCLUDING ALDERMORE)

LIABILITIES
R billion



Note: Percentage growth is based on actual rather than rounded numbers shown in the bar graphs.

As discussed in the CEO report, the group's South African deposits have exceeded growth in M3 money supply over a number of years. Retail and commercial deposit growth in the year under review was supported by continued product innovation, improved utilisation of channels, cross-sell to existing customers and financial resource management strategies. CIB deposits benefited from ongoing momentum in RMB's corporate and transactional business.

The strong growth in institutional funding reflects the issuance of debt securities given favourable market conditions, and the group's focus on maintaining a weighted average funding term in excess of 30 months. Growth in foreign currency funding also contributed to the growth in institutional funding and was affected by rand depreciation during the year. There were also some point-in-time cash deposits at year end.

RETAIL ADVANCES UP 7% (EXCLUDING ALDERMORE)

The growth in retail advances reflects the continued targeted nature of the group's origination approach across products and client segments.

R million	2018	2017	% change
Residential mortgages	**204 969**	195 498	5
VAF*	**165 214**	155 084	7
– WesBank	**104 864**	102 322	2
– MotoNovo*, **	**60 350**	52 762	14
Card	**27 140**	23 800	14
Personal loans*	**33 181**	28 441	17
– FNB	**17 161**	14 372	19
– WesBank	**14 985**	13 574	10
– MotoNovo*	**1 035**	495	>100
Transactional account-linked overdrafts and revolving term loans#	**15 852**	14 863	7
Retail advances excluding Aldermore#	**446 356**	417 686	7
Aldermore – retail	**107 734**	–	n/a
Retail VAF securitisation notes	**23 674**	19 223	23
FNB and WesBank rest of Africa advances†	**53 094**	52 842	–

* *Restatement of MotoNovo personal loan book out of VAF.*

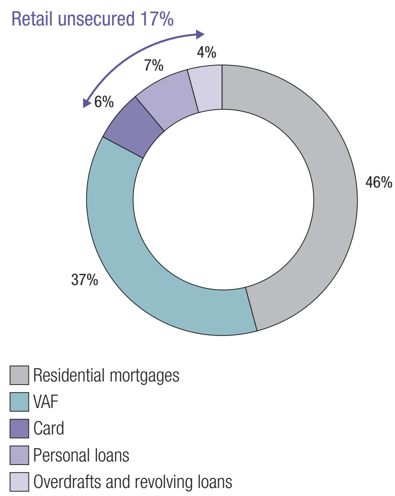
** *8% UK VAF advances growth in pound terms.*

\# *Restatement of prior year advances in FNB from retail to commercial based on current client segmentation.*

† *Includes in-country advances of FNB and WesBank.*

RETAIL ADVANCES BREAKDOWN

%



Drivers of retail advances growth are discussed in more detail in the FNB and WesBank *review of operations*.

CORPORATE AND COMMERCIAL ADVANCES UP 6% (EXCLUDING ALDERMORE)

The composition of, and growth in the corporate and commercial advances portfolio is shown below.

R million	2018	2017	% change
CIB core advances – South Africa	**246 906**	235 596	5
– Investment banking*	**190 146**	185 222	3
– HQLA corporate advances	**18 629**	18 544	–
– Corporate banking	**38 131**	31 830	20
CIB core advances – rest of Africa**	**43 811**	36 862	19
CIB total core advances#	**290 717**	272 458	7
WesBank corporate	**32 150**	31 365	3
FNB commercial†	**93 987**	84 146	12
RMB repurchase agreements	**23 233**	29 047	(20)
Corporate and commercial advances	**440 087**	417 016	6
Aldermore corporate advances	**56 142**	–	n/a

* *Prior year figure restated to exclude the portion relating to Ashburton Investments, now reported under FCC.*

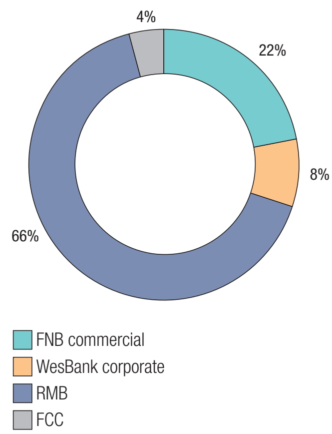
** *Includes cross-border and in-country advances.*

Excludes RMB repurchase agreements.

† *Restatement of prior year advances in FNB from retail to commercial based on current client and business segmentation.*

CORPORATE AND COMMERCIAL ADVANCES BREAKDOWN†

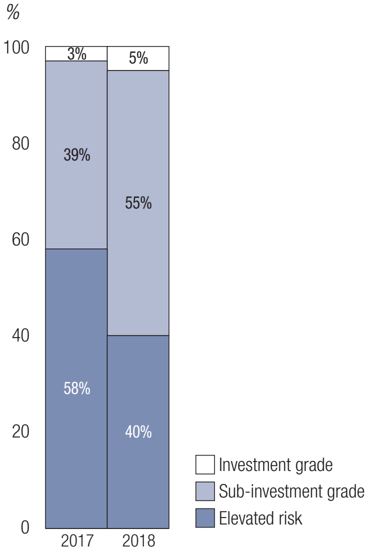
%



The table above shows strong growth of 12% in FNB commercial advances in a difficult environment, reflecting good customer acquisition, successful cross-sell strategies (especially in the small business segment) and good growth in the agric and property sectors. WesBank corporate continued to experience a tough reinvestment cycle. CIB advances growth was supported by the conclusion of a number of deals in the last quarter and growth in rest of Africa corporate advances (cross-border advances grew 13% in dollar terms).

The next chart shows the composition of RMB's advances book and the substantial change in the counterparty ratings to sub-investment grade following the local currency sovereign downgrade last year.

WHOLESALE CREDIT PERFORMING BOOK*



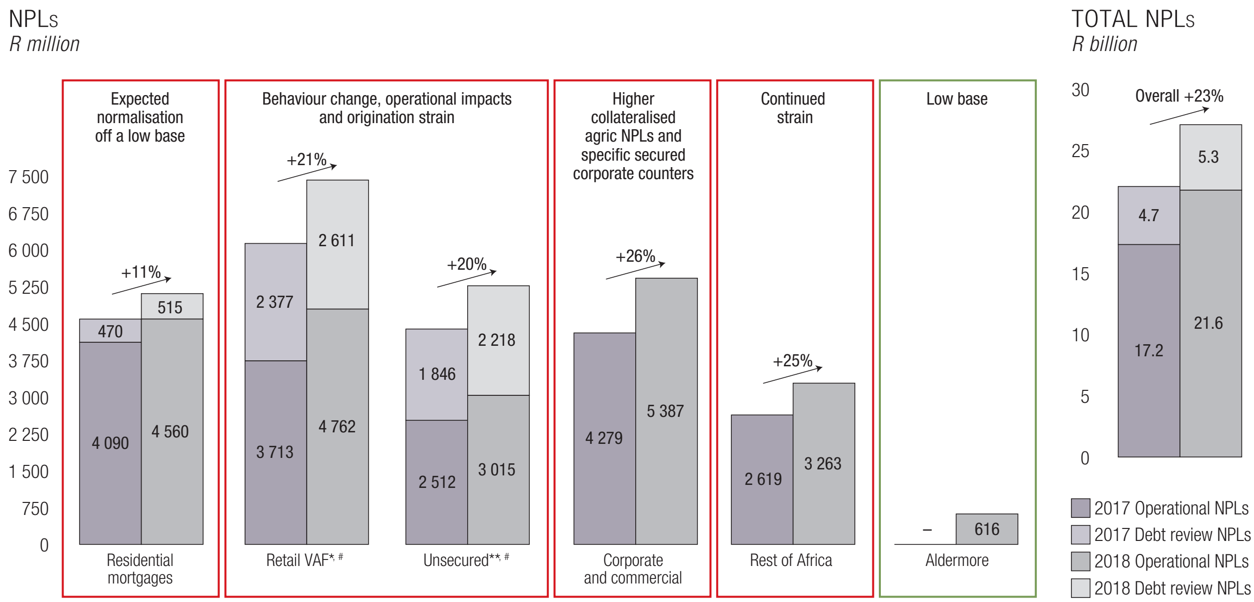
* *International scale based on exposure at default (EAD).*

The underlying quality of RMB's portfolio remains strong and largely unchanged, with only a marginal increase in the elevated risk category driven by some specific sectors and counterparties. This was offset by an improvement in the previously stressed oil and gas sector.

CREDIT PERFORMANCE BENEFITS FROM PRUDENT ORIGINATION STRATEGIES AND PROACTIVE PROVISIONING IN PRIOR YEARS

Excluding Aldermore, NPLs increased 20%, with more than 60% of the growth emanating from the secured books across segments.

The group continues to include paying debt review customers in NPLs. The following graph also shows that the impact of debt review is still more pronounced in the VAF and unsecured portfolios.



* *Retail VAF includes NPLs from MotoNovo, to which debt review is not applicable (SA only 2018: R6 818 million; 2017: R5 797 million).*

** *Unsecured includes NPLs relating to MotoNovo personal loans (amounts immaterial).*

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

There was cyclical normalisation in residential mortgage NPLs, which increased 11%. This was expected given historically low levels and new business strain in affordable housing.

Retail VAF NPLs reflect 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 an increasing number of customers opting for court orders for repossessions.

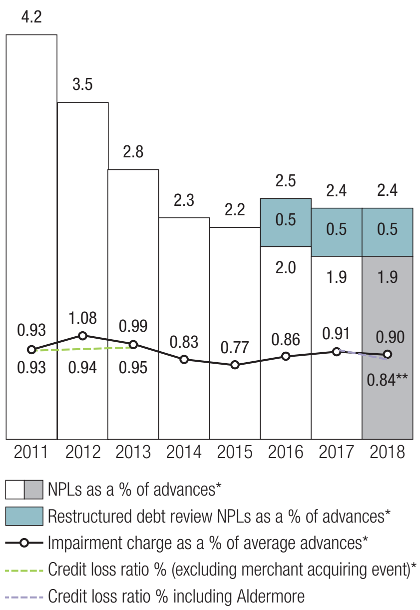
As explained at the half year, higher than expected NPLs in the self-employed and small business segments resulted from operational issues with some scorecards, including third-party data quality, and this issue continued to play out in the second half. MotoNovo NPLs also increased significantly off a low base as a result of strong book growth in prior years.

Unsecured NPLs increased in line with expectations, given the strong growth of the book in the prior year.

FNB commercial NPL increases reflect 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. Growth in RMB NPLs was linked to specific secured counterparties.

The rest of Africa picture remains volatile but was expected given the economic pressures and macros in the regions, especially in the subscale businesses.

NPL AND IMPAIRMENT HISTORY
%



* *Excluding Aldermore.*
** *Credit loss ratio including Aldermore.*

Credit loss ratio %	**2018**	2017
Retail – secured	**0.81**	0.74
Residential mortgages	**0.07**	0.15
VAF	**1.73**	1.48
– SA	**1.88**	1.54
– MotoNovo	**1.46**	1.36
Retail – unsecured	**5.38**	5.94
Credit card	**2.63**	3.05
Personal loans	**6.53**	7.63
– FNB	**5.03**	7.43
– WesBank	**8.20**	7.91
– MotoNovo	**6.41**	4.85
Retail – other	**7.62**	7.27
Total retail	**1.57**	1.56
Corporate and commercial	**0.23**	0.27
Rest of Africa	**1.71**	1.60
FCC (incl. Group Treasury)	**(0.02)**	(0.04)
Total excluding Aldermore	**0.90**	0.91
Aldermore	**0.12**	–
Total including Aldermore	**0.84**	0.91

The overall credit loss ratio of 90 bps (excluding Aldermore) is still below expectations. With the inclusion of Aldermore, the charge reduces to 84 bps.

The lower residential mortgage credit loss ratio of 7 bps benefited from loss given default credit model recalibrations, despite higher NPL formation, which reduced the level of coverage. Excluding this once off benefit, the charge would be similar to prior years.

Domestic VAF is the only portfolio where credit losses are above expectations, which can be attributed to the specific and sector-related issues covered above.

There was a 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.

The credit loss ratio in card, which is below 3%, continued to benefit from active collection strategies and post write-off recoveries.

FNB loans' credit charge declined given the significant origination cutbacks in 2017.

FNB commercial's charge increased to 75 bps reflecting book growth and the expected increase in NPLs, buffered to some extent by prior overlays.

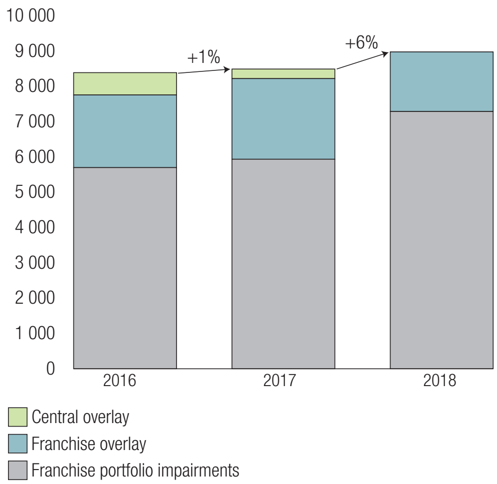
Proactive provisioning in prior year benefited the corporate impairment charge.

Further increases in FNB's and WesBank's rest of Africa charge reflected the ongoing tough macros in various of the jurisdictions the group operates in and increased conservatism in provisions.

The following chart shows that portfolio provisions increased in line with book growth and that overall coverage (excluding Aldermore) was maintained at 94 bps, which is still above the annual charge and remains conservative.

The graph also shows that model impairments have increased as some of the business overlays have been embedded in model developments.

PORTFOLIO IMPAIRMENTS*
R million



* *Excludes Aldermore.*

	2018 Including Aldermore	2018 Excluding Aldermore	2017	2016
Portfolio impairments as % of performing book	**0.83**	**0.94**	0.95	0.99
Credit loss ratio (%)	**0.84**	**0.90**	0.91	0.86
Portfolio impairments (R million)	**9 263**	**8 945**	8 471	8 359

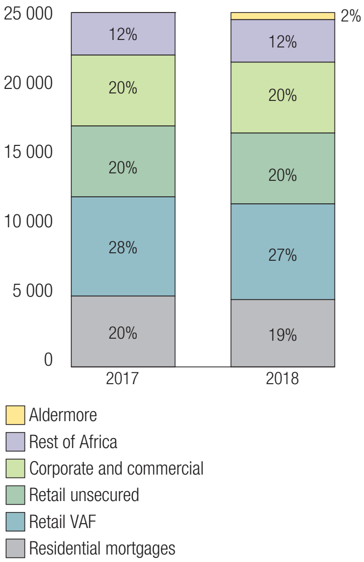
As mentioned previously, the group does not reschedule paying debt-review customers out of NPLs. These accounts stay in NPLs until fully rehabilitated. They do, however, require lower coverage as most continue to pay. The following table shows coverage ratios across the different portfolios and demonstrates that as the debt-review proportion of the book increases, coverage reduces. Coverage is, therefore, appropriate given the higher payment profile of debt-review NPLs.

	COVERAGE						
	Operational NPLs		Restructured debt-review NPLs*		Total		
Coverage ratios %	**2018**	2017	**2018**	2017	**2018**	2017	Change y/y
FNB credit card	**73.3**	74.2	**50.5**	45.1	**66.9**	67.0	
FNB retail other	**82.5**	75.5	**35.2**	37.9	**72.4**	67.0	
FNB loans	**68.8**	69.2	**48.7**	48.2	**59.8**	61.9	
WesBank loans**	**71.8**	71.9	**14.4**	26.3	**36.9**	38.1	
SA retail VAF**	**41.9**	43.1	**9.5**	9.4	**29.5**	29.3	

* *Non-performing loans under debt review.*

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

NPLs
R million



* *Includes FNB and WesBank loans, and MotoNovo personal loans.*
** *Includes portfolio overlays.*

Coverage ratios %	**2018**	2017
Retail – secured	**26.0**	26.9
Residential mortgages	**17.8**	21.8
VAF	**31.6**	30.7
– SA	**29.5**	29.3
– MotoNovo	**57.5**	58.4
Retail – unsecured	**55.9**	56.6
Credit card	**66.9**	67.0
Personal loans*	**47.0**	49.4
Retail – other	**72.4**	67.0
Corporate and commercial	**40.4**	48.0
Rest of Africa	**46.3**	42.2
Specific impairments excl. ALD	**37.4**	38.8
Portfolio impairments excl. ALD**	**34.0**	38.7
Total excl. Aldermore	**71.4**	77.4
Aldermore	**22.9**	–
Specific impairments incl. ALD	**37.1**	38.8
Portfolio impairments incl. ALD**	**34.4**	38.7
Total incl. Aldermore	**71.5**	77.4

The above table shows a marginal decline in specific coverage which was driven by the mix change to more secured NPLs and the ongoing build-up of debt-review customers, both of which require lower coverage. Specific impairments increased 16% in absolute terms to R9.9 billion, excluding Aldermore.

In conclusion, the group believes that the various components of its credit provision metrics remain appropriate and in line with the group's risk appetite and origination strategies.

FirstRand adopted IFRS 9 from 1 July 2018, making this the last year in which credit is reported on the incurred basis.

SOLID GROWTH IN NON-INTEREST REVENUE

NIR increased 7%, reflecting 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.

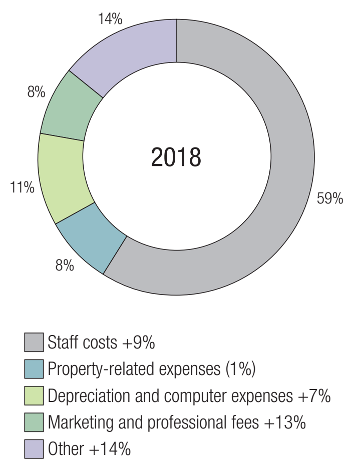
Insurance revenue increased 6%, benefiting from strong volume growth of 20% and 8%, respectively, in funeral and credit life policies, resulting in annual premium income increasing 35% year-on-year.

Fee, commission and insurance income represents 79% of group operational NIR. Refer to the *review of operations* for further information on drivers of NIR in the various businesses.

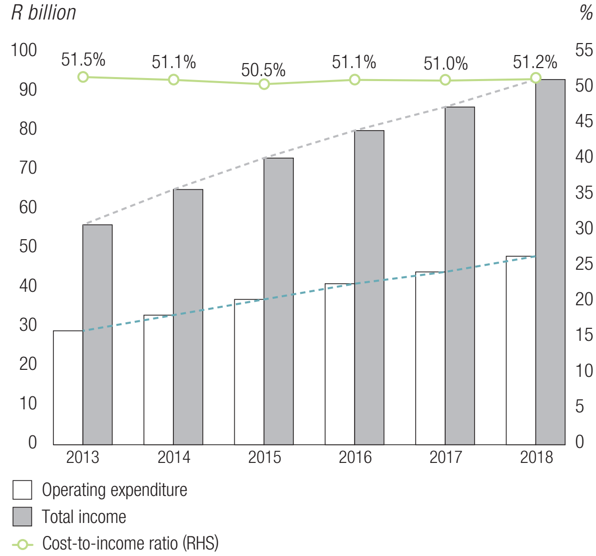
OPERATING EXPENSES RISING ON INVESTMENTS FOR GROWTH

Excluding Aldermore, operating cost growth of 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.

BREAKDOWN OF OPERATING EXPENSES



COST-TO-INCOME RATIO



BALANCE SHEET STRENGTH AND QUALITY REFLECT CONSISTENT DISCIPLINED FINANCIAL RESOURCE MANAGEMENT AND ORIGINATION STRATEGIES

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

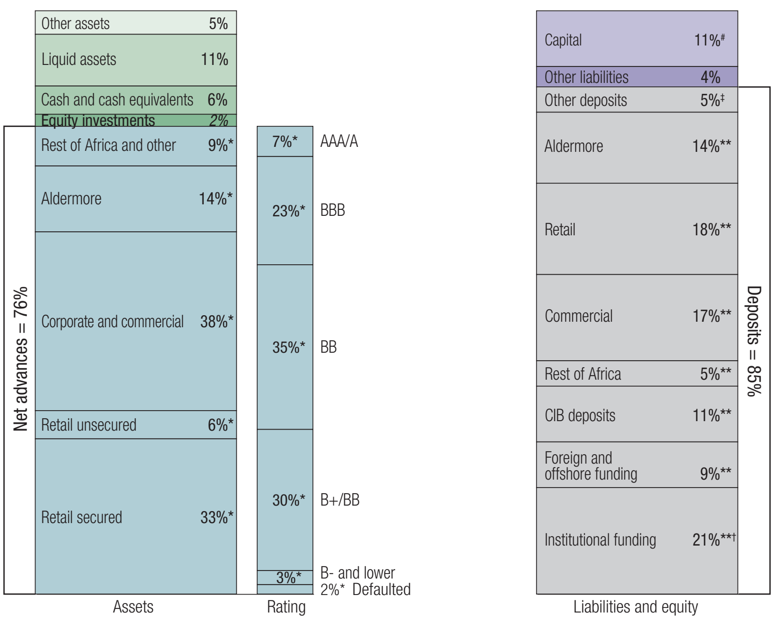
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 76% of total assets. The composition of the net advances portfolio consists of retail secured (33%), retail unsecured (6%), corporate and commercial (38%), Aldermore (14%) and rest of Africa and other (9%). At 30 June 2018, total NPLs amounted to R26 947 million (2.36% as a percentage of advances) with a credit loss ratio of 0.84%.

Cash and cash equivalents, and liquid assets represent 6% and 11%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private equity activities. The unrealised value in RMB's private equity portfolio has been maintained at R3.7 billion.

FirstRand's funding profile continues to reflect the structural funding constraints associated with the South African financial sector, however, the group has continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the group's institutional funding was 34 months at 30 June 2018 (2017: 33 months).

The group's capital ratios exceed its stated targets with a Common Equity Tier 1 (CET1) ratio of 11.5%, Tier 1 ratio of 12.1% and total capital adequacy ratio of 14.7%. Gearing increased slightly to 12.0 times (2017: 11.3 times).

ECONOMIC VIEW OF THE BALANCE SHEET
%



* As a proportion of loans and advances.

** As a proportion of deposit franchise.

\# Ordinary equity and non-controlling interests (10%) and NCNR preference shares and Tier 2 liabilities (2%).

† Includes CIB institutional funding and foreign branch platform.

‡ Consists of liabilities relating to conduits and securitisation.

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

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

STRONG LIQUIDITY POSITION MAINTAINED

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%.

FIRSTRAND REMAINS WELL CAPITALISED

Current capital and leverage 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 280 bps year-on-year reduction in the group's CET1 ratio 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 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.

LOOKING AHEAD

In the medium to longer term, given the market-leading positions of its businesses in South Africa and the growth strategies it is pursuing, FirstRand considers itself strategically well-positioned to benefit from renewed system growth. FNB's momentum is expected to continue as it grows customers and volumes, 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.

Regarding the rest of Africa, there are signs that economic activity in most of the other sub-Saharan African countries in which FirstRand operates 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 earnings growth (defined as real GDP plus CPI) and superior returns to shareholders.

HARRY KELLAN
CFO

02 review of operations

Jacques Celliers ***CEO*** | FNB

NORMALISED EARNINGS

16% > R14.9 billion

ROE

40.7%

FNB represents FirstRand's activities in the **retail and commercial** segments in South Africa and the broader African continent. It is growing its franchise strongly in both existing and new markets on the back of **innovative financial services products** and delivery channels, particularly focusing on **electronic and digital platforms.**

Excellent results in tough economy with a strong performance from the SA business

DEPOSITS

9%

Excellent growth resulting from customer acquisition, cross-sell and product innovation

RETAIL 12%

COMMERCIAL 7%

FNB is the **leading retail deposit taker** in the domestic market

ADVANCES

7%

Targeted segment-specific origination strategies

RETAIL 7%

Consumer affordable housing 9%

Premium card 24%

COMMERCIAL 12%

Strong cross-selling and focused asset growth

Performance in SA businesses underpinned by successful strategies:

- Grow and retain core transactional accounts
- Provide market-leading digital platforms to deliver cost effective and innovative transactional propositions to customers
- Apply disciplined origination strategies

SA CUSTOMER GROWTH

4% > 8.15 million
customers in total

FNB

TRANSACTIONAL

10% NIR

Record levels of sales and strong growth in customer acquisition and product innovation

Debit card and credit card transactional volumes

10%

Premium NIR growth

14%

Driven by:

17% growth in customers

Strong transactional volumes

INSURANCE

Revenue 8%

Funeral 20%

Credit life 8%

Number of policies 3.7 million

Recurring premium growth 35%

DIGITAL

Significant momentum in digital fulfilment and leveraging cross-sell opportunities

Digital strategy key to FNB's growth

Digital loan origination initiated

65% Growth in **FNB app** volumes

eWallet send value R21bn

900 000 monthly senders

NAV lifestyle orientated solutions on FNB app

Invest, Connect and Insure now on digital platform

Use deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products

Provide innovative savings products to grow and retain deposit franchise

Right-size physical infrastructure to achieve efficiencies

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

	Year ended 30 June		
R million	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

	Year ended 30 June		
R million	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

OPERATIONAL HIGHLIGHTS

- FNB continues to gain market share driven by it's consistent strategy to grow and retain core transactional accounts, increasing active base and transactional volumes strongly.
- FNB has become the leading provider of household deposits.
- The number of customers using the FNB app increased from 1.8 million to 2.6 million, with volumes increasing 65%.
- Digital platforms were further activated to deliver cost effective and innovative value propositions and were successfully leveraged for incremental credit origination.
- In addition, the various NAV offerings on the app continued to grow, increasing the value proposition and creating further convenience for customers:
  - NAV Home has grown strongly contributing to 18% of home-loan payouts,
  - NAV Car has grown to 230 000 customers in just over a year,
  - NAV Money, launched in April 2018, is a money management application that enables customers to view expenses, monthly cash flow and credit health and already has 130 000 customers registered within two months.
- The consistent strategy to migrate service activity from physical to digital channels has resulted in 71% of customer financial transactions being performed on digital channels. This, in turn created efficiencies within branches Sales and advice continue to grow, becoming a larger portion of branch activity.
- The Insurance business continued to increase segment penetration, growing the product set and leveraging multiple distribution channels. The number of policies increased 14% to 3.7 million.
- eWallet eXtra, a fully mobile bank account, was launched in March 2018, transforming the current product from a simple "send money" facility to a fully-fledged mobile account.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

FNB believes that establishing strong customer relationships underpins the sustainability of its business and has two key measures of success; growth in active customers and increased cross-sell. Customers grew 4% to 8.15 million and the successful cross-sell and up-sell strategies has grown VSI from 2.83 to 2.97.

FNB continued to perform well in the South African Customer Satisfaction Index maintaining a leadership position with an overall score of 79.4.

The table below shows an overall reduction in physical representation points which is expected given the migration of transactional activity to digital platforms.

	FNB SA			FNB Africa		
	2018	2017	% change	**2018**	2017	% change
Representation points (branches, agencies)	**628**	645	(3%)	**173**	166	4%
ATMs	**4 033**	4 360	(8%)	**833**	924	(10%)
ADTs	**1 888**	1 921	(2%)	**202**	153	32%
Total ATMs and ADTs	**5 921**	6 281	(6%)	**1 035**	1 077	(4%)

2018 Brand Finance® Banking 500 Report
Most Valuable Banking Brand in Africa
Ranked South Africa's 3rd Most Valuable brand overall

2017
Banking Finance® Banking 500 Report
Ranked World's 4th Most Powerful
Strongest Banking Brand in Africa

2015 – 2018
RepTrak® Pulse Reputation Survey
Most Reputable
Bank in South Africa

2016
FinTech Africa
Most Innovative Bank in Africa

2016
PriceCheck Tech & e-Commerce Awards
Best Online Financial Services Platform

2016
Lafferty Global Awards 2016
Excellence in mobile banking

2016 and 2018
Columinate SITEisfaction® Survey
Best Internet Banking
Best Mobile Banking
Best Digital Bank

2017
Columinate SITEisfaction® Survey
Best Internet Banking
Best Banking App

2016 – 2017
SAcsi Customer Satisfaction Index
Industry Leader in
Cellphone Banking
Online Banking
Banking App

2016
BCX Summit, Chicago
Best in Customer Experience
FNB Banking App

2013 – 2017
Sunday Times Top Brands
#1 Business Bank

2017 – 2018
Global Finance World's Best FX Providers
Best Foreign Exchange Provider
In South Africa

2015 – 2016
Telecoms.com Awards
Most Innovative
Mobile Virtual Network Operator

2016
Banker Africa Awards
Best Islamic Banking
In Southern Africa

2012 – 2018
Sunday Times Generation Next
SA's Coolest Bank

James Formby *CEO* | RMB

NORMALISED EARNINGS

^6% > R7.3 billion

ROE

25.3%

A diversified portfolio coupled with a disciplined approach to balancing risk, return and growth, delivered a strong performance

INVESTMENT BANKING AND ADVISORY

^21%

Strong growth in a tough environment

- **Solid lending** and resilient fee income
- **Lower credit impairments**
- **New deal** origination

CORPORATE AND TRANSACTIONAL BANKING

^8%

Solid performance

- **Leveraging platforms** to grow product offerings
- **Higher transactional volumes** in rest of Africa
- **Increased demand** for working capital solutions

RMB represents the group's activities in the **corporate and investment banking segments** in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients.

MARKETS AND STRUCTURING

Difficult local operating environment

- **Less market volatility** compared to prior year
- **Good progress** on digitisation strategies
- **Strong growth in Nigeria** from robust fixed income and forex performance

INVESTING

Satisfactory results off a high base

- **Realisations in Private Equity portfolio**
- **New acquisitions** anticipated to contribute to future earnings growth
- **Quality and diversity** of Ventures and Corvest portfolios reflected in unrealised value of R3.7 bn

REST OF AFRICA Pre-tax profit R1.7 bn ^31%

Contributes 17% to RMB's overall pre-tax profits (2017: 13%)	Continued execution of client-led strategy of leveraging platform, expertise and diversified product offerings	Strong corporate and transactional banking and flow trading activities

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.

The strength of RMB's franchise is reflected in the number of major awards it received during the year, including:

BANKING AWARDS

The Banker Investment Banking Awards 2018
- Most Innovative Investment Bank in Africa (3rd year running)

The Banker Transaction Banking Awards 2018
- Most Innovative Transaction Bank from Africa

Euromoney Awards for Excellence 2018
- Best Investment Bank in South Africa

Financial Mail Ranking the Analysts 2018
- RMBMS Awards: Execution - Equities, Sales Team, Corporate Access, Administration Efficiency
- Winning Analysts: Industrial Metals, Forestry & Paper, Food Producers, Investment Strategy, Economic Analysis International, Commodities

Global Finance Awards 2018
- Best Bank for Supply Chain Finance – Africa
- Best Trade Bank – Namibia
- Best FX Provider in South Africa (2nd year running)
- Best FX Provider in Botswana (2nd year running)
- Best Treasury and Cash Management Provider 2018 in Namibia
- Best Investment Bank – South Africa
- Best Investment Bank – Mozambique
- Best Debt Bank in Africa
- Best Bank in Africa for New Financial Technology

African Banker Awards 2018
- Equity Deal of the Year (STAR listing)
- Infrastructure Deal of the Year (Nacala Railway and Port Corridor)

The Banker Deals of the Year 2018
- Green Finance (Cape Town Green Bond)
- Infrastructure & Project Finance (Nacala Railway and Port Corridor)
- Restructuring (Avesoro Resources)

GTR Best Deals 2018
- Afcons Infrastructure Limited

GTR Leaders in Trade Awards 2018
- Best Trade Finance Bank in Southern and East Africa

DealMakers 2017
- Leading M&A Advisor by Deal Value

JSE Spire Awards 2017
- ***House Awards***
  - Best Fixed Income and Currencies House
  - Best Forex House
  - Best Interest Rate Derivative House
- ***Team Awards***
  - Best Debt Origination Team
  - Best Market Making Team – Cash Settled Commodity Derivatives
  - Best Market Making Team – Forex
  - Best Team – Listed Interest Rate Derivatives
  - Best On-Screen Market Making Team – Forex
  - Best Sales Team – Forex
  - Best Sales Team – Interest Rate Derivatives
  - Best Team – Inflation Bonds

Global Custodian 2017
- Agent Banks in Major Markets Survey
  - Markets Outperformer — South Africa
- Agent Banks in Major Markets Survey
  - Category Outperformer — South Africa

OTHER AWARDS

Business Arts South Africa 2018
- Increasing Access to the Arts Award for Enable Through Dance (in partnership with Moving into Dance Mophatong)

Chris de Kock *CEO* | WesBank

NORMALISED EARNINGS	ROE	ROA
↓9%	17.4%	1.61%

Retail vehicle and asset finance had a challenging year, but personal loans and corporate lending delivered solid operational performances

WESBANK

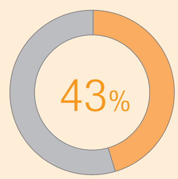
RETAIL SA VAF

Business impacted by margin pressure from increased competition

Focus on protecting return profile

Specific sector challenges but new relationships signed

Lower-risk origination = lower margins



CORPORATE AND COMMERCIAL

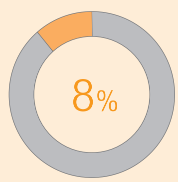
Strong operational performance despite sector slow down

Volume growth in SME and business segments = greater collaboration with FNB commercial

Profits up **19%** driven by FML portfolio

Reduced impairments: 28% year-on-year

5% improvement in NPLs



Contribution to total WesBank profits by activity, excluding rest of Africa.

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 Finance 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 long-standing alliances with leading motor manufacturers, suppliers and dealer groups, strong point-of-sale presence and innovative channel origination strategies.

DIRECT AXIS

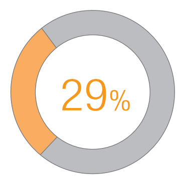
PERSONAL LOANS

Profits up **9%** on the back of **10%** advances growth

Continued focus on lower risk origination

Margins stabilised post NCAA rate caps and targeted risk cuts

Growth through optimisation of direct marketing channels and streamlining approval processes



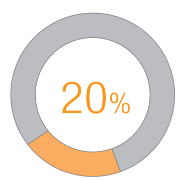
MOTONOVO

RETAIL UK VAF

Profits impacted by investment drag and funding costs

Exited higher risk origination

New business reduced 4% (in pound terms) due to targeted risk cuts



Contribution to total WesBank profits by activity, excluding rest of Africa.

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.

The strength of WesBank's customer franchises in both South Africa and the UK is reflected in industry awards.

WesBank

WesBank was awarded Top Employer Status at the 2018 Top Employers Awards

MotoNovo

MotoNovo was awarded Finance Provider of the year and Product Innovation of the year for findandfundmycar at the UK Dealer Power Awards

MotoNovo has been ranked within the Top 15 "Best Mid-Sized Companies to Work for in the UK" for the past three years

Phillip Monks *CEO* | Aldermore

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.

The strategic rationale for the group's acquisition of Aldermore is outlined in the CEO's report. 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

Aldermore operates in large and attractive lending segments deliberately selected to provide it with the opportunity to deliver continued growth and strong risk-adjusted returns.

ASSET FINANCE

Lease and hire purchase finance to fund SME capital investment in machinery, plant and equipment, and soft assets such as IT equipment.

INVOICE FINANCE

Working capital for SMEs by lending against outstanding invoices in the form of factoring and invoice discounting.

SME COMMERCIAL MORTGAGES

Mortgages from residential property development through to purchase and refinancing. In Property Development, we provide flexible funding solutions for experienced housebuilders working on residential and mixed-use developments.

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.

Aldermore

BUY-TO-LET

A complete buy-to-let proposition catering for both individual and corporate landlords, simple to complex properties and from a single property to a large portfolio.

RESIDENTIAL MORTGAGES

Residential mortgages through intermediaries and direct to customers.

SAVINGS

A range of award-winning savings products.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

With no branch network, Aldermore 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.

Aldermore has received numerous industry awards since it was founded, several of which have been awarded for a number of years running.

In particular Aldermore has been repeatedly recognised for innovative lending and savings products for small and medium-sized enterprises (SMEs), homeowners and savers.

2018 awards

WINNER – BEST SAVING PRODUCT – ALDERMORE FIXED RATE ACCOUNTS

Online Personal Wealth Awards 2018

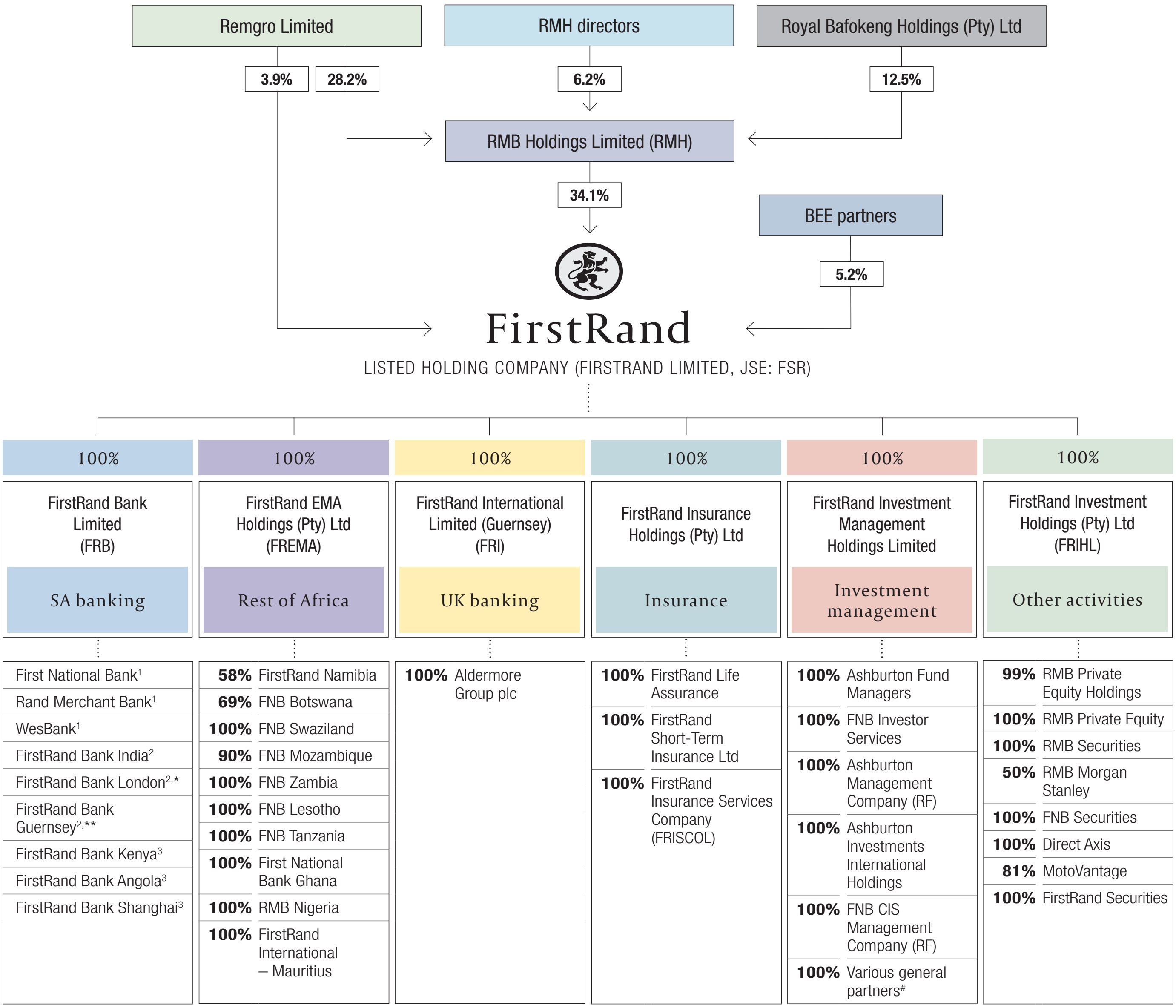
Aldermore has won this award for three years running for its Fixed Rate Savings Accounts, voted for by the readers of the MoneyAm publication.

WINNER – BEST SERVICE FROM A DEVELOPMENT FINANCE PROVIDER

Business Moneyfacts Award 2018

This award recognises the quality service provided by Aldermore's property teams, voted for by its brokers.

Simplified group and shareholding structure



1. Division
2. Branch
3. Representative office

* *MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).*
** *Trading as FNB Channel Islands.*
\# *Ashburton Investments has a number of general partners for fund seeding purposes – all of these entities fall under FirstRand Investment Management Holdings Limited.*

Structure shows effective consolidated shareholding

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

Five year review – normalised

R million	2014	2015	2016	2017	**2018**	Compound growth %
Statement of financial position						
Total assets	946 609	1 059 262	1 149 326	1 217 745	**1 532 310**	13
Gross advances before impairments	709 079	793 964	867 982	910 066	**1 140 482**	13
Total impairments	13 900	14 793	16 577	16 960	**19 255**	8
Advances (net of impairments)	695 179	779 171	851 405	893 106	**1 121 227**	13
NPLs	16 281	17 551	21 282	21 905	**26 947**	13
Deposits*	768 234	865 616	920 074	983 529	**1 267 448**	13
Capital and reserves attributable to ordinary equityholders of the group	81 590	90 778	99 794	108 922	**121 046**	10
Income statement						
Net interest income before impairment of advances	33 415	38 610	43 730	46 626	**51 254**	11
Impairment charge	(5 519)	(5 787)	(7 159)	(8 054)	**(8 567)**	12
Operational non-interest revenue	30 639	32 709	34 989	38 227	**41 012**	8
Share of profit of associates and joint ventures after tax	1 065	1 499	1 453	1 041	**914**	(4)
Operating expenses	(33 276)	(36 740)	(40 942)	(43 773)	**(47 664)**	9
Earnings attributable to ordinary equityholders	18 663	21 286	22 855	24 471	**26 411**	9
Key ratios						
ROE (%)	24.2	24.7	24.0	23.4	**23.0**	
ROA (%)	2.06	2.12	2.07	2.07	**1.92**	
Cost-to-income ratio (%)	51.1	50.5	51.1	51.0	**51.2**	
Credit loss ratio (%)	0.83	0.77	0.86	0.91	**0.84**	
NPLs as a % of gross advances (%)	2.30	2.21	2.45	2.41	**2.36**	
Non-interest income as a % of total income (%)	48.7	47.0	45.5	45.7	**45.0**	
Share statistics						
Price earnings ratio (times)	12.3	14.1	11.0	10.8	**13.6**	
Price-to-book ratio (times)	2.8	3.3	2.5	2.4	**3.0**	
Market capitalisation (R million)	229 746	299 098	251 529	264 487	**358 390**	12
Closing share price (cents)	4 075	5 332	4 484	4 715	**6 389**	12

* *Reclassification of 2015 and 2016 deposit numbers.*

R million	2014	2015	2016	2017	2018	Compound growth %
Exchange rates						
$/R						
– Closing	10.63	12.14	14.66	13.10	**13.80**	
– Average	10.38	11.45	14.51	13.58	**12.82**	
£/R						
– Closing	18.17	19.12	19.67	17.00	**18.18**	
– Average	16.89	18.02	21.47	17.21	**17.27**	
Statement of financial position ($ million)*						
Total assets	89 051	87 254	78 399	92 958	**111 037**	6
Gross advances before impairments	66 705	65 401	59 208	69 471	**82 644**	6
Total impairments	1 308	1 219	1 131	1 295	**1 395**	2
Advances (net of impairments)	65 398	64 182	58 077	68 176	**81 248**	6
NPLs	1 532	1 446	1 452	1 672	**1 953**	6
Deposits#	72 270	71 303	62 761	75 079	**91 844**	6
Capital and reserves attributable to ordinary equityholders of the group	7 675	7 478	6 807	8 315	**8 771**	3
Income statement ($ million)**						
Net interest income before impairment of advances	3 219	3 372	3 014	3 433	**3 998**	6
Impairment charge	(532)	(505)	(493)	(593)	**(668)**	6
Operational non-interest revenue	2 952	2 857	2 411	2 815	**3 199**	2
Share of profit of associates and joint ventures after tax	103	131	100	77	**71**	(9)
Operating expenses	(3 206)	(3 209)	(2 822)	(3 223)	**(3 718)**	4
Earnings attributable to ordinary equityholders	1 798	1 859	1 575	1 802	**2 060**	3
Statement of financial position (£ million)*						
Total assets	52 097	55 401	58 430	71 632	**84 285**	13
Gross advances before impairments	39 025	41 525	44 127	53 533	**62 733**	13
Total impairments	765	774	843	998	**1 059**	8
Advances (net of impairments)	38 260	40 752	43 284	52 536	**61 674**	13
NPLs	896	918	1 082	1 289	**1 482**	13
Deposits#	42 280	45 273	46 775	57 855	**69 717**	13
Capital and reserves attributable to ordinary equityholders of the group	4 490	4 748	5 073	6 407	**6 658**	10
Income statement (£ million)**						
Net interest income before impairment of advances	1 978	2 143	2 037	2 709	**2 968**	11
Impairment charge	(327)	(321)	(333)	(468)	**(496)**	11
Operational non-interest revenue	1 814	1 815	1 630	2 221	**2 375**	7
Share of profit of associates and joint ventures after tax	63	83	68	60	**53**	(4)
Operating expenses	(1 970)	(2 039)	(1 907)	(2 543)	**(2 760)**	9
Earnings attributable to ordinary equityholders	1 105	1 181	1 065	1 422	**1 529**	8

* *The statement of financial position is converted using the closing rates as disclosed for each reporting period.*

** *The income statement is converted using the average rate as disclosed for each reporting period.*

\# *Reclassification of 2015 and 2016 deposit numbers.*

03 corporate governance

corporate governance

corporate governance

FirstRand regards **excellence in corporate governance, transparency, fairness, responsibility and accountability** as essential for its long-term business sustainability, helping to protect and enhance the interests of its stakeholders

The board of directors implements the highest standards of corporate governance at all operations. The board understands and values long-term and ethical client relationships, and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of its stakeholders.

OBJECTIVE

FirstRand's overarching governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained. This process:

- is consistent with the nature, complexity and risk inherent in the group's on- and off-balance sheet activities; and
- responds to changes in the group's environment and conditions.

The above-mentioned objective includes ensuring the group's compliance with all relevant legislation, including but not limited to: the Banks Act 94 of 1990 (Banks Act) and regulations, Companies Act, 71 of 2008, JSE Listings Requirements, the principles of the King Code on Corporate Governance 2016 (King IV), and best practice guidelines deemed appropriate to the effective functioning of the group.

The assessments conducted and overseen by the board committees during the year confirmed that the processes implemented by the group relating to corporate governance, internal controls, risk management, capital management and capital adequacy have successfully achieved the above objective.

FirstRand endorses and endeavours to adhere to the guidelines and principles of King IV and the corporate governance principles for banks set by the Basel Committee on Banking Supervision.

The board has satisfied itself that FirstRand has complied with these principles in all material respects throughout the year.

governance outcomes

This report details the practices implemented and progress made towards achieving the following governance outcomes:

- ETHICAL FOUNDATION AND CULTURE;
- ADEQUATE AND EFFECTIVE BOARD;
- CONTINUED EFFECTIVENESS AND PERFORMANCE;
- SUSTAINABLE VALUE CREATION AND PERFORMANCE; AND
- TRUST AND LEGITIMACY THROUGH STAKEHOLDER ENGAGEMENT.

The board endeavours to continue to enhance and improve on ways to measure the achievement of its governance outcomes.

INTEGRATED GOVERNANCE FRAMEWORK

FirstRand's integrated governance framework allows for coherence between group strategy implementation and the long-term interests of its stakeholders. This is achieved through ensuring that the group's three lines of defence are appropriately aligned using a risk-based approach to identify, monitor and manage material issues.

BOARD OVERSIGHT

Strategy, policies and frameworks:

Business unit strategies and governance processes are aligned with group strategy, financial and non-financial risk tolerances and strategic value drivers

First line controls:

Business units ensure that financial and non-financial performance is measured in line with mandates approved by the board

Second line controls:

Specialised risk and governance committees provide independent reports on financial and non-financial performance for board oversight

Stakeholder engagement:

Strategy implementation requires business units to engage and transact with stakeholders

Third line controls: End-to-end independent assurance

GOVERNANCE OUTCOME:

ETHICAL FOUNDATION AND CULTURE

ethical foundation and culture

FirstRand subscribes to and promotes the principles of good ethical conduct, as set out in the group code of ethics.

The board oversees the establishment and monitoring of the code of ethics to promote ethical behaviour, and acts as a guide on ethical considerations in day-to-day decisions made at every level of delegation. The board is supported by the group ethics office, which acts as a formal custodian of the group code of ethics. The group ethics office has representatives in every business in the group.

Directors serving on any statutory or advisory board, responsible for strategic leadership and governance within the group, are required to acquaint themselves with both the form and substance of the code of ethics, and to sign the directors' pledge.

Directors hold each other accountable for decision making and acting in a way that displays the ethical characteristics (such as integrity, conscience, independence, courage, competence, responsibility, commitment, accountability, fairness and transparency) which form the basis of the FirstRand director competency framework and board evaluation assessment.

The chairman is tasked with monitoring this as part of his duties.

Refer to page 123 for the social, ethics and transformation committee report.

The group's employee performance evaluations include ethical conduct and adherence to the FirstRand philosophy. Employees are required to sign independence declarations and undertake ethics training during onboarding and then regularly during the course of their employment with the group.

FirstRand's philosophy is underpinned by the belief in the following values and principles:

- respecting and empowering individuals; collective and individual accountability; integrity in our care for the business; prudent and accurate scorekeeping;
- ensuring that the business case always prevails through open communication, vigorous debate and participative non-hierarchical decision making;
- being a good corporate citizen – seeing sustainable development and sustainable profit growth as complementary objectives; and
- helping to create a better world that is socially and environmentally viable in the long term.

GOVERNANCE OUTCOME:

ADEQUATE AND EFFECTIVE BOARD

governance structure

The board has overall responsibility for the group, including approving and overseeing management's implementation of strategic objectives, governance framework and corporate culture.

The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees, senior management and other governance forums and panels. Various management forums may be established for gathering information, agreeing and tracking actions and, where necessary, escalating findings or recommendations to decision-making forums.

The board has concluded that it has collectively satisfied and fulfilled its responsibilities in accordance with the board charter.

Governance structures and processes are formally reviewed annually and continuously adapted to accommodate internal developments, and reflect national and international best practice.

The board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference.

The board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.

FIRSTRAND LIMITED BOARD

The board is responsible for overall risk management and the quality of internal control systems. The board is the custodian of corporate governance in the FirstRand Group.

CEO

STRATEGIC EXECUTIVE COMMITTEE

Assists the CEO in charting the overall direction of the group's business. It acts as a medium of communication and coordination between divisions, advisory boards, business units, group companies and the boards.

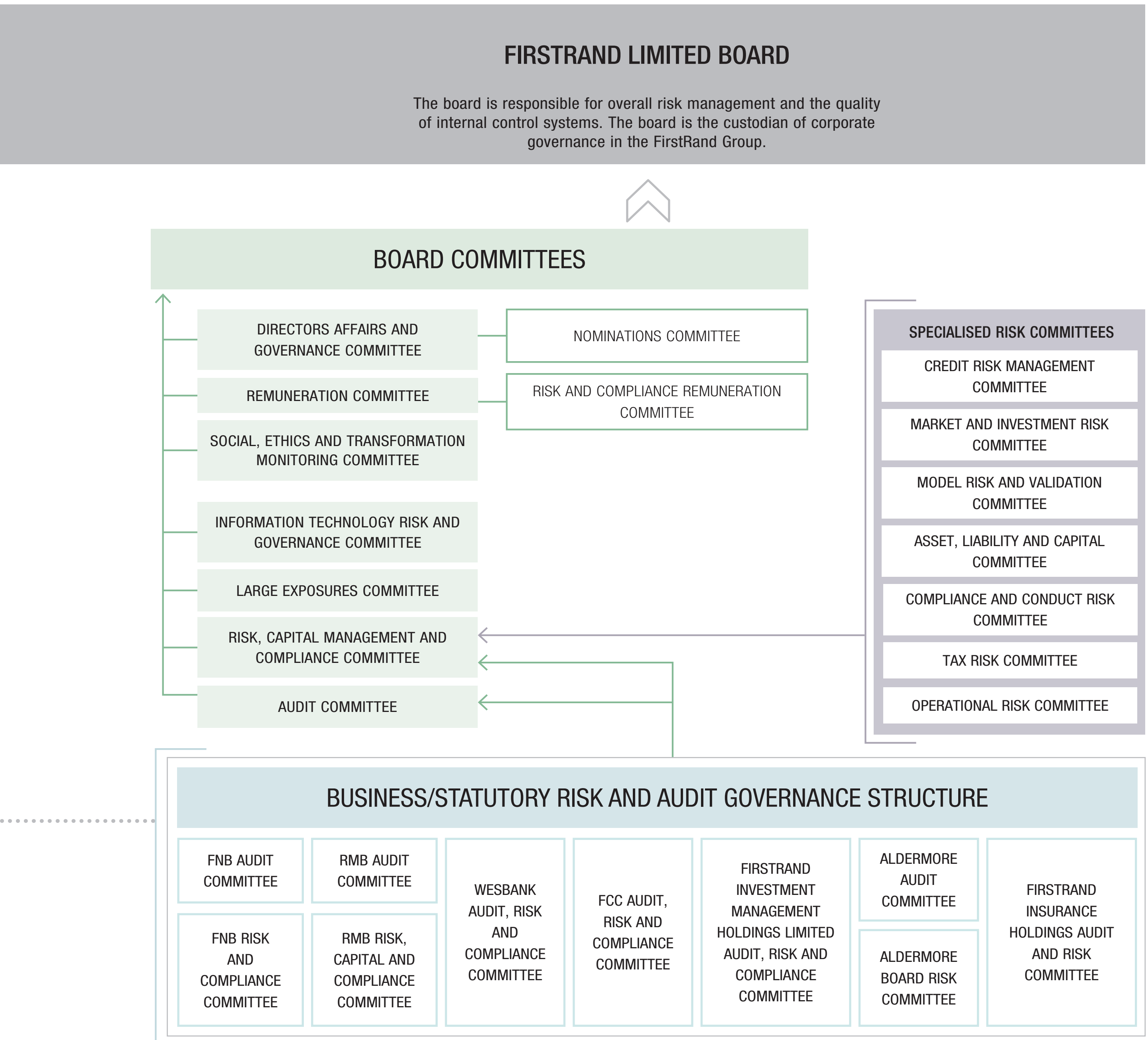
- PLATFORM EXECUTIVE COMMITTEE
- CONDUCT EXECUTIVE COMMITTEE
- AFRICA EXECUTIVE COMMITTEE
- PEOPLE, LEADERSHIP AND TALENT FORUM
- FINANCIAL RESOURCE MANAGEMENT EXECUTIVE COMMITTEE

ADVISORY BOARDS

- FNB DIVISIONAL BOARD
- RMB DIVISIONAL BOARD
- WESBANK DIVISIONAL BOARD

STATUTORY BOARDS

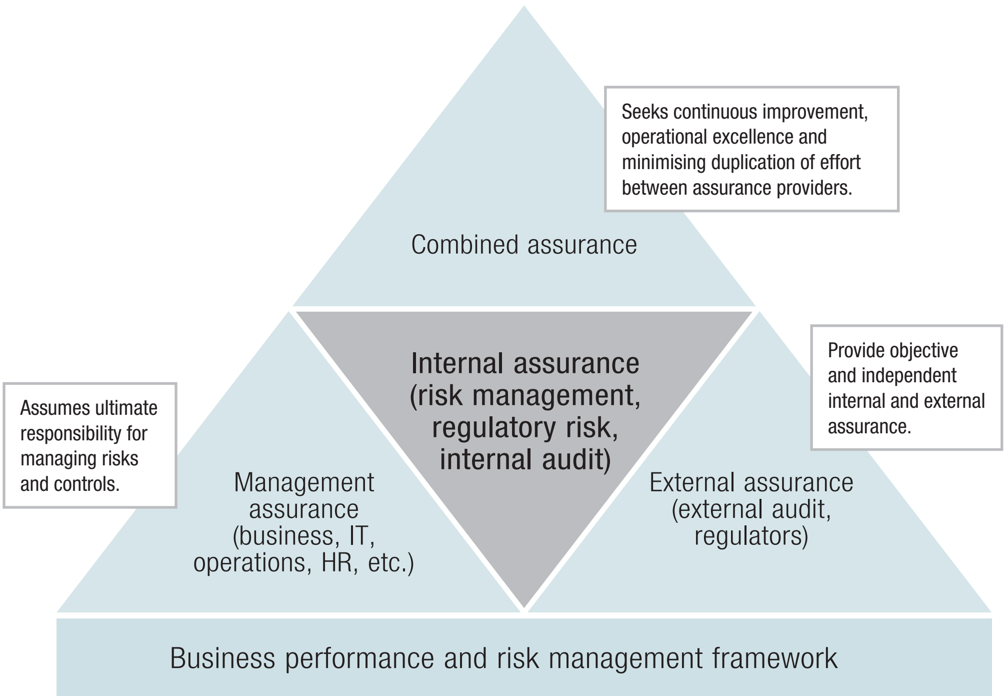
- FIRSTRAND INVESTMENT MANAGEMENT HOLDINGS BOARD
- FIRSTRAND INSURANCE HOLDINGS BOARD
- ALDERMORE BOARD
- AFRICA BOARD


FIRSTRAND LIMITED BOARD
The board is responsible for overall risk management and the quality of internal control systems. The board is the custodian of corporate governance in the FirstRand Group.
BOARD COMMITTEES
DIRECTORS AFFAIRS AND GOVERNANCE COMMITTEE
NOMINATIONS COMMITTEE
REMUNERATION COMMITTEE
RISK AND COMPLIANCE REMUNERATION COMMITTEE
SOCIAL, ETHICS AND TRANSFORMATION MONITORING COMMITTEE
INFORMATION TECHNOLOGY RISK AND GOVERNANCE COMMITTEE
LARGE EXPOSURES COMMITTEE
RISK, CAPITAL MANAGEMENT AND COMPLIANCE COMMITTEE
AUDIT COMMITTEE
SPECIALISED RISK COMMITTEES
CREDIT RISK MANAGEMENT COMMITTEE
MARKET AND INVESTMENT RISK COMMITTEE
MODEL RISK AND VALIDATION COMMITTEE
ASSET, LIABILITY AND CAPITAL COMMITTEE
COMPLIANCE AND CONDUCT RISK COMMITTEE
TAX RISK COMMITTEE
OPERATIONAL RISK COMMITTEE
BUSINESS/STATUTORY RISK AND AUDIT GOVERNANCE STRUCTURE
FNB AUDIT COMMITTEE
FNB RISK AND COMPLIANCE COMMITTEE
RMB AUDIT COMMITTEE
RMB RISK, CAPITAL AND COMPLIANCE COMMITTEE
WESBANK AUDIT, RISK AND COMPLIANCE COMMITTEE
FCC AUDIT, RISK AND COMPLIANCE COMMITTEE
FIRSTRAND INVESTMENT MANAGEMENT HOLDINGS LIMITED AUDIT, RISK AND COMPLIANCE COMMITTEE
ALDERMORE AUDIT COMMITTEE
ALDERMORE BOARD RISK COMMITTEE
FIRSTRAND INSURANCE HOLDINGS AUDIT AND RISK COMMITTEE

FIRSTRAND COMBINED ASSURANCE FRAMEWORK

The primary objective of combined assurance is to facilitate the integration, coordination, and alignment of risk management and assurance activities within the organisation to optimise the level of risk, governance, and control oversight on the organisation's risk landscape. FirstRand established a combined assurance framework which is firmly embedded in all businesses and at group level, underpinned by the FirstRand business performance and risk management framework, and given effect through the combined assurance forum. The successful implementation of combined assurance is enabled through active participation and contribution across all assurance providers and the use of a common risk rating methodology and risk classification.

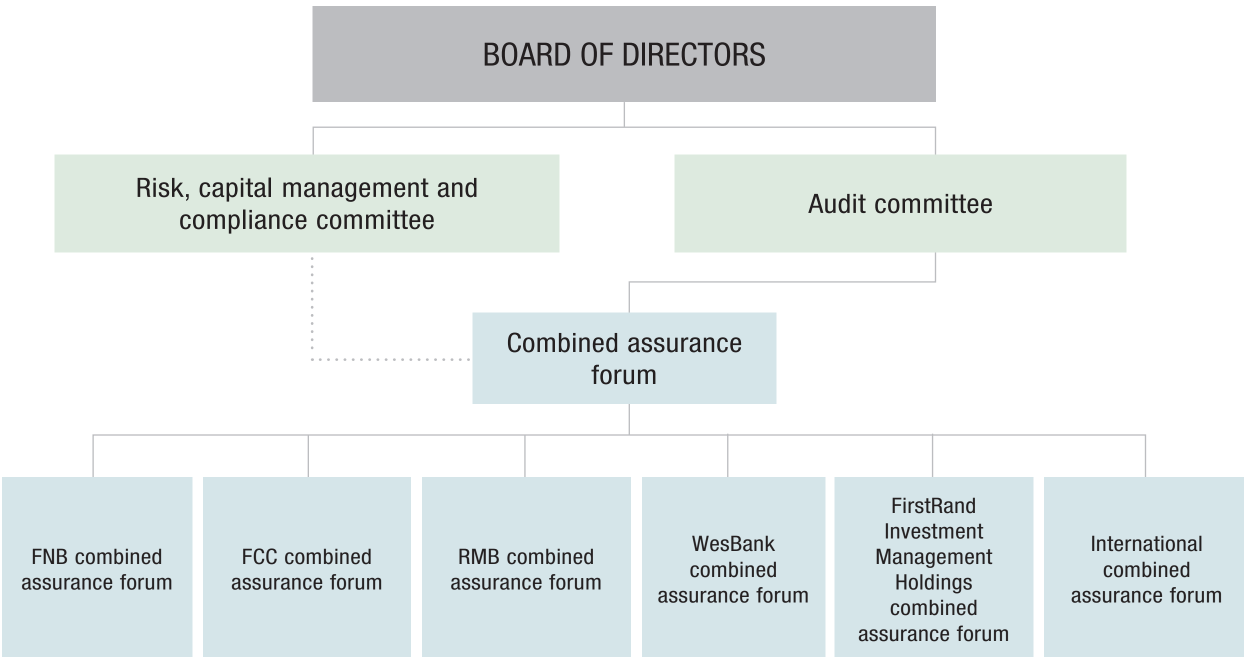
COMBINED ASSURANCE MODEL



COMBINED ASSURANCE FORUM (CAF)

The primary objective of CAF is to assist the audit committee in discharging its responsibilities relating to combined assurance. CAF ensures that the various franchise combined assurance providers and forums work as a collective to ensure the right amount of assurance in the right areas is obtained from providers that have relevant skills and experience; and that this is done in the most cost-effective manner. CAF meets on a quarterly basis and agrees the key risk and control themes that it will monitor across all assurance providers at franchise and group level from time to time. Attendees include representatives from management and internal and external assurance providers, and is chaired by the group chief risk officer. The combined assurance view of key risk and control themes across FirstRand is reported to the audit committee on a quarterly basis. The audit committee is satisfied with the expertise, adequacy and effectiveness of arrangements in place for combined assurance.

FLOW OF COMBINED ASSURANCE OUTPUTS



INTERNAL AUDIT

The group has an independent in-house internal audit function which operates in terms of an approved charter. The Group Internal Audit (GIA) charter spans across FirstRand Limited and its subsidiaries, joint ventures, trusts, offshore operations and business interests.

GIA's purpose is to be a proactive business partner, providing integrated, risk-based, objective assurance, insight and related advisory services. The GIA scope includes providing independent assurance over the internal control systems and the bank's regulatory and economic capital models, regulatory reporting, capital management, stress testing and the internal capital adequacy assessment process (ICAAP).

GIA continuously engages with combined assurance role players to obtain insights into business strategies and to ensure integration, coordination and alignment of assurance activities to maintain sufficient coverage of high risk areas over the three lines of defence. The collaboration enables GIA to place reliance on work performed by other assurance providers subject to certain criteria being met around competence, rigour and bias related to the execution of assurance work.

The audit plans are presented at the various divisional audit committees and to the audit committee for approval. The GIA audit plan is revised and approved on a quarterly basis to remain agile and aligned to key risks in the organisation.

GIA is headed by the chief audit executive (CAE), who reports functionally to the audit committee chairman and administratively to the COO, and has the mandate to communicate directly and freely on relevant matters. Each franchise/division in FirstRand has an independent head of internal audit who reports to the CAE. Senior GIA staff are exposed to key business and governance meetings to engage proactively with business.

The internal audit teams in the subsidiaries are supported by a head office team in South Africa which supplements in-country skills to perform specific technical and entity-wide reviews which facilitates effective knowledge sharing. Where requisite skills are not available internally, GIA co-sources these from external experts.

GIA has adopted an eGRC platform which maintains a database of audit findings and facilitates tracking and monitoring of remediation effort. GIA interrogates the audit findings databases to glean insights on pervasive issues across the group, which in some instances may not be significant individually, however, when considered holistically can point to pervasive control weaknesses which warrant management attention.

CHIEF EXECUTIVE OFFICER

Alan Pullinger was appointed as CEO by the board on 1 April 2018 and is responsible for leading the implementation and execution of approved strategy, policies and operational planning. The CEO leads and directs the executive management and serves as the chief link between management and the board.

The CEO is accountable to the board for, amongst other things:

- developing and recommending the group's short-, medium- and long-term strategies;
- managing the strategies, group performance and vision of FirstRand, and ensuring the achievement of its performance targets;
- ensuring that FirstRand has an effective management team and management structures;
- ensuring that appropriate policies are formulated and implemented;
- ensuring that effective governance measures are deployed; and
- serving as FirstRand's chief spokesperson.

The CEO does not have any work commitments outside of the group and its related companies. The contract of the CEO is subject to a one month notice period. A succession plan for the CEO is in place and is reviewed annually.

COMPANY SECRETARY

The company secretary plays an essential role in FirstRand's corporate governance. The company secretary is responsible to the board for, *inter alia*, acting as a central source of information and advice to the board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Carnita Low was appointed as FirstRand's company secretary in January 2014, and is also the company secretary to the board committees and subsidiary boards. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

All directors have full access to the services and advice of the group company secretary in all aspects of the board's mandate and operations of the group. The board is satisfied that these arrangements are effective.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed the company secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the board on good governance;
- maintains an arm's length relationship with the board and directors; and
- has discharged her responsibilities effectively for the year under review.

GOVERNANCE OUTCOME:

ADEQUATE AND EFFECTIVE BOARD

board of directors

THE BOARD SERVES AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE IN THE GROUP.

This broad leadership role includes: setting the direction for realising the group's core purpose and values through its strategy and approving policy, including plans, frameworks, structures and procedures. It also provides oversight on implementation, and demonstrates accountability and transparency through disclosures.

The board believes that its current size and composition (mix of knowledge, skills, diversity, experience and independence) is such that directors are able to discharge their fiduciary duties and governance role and responsibilities objectively and effectively, in a manner that is consistent with the interests of all stakeholders invested in the success of the group.

The board of directors' skills, experience and directorships are set out in the annual financial statements (available on the company's website www.firstrand.co.za).

The following directors retired during the 2018 financial year: Benedict James (Ben) van der Ross, Jan Hendrik (Hennie) van Greuning, Lauritz Lanser (Laurie) Dippenaar, Patrick Maguire (Pat) Goss and Paul Kenneth Harris.

William Rodger **(Roger)** Jardine (52)

Independent non-executive chairman (with effect from April 2018)

BSc, MSc

Appointed July 2010

Alan Patrick Pullinger (52)

Chief executive officer (with effect from April 2018)

MCom, CA(SA), CFA

Appointed October 2015

Johan Petrus Burger (59)

Executive director (with effect from April 2018)

BCom (Hons), CA(SA)

Appointed January 2009

Hetash Surendrakumar **(Harry)** Kellan (46)

Financial director

BCom (Hons), CA(SA)

Appointed January 2014

Mary Sina
Bomela (45)

Non-executive director

BCom (Hons), CA(SA), MBA

Appointed September 2011

Nolulamo
Nobambiswano **(Lulu)**
Gwagwa (59)

Independent non-executive director

BA, MTRP, MSc, PhD

Appointed February 2004

Hermanus
Lambertus **(Herman)**
Bosman (49)

Non-executive director

BCom, LLB, LLM, CFA

Appointed April 2017

Francois **(Faffa)**
Knoetze (55)

Non-executive director

BCom (Hons), FASSA, FIA

Appointed April 2016

Jan Jonathan
(Jannie) Durand (51)

Non-executive director

BAccSc (Hons), MPhil, CA(SA)

Appointed October 2012

Russell Mark
Loubser (68)

Independent non-executive director

BCom (Hons), MCom, CA(SA)

Appointed September 2014

Grant Glenn
Gelink (68)

Independent non-executive director

BCom (Hons), BCompt (Hons), CA(SA)

Appointed January 2013

Paballo Joel
Makosholo (39)

Non-executive director

MCom, IEDP, CA(SA)

Appointed October 2015

Thandie Sylvia Mashego (40)

Non-executive director

BCom (Hons), CA(SA), MBL

Appointed January 2017

Amanda Tandiwe **(Tandi)** Nzimande (48)

Independent non-executive director

CTA, CA(SA), HDip Co Law

Appointed, February 2008

Ethel Gothatamodimo Matenge-Sebesho (63)

Independent non-executive director

MBA, CAIB

Appointed July 2010

Thomas Winterboer (62)

Independent non-executive director

BCom (Hons), CA(SA), AEP

Appointed April 2018

Changes to the board and sub-committees subsequent to 30 June 2018:

Mary Vilakazi

Chief operating officer and executive director

Appointed 1 July 2018

FirstRand – committee memberships

- Large exposures
- Audit – *ex officio*
- Risk, capital management and compliance – *ex officio*
- Social, ethics and transformation – *ex officio*
- First National Bank*
- Rand Merchant Bank*
- WesBank*

* *Divisional board*

Johan Petrus Burger

Non-executive director

With effect 1 September 2018

FirstRand – committee memberships

- Audit
- Risk, capital management and compliance
- Remuneration
- Large exposures
- First National Bank*
- Rand Merchant Bank*
- WesBank*

* *Divisional board*

Jan Jonathan **(Jannie)** Durand

Alternate non-executive director

With effect 3 September 2018

As at 30 June 2018, FirstRand had a unitary board of 16 members; 13 of the directors are non-executive, 7 of whom are independent. In addition to the annual board meetings the board is required to attend a strategic conference, board training programmes *(skool)*, and the SARB bilateral meeting held in November every year.

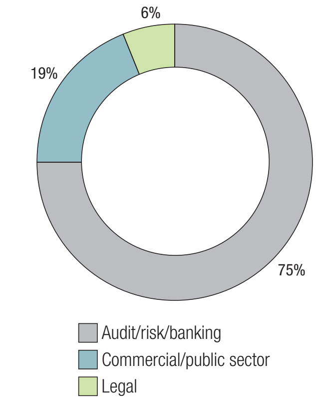
The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive, act independently, free of undue influence, and in the best interest of the group. The roles of the chairman, lead independent director and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

	Record of attendance			
	Board	**Bilateral**	**Strategic conference**	***Skool***
Independent non-executive directors				
WR Jardine (chairman) (appointed 1 April 2018)	5/5	1/1	1/1	3/3
GG Gelink	5/5	1/1	1/1	2/3
NN Gwagwa	5/5	1/1	1/1	3/3
RM Loubser	5/5	1/1	1/1	3/3
EG Matenge-Sebesho	5/5	1/1	1/1	3/3
AT Nzimande	5/5	1/1	1/1	3/3
T Winterboer (appointed with effect 20 April 2018)	1/1	1/1	1/1	1/1
Non-executive directors				
MS Bomela	5/5	1/1	1/1	2/3
HL Bosman	5/5	1/1	1/1	3/3
JJ Durand	5/5	1/1	1/1	2/3
F Knoetze	5/5	1/1	1/1	2/3
PJ Makosholo	5/5	1/1	1/1	3/3
TS Mashego	5/5	1/1	1/1	2/3
Executive directors				
AP Pullinger	5/5	1/1	1/1	2/3
HS Kellan	5/5	1/1	1/1	3/3
JP Burger	5/5	1/1	1/1	2/3
M Vilakazi (attended by invitation)	1/1	0/0	1/1	1/1
Retirements during the year				
LL Dippenaar (chairman) (retired 31 March 2018)	4/4	1/1	1/1	2/2
JH van Greuning (retired 30 November 2017)	3/3	1/1	0/0	1/1
BJ van der Ross (retired 30 November 2017)	3/3	1/1	0/0	1/1
PM Goss (retired on 30 April 2018)	4/4	1/1	1/1	2/2
PK Harris (retired 30 April 2018)	4/4	1/1	1/1	0/2

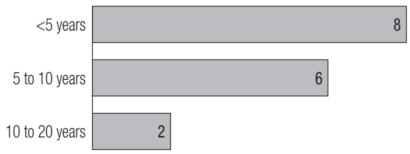
Roger Jardine was appointed as the independent non-executive chairman of the board with effect 1 April 2018, after the retirement of Laurie Dippenaar. Roger has extensive experience and has served as a non-executive director on the FirstRand Bank and FirstRand

Average age of board members: 53 years

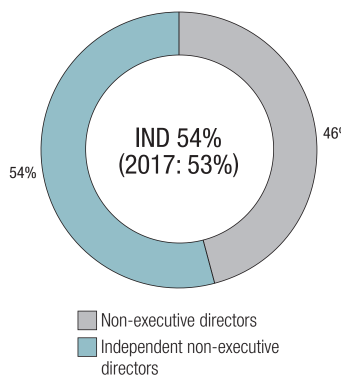
BOARD SKILLS DIVERSITY



BOARD TENURE



BOARD INDEPENDENCE



Limited boards for 14 and 8 years respectively. His experience and knowledge of the FirstRand group makes him well suited to effectively fulfil the role of chairman. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings Requirements and the Banks Act.

Considering the short period for which the chairman has been in service, a performance evaluation since his appointment has not been conducted. A formal external review of the chairman's and the board's performance will be conducted during the next reporting period.

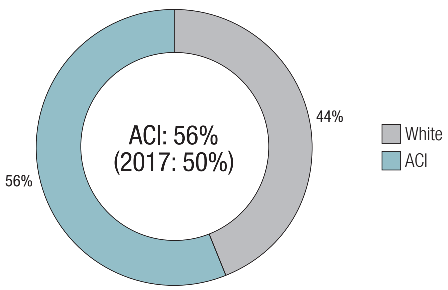
Pat Goss fulfilled the role of lead independent non-executive director until his retirement on 30 April 2018. Tandi Nzimande has been appointed as chairman of the directors' affairs and governance committee and while the group has not appointed a lead independent director, she has been tasked with the responsibility of ensuring there is no conflict of interest on the part of the chairman in the performance of his duties, and that the independent members of the board demonstrate impartiality and leadership.

APPOINTMENTS TO THE BOARD

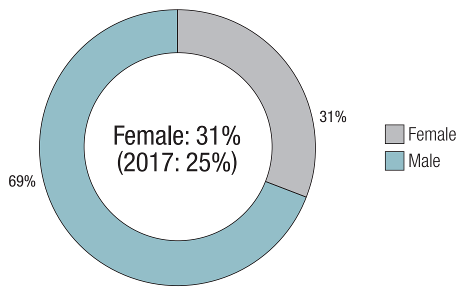
There is a clear policy in place detailing procedures for appointments to the board. Such appointments are formal and transparent, and a matter for the board, assisted by the nominations committee. Prior to the appointment of a new director, the nominations committee is responsible for making recommendations to the directors' affairs and governance committee as to his or her suitability. In terms of the South African banking regulations, all directors of a bank or a bank-controlling company must be assessed as fit and proper by the SARB.

The board acknowledges and recognises the benefits of diversity. The policy on the promotion of race and gender diversity is included in the board charter which requires that, when appointing new directors, the nominations committee takes cognizance of its needs in terms of different skills, experience, cultural and gender diversity, size and demographics. Whilst no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level.

BOARD RACE DIVERSITY



BOARD GENDER DIVERSITY



SUCCESSION PLAN

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's non-statutory subsidiary boards are used as a platform for mentoring potential future executive and non-executive directors, and developing their knowledge of the group. During the year, specific focus has been applied to succession planning at both board and executive level.

Non-executive directors

The retirement age for non-executive directors is 70 and may be extended after an annual review process, if unanimous agreement is reached by the board that the skills and experience of a director warrant retention.

Each year, one third of FirstRand's non-executive directors, excluding the board chairman, retire by rotation. There is no limit to the number of times that a director may be re-elected to the board, provided they are below the retirement age. When FirstRand directors retire from the board they automatically retire from the statutory boards, and statutory committees on which they serve, unless unanimously agreed by the board that the skills and experience of a director warrant retention.

Non-executive directors are expected to ensure that appointments to boards outside the group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting.

GOVERNANCE OUTCOME:

CONTINUED EFFECTIVENESS AND PERFORMANCE

INDUCTION AND ONGOING BOARD DEVELOPMENT PROGRAMME

The directors are accountable and responsible for all actions of board committees. This is emphasised during induction training provided to new directors.

Other ongoing training and education courses allow directors to familiarise themselves with FirstRand's operations, the business environment, fiduciary duties and responsibilities, the board's expectations in respect of a director's commitment and ethical behaviour, and keeping abreast of regulatory changes and trends. The director's affairs and governance committee oversees director induction and ongoing training programmes, and will continue to make professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

ANNUAL ASSESSMENT

During the year, the directors' affairs and governance committee measured the board's performance and effectiveness, that of the individual members and the company secretary. Evaluations during the year were formally conducted internally and identified no material concerns in respect of the areas assessed, hence no remedial actions were required. A formal, externally facilitated independent review will be conducted during the next reporting period.

During the year, a King IV independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision making in the best interests of the group. A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare. As such, the group has directors with a tenure greater than nine years. At June 2018 there are 13 non-executives, of which two (15%) have served more than nine years, compared to the prior year when there were 17 non-executives of which five (30%) had served more than nine years.

The board is satisfied that the evaluation process is improving its performance and effectiveness, and will continue to find ways to improve on the evaluation process.

During the year the following major training topics were covered:

- Competition Commission Amendment Bill;
- practical implications of the Financial Sector Regulation (FSR) Act;
- directors' liability in terms of the FSR Act;
- overview of related party transactions and directors' conflict of interest;
- cybercrime updates;
- credit risk; and
- data privacy and the impact of the General Data Protection Regulations (GDPR).

During the year the following areas were assessed:

- board and board committee governance, performance and effectiveness;
- performance and effectiveness of previous board chairman;
- performance and effectiveness of individual non-executive directors;
- performance and effectiveness of company secretary; and
- independence of independent non-executive directors who have served continuously for nine years or more.

CONFLICTS OF INTEREST

Policies are in place to manage any potential conflicts of interest. Directors sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's length commercial terms. In such instances, directors will recuse themselves from deliberations on these matters.

GOVERNANCE OUTCOME:

ADEQUATE AND EFFECTIVE BOARD

board committees

FirstRand has established seven duly constituted board committees, established to assist and support the board in discharging its duties. Each committee acts in terms of a written charter. The charters were reviewed and, where amended, approved during the year. The board and subcommittees are satisfied that it has executed its duties during the past financial year in accordance with its terms of reference, set out in the board and committee reports.

A summary of the board committees' composition and responsibilities is provided below. The full reports from the remuneration committee, audit committee and the social, ethics and transformation committee are provided from pages 91 to 130.

Large exposures committee

SUMMARY OF RESPONSIBILITIES

The large exposures committee is constituted pursuant to the requirements of Banks Act Directive 5/2008 and Section 73 of the Banks Act and Banks Act Regulations.	**The prime objective of the committee is to assist the board in discharging its responsibilities in terms of the management of credit granting and credit risk management (which forms an integral part of the overall process of corporate governance) across the group. This role includes considering and opining on the making of investments or granting of loans or advances or other credit which exceeds 10% of FirstRand qualifying capital and reserves, in terms of Section 73 of the Banks Act.**

COMPOSITION

RM Loubser (chairman)	Independent non-executive director
WR Jardine (resigned 31 May 2018)	Independent non-executive director
T Mashego (appointed with effect 1 June 2018)	Non-executive director
JJH Bester	Specialist consultant
CEO	
Deputy CEO (up to 31 March 2018)*	
COO (with effect 1 July 2018)*	
Financial director	
Chief risk officer	
Head of wholesale credit	

* *From 1 April 2018, the deputy CEO position was collapsed. The creation of the COO position was effective 1 July 2018.*

During the financial year ended 30 June 2018, ten meetings were held. Meetings are convened on an *ad hoc* basis as and when required in terms of Section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not less than six times per annum.

Directors' affairs and governance committee (DAG)

SUMMARY OF RESPONSIBILITIES

The purpose of the committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group and assist the board in discharging its duties in respect of:

- governance and board effectiveness;
- board continuity; and
- executive succession planning.

The committee fulfils the responsibilities of a nominations committee, as guided by King IV, and has delegated some of this responsibility to a sub-committee, being the nominations committee (NC). The NC ensures the establishment of a formal process for the appointment of directors, including identification of suitable members to the board, taking cognizance of its needs for appropriate skills and diversity, together with the balance between non-executive and executive directors and the need for independent non-executive directors.

The committee oversees continual refinements in the group's corporate governance structures and processes, ensuring that arrangements for delegation within these structures promote independent judgement and assist with the balance of power and effective discharge of its duties. This ensures that corporate governance provides a solid foundation for the development and execution of business strategy.

COMPOSITION		RECORD OF ATTENDANCE	
		DAG	NC*
WR Jardine (chairman until 31 May 2018)	Independent non-executive chairman	4/4	4/4
AT Nzimande (chairman with effect 1 June 2018)	Independent non-executive director	4/4	0/0
MS Bomela	Non-executive director	4/4	
HL Bosman (NC with effect from 1 June 2018)	Non-executive director	4/4	0/0
LL Dippenaar (retired 31 March 2018)	Non-executive chairman	3/3	3/3
JJ Durand	Non-executive director	4/4	
GG Gelink	Independent non-executive director	4/4	
PM Goss (retired 30 April 2018)	Independent non-executive director	3/3	2/2
NN Gwagwa	Independent non-executive director	4/4	4/4
PK Harris (retired 30 April 2018)	Non-executive director	2/3	
F Knoetze	Non-executive director	4/4	
RM Loubser	Independent non-executive director	4/4	
PJ Makosholo	Non-executive director	4/4	
EG Matenge-Sebesho	Independent non-executive director	3/4	
TS Mashego	Non-executive director	4/4	
BJ van der Ross (retired 30 November 2017)	Independent non-executive director	1/2	2/2
JH van Greuning (retired 30 November 2017)	Independent non-executive director	2/2	2/2
T Winterboer (with effect 20 April 2018)	Independent non-executive director	1/1	

* *The nominations committee is a subcommittee of the directors' affairs and governance committee and comprises non-executive directors, the majority of whom are independent.*

FUNCTION	AREAS OF FOCUS
Governance and board effectiveness	
> review and evaluate the adequacy, efficiency and appropriateness of the corporate governance structures and practices through performance evaluations and assessments; > establish new committees as required, and approve committee mandates and charters; > establish, maintain and monitor the FirstRand corporate governance objective and plan, ensuring that it complies with all laws, regulations, and codes of conduct and practices; and > oversee the board induction training and development programme.	> approved the 2018 group corporate governance objective and plan; > oversaw the board and committee evaluation assessment process, including the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments; > reviewed and approved the revised nominations committee charter inclusive of the gender and race diversity policy; > reviewed and approved the updated FirstRand board charter; > considered and approved the annual review of non-executive directors' fees; > oversaw director development training programme; and > conducted board evaluations in accordance with King IV to review: – performance and effectiveness of the board and board committees; – performance of the previous board chairman, individual non-executive directors and the company secretary; and – independence of independent non-executive directors who have served continuously for nine years or more.
Board continuity	
> oversee the development and maintenance of a board directorship continuity and succession plan.	> considered and approved the non-executive director succession plan as presented annually for review; > considered and opined on board nominations, board committee changes, appointments and retirements; and > opined on and approved the nomination and appointment of the successor of the chairperson.
Executive succession planning	
> assist the board in the nomination of successors to key positions in FirstRand.	> considered and approved the executive succession plan as presented annually for review; > considered and opined on group nominations, group committee changes and appointments and retirements; and > opined on and approved the nomination and appointment of the CEO and COO.
FUTURE FOCUS AREAS	
	> Ongoing focus on board effectiveness, continuity and succession.

Risk, capital management and compliance committee (RCCC)

SUMMARY OF RESPONSIBILITIES

The committee provides independent oversight of risk, capital management and compliance activities undertaken in the group. This includes ensuring that an effective policy and plan for risk management has been implemented to improve FirstRand's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders.

Refer to page 137 for the summary risk and capital management report, setting out the specific risk and compliance management actions undertaken during the year.

The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.

COMPOSITION		RECORD OF ATTENDANCE*
Membership		
RM Loubser (chairman)	Independent non-executive director	6/6
GG Gelink	Independent non-executive director	6/6
JH van Greuning (retired 30 November 2017)	Independent non-executive director	3/3
MS Bomela	Non-executive director	4/6
F Knoetze	Non-executive director	6/6
T Winterboer (appointed with effect 1 June 2018)	Independent non-executive director	0/0
Specialist consultant members		
JJH Bester		
L Crouse		
Z Roscherr		
Ex officio attendees		
CEO		
Financial director		
Group and franchise CROs		
Chief audit executive		
Group portfolio risk heads		
Head of regulatory risk management		
External auditors		

* *Includes two RCC frameworks approval committee meetings.*

Compliance with laws and regulations applicable to operations is critical to the group as non-compliance may have potentially serious consequences.

OVERALL FUNCTION	AREAS OF FOCUS
> approves risk and compliance management policies, frameworks, strategies and processes; > monitors containment of risk exposures within the risk appetite framework; > reports assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board; > monitors implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management; > initiates and monitors corrective action, where appropriate; > monitors that the group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen; > approves regulatory capital models, risk and capital targets, limits and thresholds; and > monitors capital adequacy and ensures that a sound capital management process exists.	> received and reviewed the overall group risk profile report, including the CRO and portfolio risk reports, and escalated material issues to the board where appropriate; > reviewed and approved changes to board limits and risk appetite; > approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios; > reviewed and approved the group recovery plan as recommended by the asset, liability and capital committee; > reviewed and approved the board risk assessment; > considered global and local macroeconomic developments and how these are expected to impact the different portfolios in the group, and considered the impact of the ratings downgrades on the group; > considered and approved the process around formulating and communicating the IFRS 9 macroeconomic forecast and scenarios; > approved the risk management models used across the different risk types; > reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee and RCC subcommittees to ensure there is adequate knowledge, skills and experience for effective risk management; > reviewed and approved operational risk appetite parameters and governance methodology as recommended by the operational risk committee; > reviewed updates on franchise IT risk profiles and group IT governance by the business chief information officers; > reviewed reports on global hacking incidents and actions implemented by management to contain vulnerabilities; > received presentations and tracking of the progress made with the BCBS 239 project (principles for effective risk data aggregation and risk reporting for IT risk), including integration with the group data strategy; > considered presentations by management as mandated by subcommittees for escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments; > considered feedback presented to the committee on the SARB bilateral meetings; > received reports on effectiveness of group corporate governance practices in line with Regulation 39; > reviewed the group annual insurance renewal programme to ensure adequate cover for FirstRand; > received reports on the increased regulatory scrutiny and enforcement across operating jurisdictions including initiatives to address these risks; > considered the independent assessment of current and future risks including communication of the outcomes and concerns to management and board for consideration in strategic planning and risk management processes; > received and reviewed presentations on the Aldermore transaction including the benefits and associated risks of the transaction to the group; > reviewed the management of FirstRand's regulatory and supervisory risk (risk that FirstRand does not comply with applicable laws and regulations or supervisory requirements), in all jurisdictions in which it operates; > reviewed and approved regulatory risk appetite parameters and thresholds (at a group and financial crime level); > considered presentations on regulatory and conduct risk matters (e.g. FIC Amendment Act implementation and ongoing actions to address identified AML/CFT risks); and > considered group-wide monitoring coverage plans for regulatory and conduct risk management.

FUTURE FOCUS AREAS

- continued focus on cybersecurity;
- continued focus on micro and macro operating environments and markets;
- assessing risk trends locally and internationally, including geopolitical risks and the growing influence of digital disruption on business;
- continued focus on the implementation of the Financial Intelligence Centre Amendment Act, 1 of 2017 by April 2019;
- focus on the Financial Sector Regulation Act (2017) implementation; and
- continued focus on market conduct risk, anti-bribery and corruption programme, and privacy strategy and programmes to ensure compliance with both local and international regulatory instruments with extraterritorial reach.

Information technology risk and governance committee

SUMMARY OF RESPONSIBILITIES

The information technology risk and governance committee is responsible for information technology governance in accordance with King IV and ensures the effectiveness and efficiency of the group's information systems as required by the Banks Act.

The committee comprises three external IT risk specialists, a member of the board and a member of the strategic executive committee who assist the board in governing technology and information in a way that supports the group in setting and achieving its strategic objectives.

The world is rapidly advancing in the areas of communication, commerce and financial transactions. This means that banking systems must adapt and implement appropriate delivery platforms for customers and internal use purposes. Consequently, information technology investment will continue to grow. The board, therefore, has a responsibility to ensure that governance around these ongoing and fast changing developments is at the highest level of oversight. The board appreciates the importance of information technology as it is integral to the strategy, performance and sustainability of FirstRand.

COMPOSITION		RECORD OF ATTENDANCE
Membership		
L Crouse (chairman)	Specialist consultant	4/4
AP Pullinger (CEO – member of strategic executive committee)	Executive director	4/4
GG Gelink	Independent non-executive director	4/4
AC Meyer	Specialist consultant	4/4
M Chirnside	Specialist consultant	4/4
R Makanjee (appointed with effect 1 June 2018)	Chief digital officer	0/0
Ex officio attendees		
Chief risk officer		
Chief audit executive		
Group head of IT risk governance		
Group head of operational risk management		
Group head of information security		
Group head of information governance		
Business IT risk managers		
Business chief information officers		

FUNCTION	AREAS OF FOCUS
The committee exercises ongoing oversight of IT management and, in particular: > oversees the appropriateness and effectiveness of implementation and oversight of IT risk and governance management across the group; > reviews and approves the IT governance framework (ITGF); > proposes to the board and approves, where appropriate, risk and governance policies, standards, procedures and practices in respect of IT risk and security; > receives and considers formal reports from the businesses on the effectiveness of IT operations and risk management across FirstRand for review prior to presentation to the board; > receives and considers reports on significant incidents and process breakdowns in the execution of IT risk control policies and processes; > monitors implementation of IT strategies and key IT projects across businesses; > monitors business resilience and that adequate corrective actions have been implemented, and reports such incidents and process breakdowns to the board; and > monitors the quality of IT risk processes, including but not limited to audits of implementation of the ITGF and BCBS 239 (principles for effective risk data aggregation and risk reporting).	> reviewed and approved the revised IT governance framework; > oversaw initiatives and progress related to the implementation of BCBS 239 for IT risk; > approved processes and documentation for the effective implementation of BCBS 239 for IT-risk; > reviewed internal and external analysis of operating platforms; > received regular updates on IT legal and regulatory matters (including emerging IT related legislation) and monitored the state of group awareness and progress towards compliance to new relevant regulatory and legislative requirements; > obtained a view of the business IT strategies and key projects and tracked progress made to remediate key IT risk and governance themes across the group; > analysed trends and root causes of significant IT incidents and risk issues identified; > reviewed remediation processes to ensure that adequate corrective actions have and will be implemented on identified IT risks and incidents; > received and reviewed the following quarterly reports: – business CIO reports and IT risk reports; – feedback and escalations from the group CIO committee; – group IT risk and governance profile report; – group information governance report; – group internal audit reports on IT risk and governance; – group information security report; and – IT legal and regulatory management report. > obtained a view of the key IT risk scenarios across the group; > analysed emerging IT risk trends and the group's risk mitigation readiness; > obtained feedback from penetration/vulnerability tests conducted from an information/cybersecurity perspective and tracked the progress being made to remediate key weaknesses identified through such tests; > obtained a view of material IT outsourced arrangements, critical third party service providers and cloud services; > received feedback on the annual IT risk and governance committee effectiveness survey results and actions developed to address concerns/gaps raised through the survey; > obtained a view of the IT risk management resource adequacy across the group together with defined actions to address identified gaps; > feedback on the group's cyber risk exposure and mitigation plans; and > agreed the reporting expectations for data governance specific to IT. Refer to operational risk disclosure on page 149 for more detail on the assessment and management of IT risk.

FUTURE AREAS OF FOCUS

- increased focus on the group's cloud, data and digitisation strategies;
- continued oversight over the BCBS 239 programme for IT risk;
- group's cybersecurity incident management and breach readiness;
- proactive monitoring of intelligence to identify, avoid and respond to incidents, including cyberattacks; and
- enhancing risk and governance over robotics and artificial intelligence as business increasingly explores the efficiency and effectiveness of the use of these technologies.

Remuneration committee: background statement

The function of an efficient remuneration committee is to make sure that employees are fairly rewarded for the value they create, and the amount and types of pay used to motivate and compensate employees protect value for shareholders and other stakeholders, both today and well into the future.

SUMMARY OF RESPONSIBILITIES

The committee oversees group remuneration and ensures that practices are appropriate and conform with the general philosophy of rewarding performance.

The committee assists the board in ensuring that the group remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. This includes responsibility of ensuring that the group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles of Sound Compensation Practices and Implementation Guidelines, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.

The effectiveness of the committee is assessed on an annual basis by the company secretary.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulation and governance practices.

COMPOSITION		MEETING ATTENDANCE
GG Gelink (chairman from 1 April 2018)	Independent non-executive director	1/1
PM Goss (chairman, retired 30 April 2018)	Independent non-executive director	2/2
RM Loubser	Independent non-executive director	3/3
AT Nzimande	Independent non-executive director	3/3
BJ van der Ross (retired 30 November 2017)	Independent non-executive director	2/2
WR Jardine	Independent non-executive director	1/1
LL Dippenaar (retired 31 March 2018)	Non-executive director	2/2
JJ Durand	Non-executive director	2/3

Invitees
CEO
Deputy CEO (up to 31 March 2018)
Financial director
CEOs of operating businesses
Organisational development executive

The chairman of the risk, capital management and compliance committee and a representative member of the social, ethics and transformation committee are members of the committee.

AREAS OF FOCUS

- variable pay pools, individual allocations and deferral structures were reviewed and approved;
- compensation packages based on group and individual performance were reviewed and approved;
- considered and approved compensation philosophy and principles;
- remuneration for risk and control staff to discourage inappropriate risky behaviour was separately considered and approved;
- annual performance scorecards and key measures were agreed with the prescribed officers;
- independent and objective guidance from PricewaterhouseCoopers Inc. on reward and remuneration trends were considered; and
- King IV and Basel Pillar 3 remuneration disclosure requirements were assessed and this report has been updated accordingly.

INTERNAL AND EXTERNAL FACTORS THAT INFLUENCE REMUNERATION

The committee recognises that performance drivers for successful implementation of business strategy may vary from year to year relative to the economic cycle, specific business, regulatory or market conditions. FirstRand's compensation practices are accordingly tailored to respond to such changes, at the discretion of the committee and within the parameters of its mandate and policy fundamentals.

Just as it is more difficult to start a new business than to run an existing one, it is also more difficult to turn an underperforming business around than to build up an already successful one. The committee sees great value in adjusting compensation levels and types of pay relative to both economic cycles and the type of work required to execute on business strategy. Within this framework, the constant principle of shareholders benefiting more than employees is applied as the committee makes remuneration decisions based on what it believes to be in the interests of the group's long-term profitability.

ENGAGEMENT WITH SHAREHOLDERS

In line with King IV, the remuneration policy and implementation report will be tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting (refer to advisory endorsement resolution number 10.1 and 10.2 in the notice of annual general meeting). The group's remuneration policy, implementation report and non-executive director's fees were put to shareholder vote at the previous annual general meeting and endorsed with a majority (2017: 80.68%, 81.26%, and 98.07%, respectively).

The committee approved an engagement process in the event that either the remuneration policy resolution or the implementation report resolution, or both, are voted against by 25% or more of the voting rights exercised at a shareholder meeting.

The board will continue to encourage regular dialogue with shareholders to create and maintain a mutual understanding of what performance and value creation for the group constitutes for evaluating the remuneration policy.

FUTURE AREAS OF FOCUS

The committee will continue its efforts to ensure remuneration drives execution of group strategy and the remuneration of executive management is fair and responsible in the context of overall employee remuneration.

Remuneration committee: overview of remuneration policy

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming annual general meeting. The chairman of the remuneration committee attends the annual general meeting.

SCOPE OF POLICY

The remuneration committee's mandate and remuneration policy extends, on behalf of FirstRand, to include all wholly-owned and majority-owned subsidiaries and businesses in the FirstRand group, other than newly-acquired Aldermore, however, Aldermore's remuneration philosophy has been largely aligned with that of FirstRand and it has its own board-approved remuneration policy that complies with UK regulations. Entities and subsidiaries included in FirstRand Bank Limited, FirstRand Investment Holdings (Pty) Ltd, FirstRand EMA (Pty) Ltd, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd, follow the governance structure and will form part of the reporting of the managing business or subsidiary.

The committee reviewed the group remuneration policy and no changes were made.

OBJECTIVES OF THE REMUNERATION POLICY

The remuneration policy aims to promote a culture that supports innovation, recognition, engagement and execution of business strategy that aligns the interests of employees in achieving profitable and sustainable long-term growth for the benefit of all stakeholders.

The remuneration committee oversees the design of the remuneration policy, which strives to achieve the following objectives:

- attract, motivate, reward and retain talent;
- promote the achievement of strategic objectives within the organisation's risk appetite;
- promote positive outcomes and fair, transparent and consistent remuneration practices; and
- promote an ethical culture and responsible corporate citizenship.

FIRSTRAND'S REMUNERATION PHILOSOPHY

- Compensation is fundamentally linked to value-add and all employees must be able to move up the pay ladder through creating more economic value for the group.
- Management must never do better than shareholders. The group's key performance measure, NIACC, ensures that employees only receive variable pay after obligations to regulators, depositors and shareholders are met.
- Remuneration on a "relative" basis to peers should not be out of line, particularly given the level of outperformance the group has delivered over the past five years.
- Growth targets must at least meet real growth, which is defined as real GDP plus CPI. Long-term performance alignment is achieved through a large deferred component of management remuneration, directly linked to performance.
- CIP awards will not vest if performance criteria are not met, however, the remuneration committee can apply discretion on vesting.

This framework requires that management produce positive NIACC and group targets are set within the group's overall risk appetite.

NIACC is the amount of earnings left after shareholders and other capital providers are compensated for their investments.

COMPONENTS OF THE REMUNERATION SYSTEM

TOTAL COMPENSATION			
	INSTRUMENT	RATIONALE AND OVERVIEW	
FIXED REMUNERATION	**Cash package**	Designed to attract and retain talent in line with scope, nature and skills requirement of the role. Guaranteed pay is market related and reflects the responsibilities, skills and expertise of the individual and role. The following independent salary surveys are used to benchmark against the market: > PwC Remchannel; > Mercer; and > other *ad hoc* salary surveys.	GUARANTEED PAY
	Retirement contribution	Ensures that employees have appropriate savings resources for their retirement. Employees are contractually obliged to contribute to retirement savings.	
	Medical aid and life/disability cover contribution	Ensures that employees have appropriate life and disability cover included in employer's pension fund contributions. Employees are contractually obliged to belong to a medical aid.	
VARIABLE REMUNERATION	**Performance related**	Rewards and incentivises achievement of individual, business unit and group outperformance. Performance pay is not guaranteed and recognises individual performance and overall contribution to business unit performance based on agreed targets. Performance measures include: > return on equity;normalised earnings and NIACC; > diversification of earnings and volatility of earnings; > performance within risk appetite, regulatory compliance and financial controls; > information governance; > employee engagement; > BEE transformation and diversity > innovation; and > health of relationships with internal and external stakeholders. Individual performance is assessed at least once a year based on objectives of individual roles. Qualitative feedback is also provided by 360 degree performance appraisals by the employee's managers, peers and subordinates. Variable compensation paid in cash in respect of the year ended June (above a certain threshold) is paid (with an interest factor) in three tranches during the following year ending on 30 June.	SHORT-TERM INCENTIVES

VARIABLE REMUNERATION	**Conditional incentive plan (CIP) and bonus deferral incentive plan (BCIP)**	Aligns employee interests with those of shareholders and other stakeholders whilst improving retention of top employees by allowing them to share directly in the success of the business. Variable compensation (above a certain threshold) for performance in the current year is deferred as a conditional award (BCIP), and vests two years after the award date based on continued employment and good standing. To link pay to the time horizon of risk taken on by the group, long-term incentives (CIP) are dependent on certain corporate performance targets (CPTs) being met. These CPTs are measured on a cumulative basis over a three-year rolling period and are clearly defined in the schedule in note 32 of the annual financial statements. CIP awards will not vest if performance criteria are not met, however, the remuneration committee can apply discretion on vesting. At its meeting subsequent to the 30 June 2018 year end, the remuneration committee considered the vesting of the 2015 CIP awards. The targets set in 2015 were: > earnings growth of nominal GDP plus 1%; and > ROE of at least cost of equity plus 5%. The group delivered above the ROE target and marginally below the earnings target (achieved 99.4% of target). Given the volatile macroeconomic environment subsequent to the setting of 2015 targets, the level of outperformance relative to the sector and the marginal shortfall, the remuneration committee exercised its right to apply discretion and awarded a full vesting.	LONG-TERM INCENTIVES

Sign-on bonuses are applied when appropriate, for example, when the business is heavily reliant on high-demand scarce key skill sets, to replace prospective employees' current benefits and to remain attractive and competitive in the market.

The committee is of the opinion that the balance between short-term incentives and long-term deferred incentives linked to share price performance represents a healthy mix which will encourage focus on sustainability of profits and performance against well-defined financial and non-financial objectives.

The group aims to pay employees competitively, but also seeks to ensure that exceptional performers are paid at the top-end of the market when it comes to total remuneration.

FORWARD-LOOKING MEASURES

The chairman of the risk, capital management and compliance committee has provided formal confirmation that the risk element of FirstRand's compensation policy has been duly considered and does not encourage risky behaviour.

In addition to the above, the committee ensures that total variable compensation does not limit the group's ability to strengthen its capital base and compensation has been structured to account for all identified types of risk including credit and liquidity risk.

The size of the variable compensation pool and its allocation within the group takes current and potential future risks into account. These include:

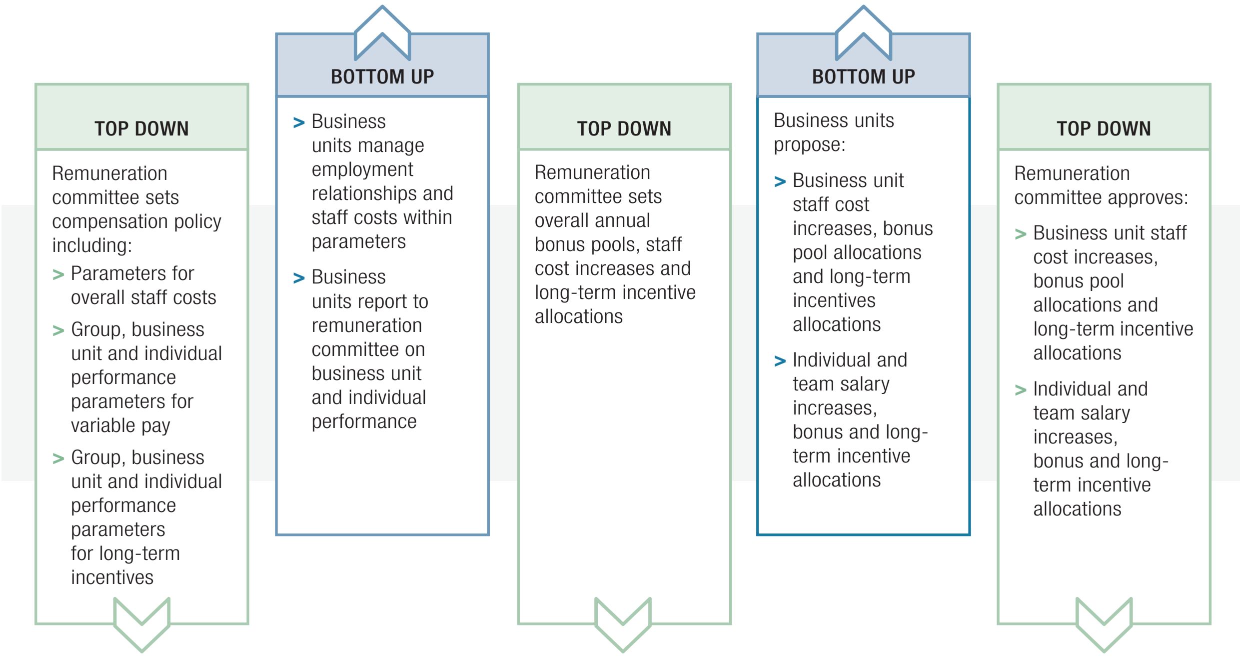
- cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conduct of business;
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings;
- reputational and regulatory compliance;
- audit, and risk, capital management and compliance committee findings;
- quality and sustainability of earnings;
- health of relationship with stakeholders;
- progress on transformation; and
- culture, values and leadership.

To the extent that these risks result in a financial loss for the group, these costs would impact the income of the affected business unit and would, therefore, have a direct bearing on the size of the pool for the period under review. The remuneration philosophy that management should not do better than shareholders, dictates that the group needs to exceed cost of equity and produce positive NIACC for management to earn variable pay.

> ***Attracting and retaining the best talent in the market is a critical enabler for FirstRand to maintain the quality of its businesses and to deliver to its stakeholders.***
>
> ***The group embraces the principles of an outcomes-based remuneration philosophy, which is tailored to the diverse requirements of the various businesses, each of which operates uniquely with a multitude of factors impacting performance.***

ANNUAL COMPENSATION PROCESS

The remuneration committee adopts a combination of top-down and bottom-up approaches to ensure that it effectively oversees the group's pay practices.



DEFERRAL OF VARIABLE PAY

For senior executives and all other employees whose actions have a material impact on the risk exposure of the group, a significant amount of compensation is deferred. The table below outlines deferral conditions and payment dates associated with the variable pay awarded in the 2018 remuneration cycle.

PERFORMANCE PAYMENT	DEFERRED CONDITIONAL AWARDS	PAYMENT DATE			
		Aug 2018	Dec 2018*	Jun 2019*	Sep 2020
≤ R650k	No	100%	–	–	–
≤ R2 million	No	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	–
> R2 million	30% – 50% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R2 million (all employees earning variable compensation above R6.5 million)	50% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R2 million (FirstRand and business executive committee members)	50% of amount above R2 million	R650k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest

* *Includes interest accrued on second and third cash tranche.*

There are no guaranteed bonuses for senior positions. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee.

MATERIAL RISK-TAKERS, AND RISK AND COMPLIANCE EMPLOYEES

Risk and compliance employees are compensated based on the achievement of risk management objectives. Remuneration of employees in the risk and compliance functions is reviewed annually and benchmarked to ensure that it is market related and adequate to attract and retain appropriately qualified and skilled staff. The heads of group enterprise risk management and group regulatory risk management provide input into the compensation levels of risk managers across the group. A subcommittee, the FirstRand risk and compliance remuneration committee, which has non-executive director representation, plays an independent oversight role of the remuneration of employees in the various risk and compliance functions at business level, to ensure that they are remunerated independently of the businesses they oversee.

Material risk-takers are defined on page 116, with the required Basel Pillar 3 remuneration disclosures.

MALUS AND CLAWBACK

If performance conditions are not satisfied, long-term incentive allocations are forfeited. The committee has the discretion to clawback the pre-tax proceeds of any discretionary payment received by employees in the event of a trigger event.

A trigger event would include, *inter alia*:

- the discovery of material misstatement of the financial statements, in terms of which the discretionary payment was made, to which the board is satisfied that the employee has contributed or is responsible for;
- the discovery that the assessment of any metrics upon which the award was made was based on erroneous, inaccurate or misleading information;
- any action or conduct which, in the reasonable opinion of the board, amounts to dishonesty, misbehaviour, fraud or misconduct;
- the discovery of a material failure in risk management to which the employee had contributed to or is responsible for; and/or
- the discovery that performance related to financial and non-financial targets was misrepresented and that such misstatement led to the over-payment of incentives.

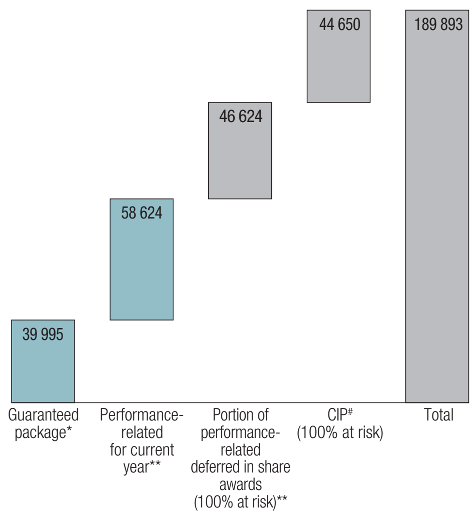
The clawback applies for three years after the discretionary payment is made, or in the case of share schemes (both CIP and BCIP), three years after the awards have vested.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' COMPENSATION

FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB and WesBank. These officers are members of the group strategic executive committee and attend board meetings. Executive directors' and prescribed officers' emoluments are disclosed on pages 106 to 115. Phillip Monks, Aldermore CEO, was appointed as a prescribed officer with effect 15 August 2018.

The basis for remunerating executive directors and prescribed officers comprises guaranteed pay plus benefits, variable compensation and participation in long-term incentive schemes, benchmarked against industry peers and guidance obtained annually from independent assurance providers. All executive directors and prescribed officers have a notice period of one month and are employed under the group's standard employment contract. No protection is provided to executive directors and prescribed officers in the event of an unsolicited takeover.

2018 AGGREGATE PRESCRIBED OFFICER PAY SPLIT BY INSTRUMENT
R thousand



* *Paid during the 2018 financial year.*

** *Variable pay in respect of 2018 financial year performance, cash portion will be paid in 2019 financial year.*

\# *CIP settled during the 2018 financial year at original 2014 award value.*

The group uses a performance measurement scorecard in executive directors' and prescribed officers' performance assessment and remuneration process which is linked to the relevant business' key performance metrics (i.e. ROE, EPS and NIACC) together with the following objectives measured over a 12-month period. Risk adjustments take into account both quantitative measures and judgement.

The performance measurement scorecard below is the baseline reference for the remuneration committee when determining the year's variable pay for prescribed officers. The committee will, however, use its discretion to consider events that had an impact on performance during the year.

PORTFOLIO MANAGEMENT AND SUSTAINABILITY

- diversification of earnings;
- volatility of earnings within appetite;
- growth in NIACC for new operations, assess whether performance is in line with business case;
- efficiency measures (operating jaws %);
- operational losses (rand value);
- progress implementing key risk control projects relative to project timelines; and
- number of significant/overdue audit findings (internal and external).

COMBINED ASSURANCE RISK AND CONTROL PROJECTS

Scores from most recent group combined assurance forum:

- regulatory compliance;
- access controls and information security;
- financial controls;
- information governance; and
- legacy systems/new systems.

VALUES AND CULTURE

- employee satisfaction (including employee engagement, alignment and agility);
- innovations implemented;
- alignment with FirstRand philosophy – organisational culture scorecard;
- employment equity score per FSC scorecard; and
- BEE contribution per FSC scorecard.

STAKEHOLDER ENGAGEMENT

- health of relationships with stakeholders (customers, regulators, employee unions, government and civil society, and business partners); and
- customer cross-sell, customer satisfaction and customer numbers (where appropriate).

LINKING PERFORMANCE AND REMUNERATION

Rigorous health checks are applied to the remuneration framework. These health checks validate that executive directors' and prescribed officers' remuneration is directly linked to performance.

+ Healthcheck 1

FirstRand fundamentally believes that executive remuneration must align with shareholder value creation and the group's key performance measure, NIACC, ensures that the link between pay and performance is direct.

If there is one cornerstone to FirstRand's approach to employee remuneration it is that management must never do better than shareholders.

+ Healthcheck 2

FirstRand's remuneration on a "relative" basis to peers is not out of line, particularly given the level of outperformance the group has delivered over the past five years.

Culture has played a key part in the group's ability to generate superior returns. Management are treated like owners, act like owners and think like shareholders.

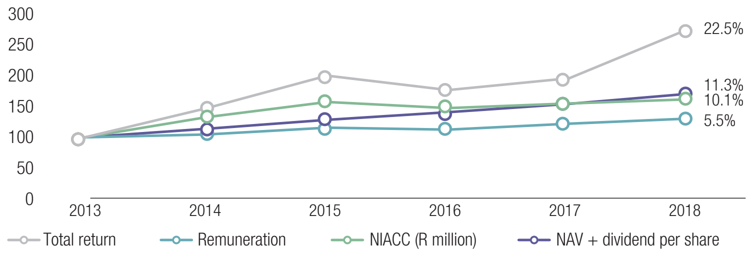
+ Healthcheck 3

Growth targets must at least meet real growth, which is defined as real GDP plus CPI. Long-term performance alignment is guaranteed through a large "deferred" component of management remuneration, directly linked to performance.

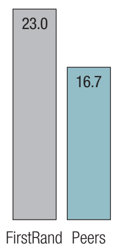
The growth in total return to shareholders, NAV and NIACC has exceeded the growth in prescribed officers' variable remuneration.

PRESCRIBED OFFICERS' VARIABLE REMUNERATION AND SHAREHOLDER RETURN

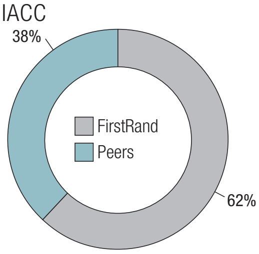
Index, 2013 = 100 *5-year CAGR*



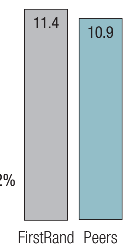
ROE %
Post tax



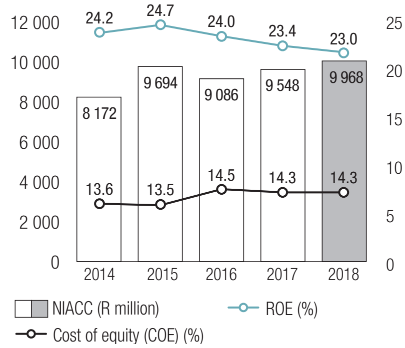
5-YEAR CUMULATIVE NIACC AS A % OF PEER GROUP'S COMBINED 5-YEAR CUMULATIVE NIACC



NORMALISED EARNINGS FIVE-YEAR CAGR %



NIACC / ROE and COE
R million / *%*



Refer to page 205 for definitions of peer group disclosures.

Issue	Normalised EPS in year of issue	Vesting criteria*	NIACC over the period
2014 CIP 3 year	331.0 cents	Nominal GDP + 2%	Positive
2015 CIP 3 year	378.5 cents	Nominal GDP + 1% and ROE ≥ (COE + 5%)	Positive
2016 CIP 3 year	407.4 cents	Nominal GDP and ROE ≥18%	Positive
2017 CIP 3 year	436.2 cents	Real GDP plus CPI and ROE ≥18%	Positive

* *From 2015 the CIP rules provide the remuneration committee with discretion on vesting.*

EXECUTIVE PAY AND SHARES SETTLED (2018)

R thousand	Cash package	Cash bonus	Deferred bonus	Share awards#	Total†
Johan Burger (CEO*)	**10 230**	**14 674**	**12 674**	**11 800**	**49 378**
Allan Pullinger (deputy CEO**)	**7 353**	**12 200**	**10 200**	**9 250**	**39 003**
Harry Kellan (financial director)	**6 921**	**6 000**	**4 000**	**5 500**	**22 421**
Jacques Celliers (FNB CEO)	**7 095**	**8 000**	**6 000**	**8 200**	**29 295**
James Formby (RMB CEO)	**3 418**	**13 000**	**11 000**	**2 900**	**30 318**
Chris de Kock (WesBank CEO)	**4 978**	**4 750**	**2 750**	**7 000**	**19 478**

* *Executive director with effect from April 2018; non-executive director with effect from September 2018.*

** *CEO with effect from April 2018.*

\# *Based on CIP allocated in 2014 and settled during the 2018 financial year.*

† *Revised single figure, refer to page 105 for explanation.*

MINIMUM SHAREHOLDING

A minimum shareholding requirement has been set, with effect from 1 September 2017, for prescribed officers, strategic executive committee members and business executive committee members to further align their interests with those of other stakeholders. At any given point, such executives must hold FirstRand shares to the value of at least 50% of their last three years' annual post-tax long-term incentives (LTI) vesting. Those who do not meet this requirement are given five years until 2021 to reach the 50% minimum shareholding requirement.

NON-EXECUTIVE DIRECTORS' FEES

Non-executive directors receive fees for their services as directors and for services provided as members of board committees. Non-executive directors do not participate in long-term incentive schemes. Fees paid to non-executive directors are benchmarked annually with independent assurance providers to ensure alignment with market practice. These fees are reviewed by the directors' affairs and governance committee and are approved in advance by shareholders at the annual general meeting.

PROMOTING INCOME EQUALITY

Benchmarking of guaranteed pay across different roles in the group has been performed in consultation with employee representatives. Benchmarking is conducted against the same or substantially the same roles. Pay principles for all roles include:

- guaranteed pay is market related and reflects the skills, responsibilities and expertise required by the role; and
- outcome-based compensation based on performance measured after adjusting for amount of risk taken on and cost of capital incurred.

The remuneration committee has taken deliberate steps to ensure that it understands internal pay gaps within the group. The principle of equal pay for work of equal value is applied. In a performance-based company culture, supported by robust performance evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees feel that outperformance can and will be compensated.

What can, however, never be justified is inequity of pay that is not defendable or is based on arbitrary grounds such as race or gender. The group has robust processes aimed at identifying and correcting any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base, such as performance and experience. The rigour of the group's process is validated through an annual review which identifies and assesses cases of potential income differentials. The 2018 review identified unjustifiable income differential cases representing only 1.5% of the total workforce. These were adjusted as part of the annual salary review and the cost to align the affected individuals' guaranteed packages was R15 million. During the year, the group's income differential model was reviewed by PwC and found to be acceptable and leading market practice.

A member of the social, ethics and transformation committee is a member of the remuneration committee to assist the board in overseeing that remuneration is fair and responsible in the context of overall employee remuneration, addressing the gap between the remuneration of executives and those at the lower end of the pay scale.

Outcomes-based compensation programmes have been implemented for areas of the group requiring large volumes of clerical or procedural work. Employee development plans exist to help employees who show potential for adding more value to the group.

Almost 20 outcomes-based remuneration schemes are in place across the group, affecting around 15 000 employees, which give lower-earning employees the opportunity to earn variable pay for performance. These schemes have significantly assisted the group in narrowing internal pay gaps, while further entrenching a culture of pay for performance.

In addition to these checks and balances, FirstRand is party to a collective bargaining agreement. The majority of employees are covered by the outcome of those negotiated settlements. The unionised employees are guaranteed a bonus if they demonstrate strong performance during the year. The group ensures that people get paid fairly for their work and that no employees are paid less than a living wage.

The remuneration committee has concluded that the group has complied with the remuneration policy without deviation; and the remuneration policy has achieved its desired objectives.

GG GELINK

Chairman, remuneration committee

5 September 2018

Remuneration committee: implementation report

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming annual general meeting. The chairman of the remuneration committee attends the annual general meeting.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Information relating to each director's and prescribed officer's remuneration for the year under review and details of share awards and dealings in FirstRand shares are set out in the following tables. The analysis provides a view of prescribed officers' single figure emoluments and outstanding long-term incentives as required by King IV.

The analysis also includes the quantitative disclosures required by Regulation 43 of the Banks Act and the SARB directive to incorporate Basel Pillar 3 remuneration requirements.

LONG-TERM EXECUTIVE MANAGEMENT RETENTION SCHEME

In addition to the group's existing long-term incentive plan, and in order to better align executive interest with those of the group's shareholders, the group introduced a long-term executive management retention scheme (LTEMRS) in the prior year.

The scheme is a five-year scheme, where members of the group's strategic executive committee are eligible to participate, on a once-off voluntary basis, by purchasing an elected fixed amount of participation awards. Participants paid an upfront cash deposit of ten percent of the value of their elected amount of participation awards, with the balance being funded through a facilitated mechanism by the group.

The fixed amount for each participant was converted into a number of participation awards, determined by the share price of R53.3274, being the three-day volume weighted average price of the FirstRand share price at the date of award (15 December 2016).

Participation awards (thousands)	LTEMRS participation award made in December 2016
EXECUTIVE DIRECTOR	
JP Burger	188
AP Pullinger	188
HS Kellan	563
PRESCRIBED OFFICER	
J Celliers	469
C de Kock	938
J Formby	938

The scheme and the funding mechanism ensures that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash-settled scheme. Early termination of employment or participation before the expiry of three full years of service carries the full cost of early termination, including a forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five.

The scheme is economically hedged through the group's existing total return swap structure. There is no cost to the group from the scheme as all net costs are recovered from the participants.

NON-EXECUTIVE DIRECTORS' FEES (AUDITED)

	2018			2017		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors paid in rand						
VW Bartlett (retired 29 November 2016)	**–**	**–**	**–**	373	124	497
G Gelink	**2 117**	**1 092**	**3 209**	1 283	1 116	2 399
PM Goss (retired 30 April 2018)	**774**	**79**	**853**	947	272	1 219
NN Gwagwa	**1 125**	**34**	**1 159**	553	508	1 061
WR Jardine (chairman, appointed 1 April 2018)	**2 751**	**97**	**2 848**	859	151	1 010
RM Loubser	**2 559**	**2 169**	**4 728**	2 294	1 970	4 264
EG Matenge-Sebesho	**1 031**	**623**	**1 654**	908	614	1 522
AT Nzimande	**1 109**	**–**	**1 109**	706	262	968
BJ van der Ross (retired 30 November 2017)	**459**	**241**	**700**	989	748	1 737
T Winterboer (appointed 20 April 2018)	**314**	**–**	**314**	–	–	–
Non-executive directors paid in rand						
MS Bomela	**983**	**34**	**1 017**	900	106	1 006
HL Bosman (appointed 3 April 2017)	**659**	**115**	**774**	125	45	170
P Cooper (alternative to Paul Harris) (resigned 30 April 2017)	**–**	**–**	**–**	17	138	155
LL Dippenaar (chairman) (retired 31 March 2018)	**3 718**	**215**	**3 933**	5 265	301	5 566
JJ Durand	**884**	**–**	**884**	750	87	837
PK Harris (retired 30 April 2018)	**444**	**–**	**444**	553	45	598
F Knoetze	**1 274**	**965**	**2 239**	900	792	1 692
PJ Makosholo	**1 243**	**488**	**1 731**	908	496	1 404
TS Mashego (appointed 1 January 2017)	**687**	**119**	**806**	282	138	420
Total non-executive directors paid in ZAR	**22 131**	**6 271**	**28 402**	18 612	7 913	26 525
Foreign domiciled independent non-executive directors paid in dollars						
$ thousand						
D Premnarayen (retired 29 November 2016)	**–**	**–**	**–**	51	2	53
JH van Greuning (retired 30 November 2017)	**176**	**63**	**239**	360	162	522
Foreign domiciled independent non-executive directors paid in Indian rupees						
INR thousand						
D Premnarayen (retired 29 November 2016)[1]	**–**	**–**	**–**	–	7 128	7 128

1. *Includes fees earned in India between 1 July 2016 to 29 November 2016.*

SINGLE FIGURE

The following analysis provides two amounts for each individual. King IV requires a specific single figure reporting and in the prior years the group's approach was different. Prior year reporting included performance-related incentives (both cash and deferred) in respect of the year and the award of the forward-looking long-term incentive awards under CIP, which vest depending on certain corporate targets being met on a three-year cumulative basis.

King IV single figure reporting requires the reporting of the performance-related incentives (both cash and deferred) in respect of the year and delivery of the past year long-term incentive awards (CIP) dependent on the fulfilment of the conditions during the year.

As part of the reporting transition, both views have been provided. The difference between the two amounts of total reward pertains only to the treatment of the long-term incentive award (CIP). The following table summarises the basis of preparation of the remuneration tables.

ITEM	EXPLANATION
Cash package paid during the year	Salary
Retirement contributions paid during the year	Contributions to retirement savings.
Other allowances	Medical aid, disability cover, life cover, dread disease cover.
Performance related in respect of the year (short term incentive in cash)	Variable compensation for performance in the financial year paid in cash (with an interest factor) in three tranches during the following financial year.
Portion of performance related deferred in share awards (BCIP)	Variable compensation for performance in the financial year deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) that vests two years after award date based on continued employment and good standing.
Reporting approach in prior years: Long-term conditional share-linked incentive plan Value of conditional incentive plan (CIP) allocated during the year	Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. Refer to note 32 in the annual financial statements. The value presented in the table is CIP allocated during the financial year at award value at grant date.
King IV reporting approach: Long-term conditional share-linked incentive plan Value of CIP settled during the year	The value presented in the table is CIP settled during the financial year at original award value. The value in the table is shown as the original award value at grant date and not settlement value. The economic risk of share price fluctuation is borne by the employee as FirstRand hedges the risk. As such the group does not incur additional costs above the award value at grant date and FirstRand shareholders are not diluted. If a person is a prescribed officer when the CIP award is settled it is disclosed in the single figure table in the financial year of settlement.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED)

R thousand	2018	2017	2016	2015	2014
JP Burger[1]					
Cash package paid during the year	**9 836**	9 328	8 461	7 040	6 591
Retirement contributions paid during the year	**166**	158	978	1 056	981
Other allowances	**228**	254	178	119	98
Guaranteed package	**10 230**	9 740	9 617	8 215	7 670
Performance related in respect of the year[2]	**14 674**	13 900	13 165	11 770	9 000
Portion of performance related deferred in share awards[3]	**12 674**	11 900	11 165	10 270	10 000
Variable pay	**27 348**	25 800	24 330	22 040	19 000
Total guaranteed and variable pay	**37 578**	35 540	33 947	30 255	26 670
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**19 500**	18 350	15 630	11 800	10 800
Total reward including CIP	**57 078**	53 890	49 577	42 055	37 470
New single figure reporting					
Total guaranteed and variable pay	**37 578**	35 540	33 947	30 255	26 670
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**11 800**	10 800	9 630	9 000	8 000
Total reward including CIP (single figure)	**49 378**	46 340	43 577	39 255	34 670
AP Pullinger[1,6]					
Cash package paid during the year	**7 050**	6 718	5 433	2 322	2 174
Retirement contributions paid during the year	**139**	132	1 075	464	556
Other allowances	**164**	150	154	133	13
Guaranteed package	**7 353**	7 000	6 662	2 919	2 743
Performance related in respect of the year[2]	**12 200**	11 600	11 000	11 750	15 000
Portion of performance related deferred in share awards[3]	**10 200**	9 600	9 000	10 250	9 000
Variable pay	**22 400**	21 200	20 000	22 000	24 000
Total guaranteed and variable pay	**29 753**	28 200	26 662	24 919	26 743
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**15 550**	14 630	10 000	9 250	7 500
Total reward including CIP	**45 303**	42 830	36 662	34 169	34 243
New single figure reporting					
Total guaranteed and variable pay	**29 753**	28 200	26 662	24 919	26 743
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**9 250**	7 500	7 500	7 000	7 700
Total reward including CIP (single figure)	**39 003**	35 700	34 162	31 919	34 443

1. *FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB and WesBank. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.*
3. *Variable compensation for performance in the current year deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan).*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the CIP allocated in the financial year and is reflected at award value at grant date.*
5. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. For King IV single figure reporting, the value presented in the table is the CIP settled in the financial year at original award value. The treatment of the long-term CIP is the only difference between the prior year reporting approach and the new King IV single figure approach.*
6. *Prescribed officer appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) *continued*

R thousand	2018	2017	2016	2015	2014
HS Kellan[1,6]					
Cash package paid during the year	**6 727**	5 830	4 938	4 493	4 046
Retirement contributions paid during the year	**51**	40	405	402	362
Other allowances	**143**	130	118	108	98
Guaranteed package	**6 921**	6 000	5 461	5 003	4 506
Performance related in respect of the year[2]	**6 000**	5 250	4 937	4 500	4 416
Portion of performance related deferred in share awards[3]	**4 000**	3 250	2 938	3 000	1 944
Variable pay	**10 000**	8 500	7 875	7 500	6 360
Total guaranteed and variable pay	**16 921**	14 500	13 336	12 503	10 866
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**9 500**	8 600	7 000	5 500	5 000
Total reward including CIP	**26 421**	23 100	20 336	18 003	15 866
New single figure reporting					
Total guaranteed and variable pay	**16 921**	14 500	13 336	12 503	10 866
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**5 500**	5 000	3 800	3 400	3 000
Total reward including CIP (single figure)	**22 421**	19 500	17 136	15 903	13 866
J Formby (CEO RMB)[1,7]					
Cash package paid during the year	**3 174**	3 013	2 630	–	–
Retirement contributions paid during the year	**55**	52	236	–	–
Other allowances	**189**	176	178	–	–
Guaranteed package	**3 418**	3 241	3 044	–	–
Performance related in respect of the year[2]	**13 000**	12 250	10 625	–	–
Portion of performance related deferred in share awards[3]	**11 000**	10 250	8 625	–	–
Variable pay	**24 000**	22 500	19 250	–	–
Total guaranteed and variable pay	**27 418**	25 741	22 294	–	–
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**7 900**	7 500	5 000	–	–
Total reward including CIP	**35 318**	33 241	27 294	–	–
New single figure reporting					
Total guaranteed and variable pay	**27 418**	25 741	22 294	–	–
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**2 900**	2 865	3 300	–	–
Total reward including CIP (single figure)	**30 318**	28 606	25 594	–	–

1. *FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB and WesBank. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.*
3. *Variable compensation for performance in the current year deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan).*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the CIP allocated in the financial year and is reflected at award value at grant date.*
5. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the CIP settled in the financial year at original award value.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*
7. *Prescribed officer appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) *continued*

R thousand	2018	2017	2016	2015	2014
J Celliers (CEO FNB)[1,6]					
Cash package paid during the year	**6 830**	6 505	5 867	5 513	4 901
Retirement contributions paid during the year	**122**	116	582	551	490
Other allowances	**143**	130	118	108	122
Guaranteed package	**7 095**	6 751	6 567	6 172	5 513
Performance related in respect of the year[2]	**8 000**	7 000	6 625	5 950	5 400
Portion of performance related deferred in share awards[3]	**6 000**	5 000	4 625	4 450	2 600
Variable pay	**14 000**	12 000	11 250	10 400	8 000
Total guaranteed and variable pay	**21 095**	18 751	17 817	16 572	13 513
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**12 850**	11 943	10 000	8 200	7 000
Total reward including CIP	**33 945**	30 694	27 817	24 772	20 513
New single figure reporting					
Total guaranteed and variable pay	**21 095**	18 751	17 817	16 572	13 513
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**8 200**	7 000	4 000	1 600	1 500
Total reward including CIP (single figure)	**29 295**	25 751	21 817	18 172	15 013
C de Kock (CEO WesBank)[1,6]					
Cash package paid during the year	**4 764**	4 532	3 972	3 098	2 778
Retirement contributions paid during the year	**39**	35	347	291	266
Other allowances	**175**	136	98	69	71
Guaranteed package	**4 978**	4 703	4 417	3 458	3 115
Performance related in respect of the year[2]	**4 750**	5 250	5 000	4 250	4 200
Portion of performance related deferred in share awards[3]	**2 750**	3 250	3 000	2 750	1 800
Variable pay	**7 500**	8 500	8 000	7 000	6 000
Total guaranteed and variable pay	**12 478**	13 203	12 417	10 458	9 115
Value of CIP awards allocated during the financial year[4]					
Conditional share plan/conditional incentive plan	**9 844**	9 200	7 500	7 000	6 500
Total reward including CIP	**22 322**	22 403	19 917	17 458	15 615
New single figure reporting					
Total guaranteed and variable pay	**12 478**	13 203	12 417	10 458	9 115
Value of CIP awards settled during the financial year[5]					
Conditional share plan/conditional incentive plan	**7 000**	6 500	3 750	3 600	3 500
Total reward including CIP (single figure)	**19 478**	19 703	16 167	14 058	12 615

1. *FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB and WesBank. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.*
3. *Variable compensation for performance in the current year deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan).*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the CIP allocated in the financial year and is reflected at award value at grant date.*
5. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the CIP settled in the financial year at original award value.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) *continued*

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2018 although the FirstRand remuneration cycle runs from 1 August to 31 July.

The cash variable pay and variable pay deferred in CIP awards for 2018 reflect the amounts allocated to the prescribed officer in respect of the year ended 30 June 2018, however, the cash portion will be paid in future periods in terms of the group's deferral structure. The long-term CIP award, under the King IV single figure reporting, reflects the award settled in respect of the year ended 30 June 2018.

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act, no. 71 of 2008, provision relating to removal.

CO-INVESTMENT SCHEME

In addition to contractual and performance remuneration, eligible prescribed officers are entitled to participate in the co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by participants. There is no cost to the group associated with the co-investment scheme.

R thousand	**2018**	2017
JP Burger	**3 378**	2 446
JR Formby	**6 943**	4 942
AP Pullinger	**3 363**	2 617

OUTSTANDING LONG-TERM INCENTIVES (AUDITED)

In the past, reporting did not follow the format now required by King IV. Prior year reporting included the number of shares of outstanding long-term incentive schemes. King IV reporting requires additional disclosure on the value of outstanding incentive schemes and value on settlement. The following table summarises the basis of preparation of the remuneration tables.

ITEM	EXPLANATION
Settlement Value	Settlement value is the actual amount paid during the year: For BCIP this includes: > growth in share price; and > interest earned. For CIP this includes: > growth in share price.
BCIP	BCIP is reflected in the year accrued for past performance and vesting occurs two years after award date based on continued employment and good standing.
CIP	CIP is reflected in the year allocated i.e. allocation occurs in September each year and is disclosed in the outstanding long-term incentive table in the corresponding financial year. The CIP award is a long-term retention incentive for future performance and vesting is dependent on certain corporate targets being met on a cumulative basis over three years.
Unvested awards at year end	FirstRand does not apply graded vesting to its long-term incentive schemes. BCIP vesting depends on continued employment over two years and CIP vesting depends on certain corporate targets being met on a cumulative basis over three years, however, in both circumstances the remuneration committee is able to apply discretion on vesting. As such, a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. The fair value of unvested awards at year end is not disclosed. For information purposes, the maximum possible value of the unvested awards at June 2018 is the market value of the total number of shares at R63.89 per share on the last trading day of the financial year (29 June 2018).
Unpaid cash tranches	The three tranches of the cash award to be paid within the next 12 months has not been included in the outstanding long-term incentive table.

OUTSTANDING LONG-TERM INCENTIVES (AUDITED)

	Issue date	Value at grant date R thousand	Settlement date
Conditional incentive plan			
JP Burger			
2014 BCIP (3 year vesting)	Sep 2014	680	Sep 2017
2015 BCIP	Sep 2015	10 270	Sep 2017
2016 BCIP	Sep 2016	11 165	Sep 2018
2017 BCIP	Sep 2017	11 900	Sep 2019
2018 BCIP	Sep 2018	12 674	Sep 2020
Balance BCIP		**46 689**	
2014 CIP	Sep 2014	11 800	Sep 2017
2015 CIP	Sep 2015	15 630	Sep 2018
2016 CIP	Sep 2016	18 350	Sep 2019
2017 CIP	Sep 2017	19 500	Sep 2020
Balance CIP		**65 280**	
Total long-term incentives			
AP Pullinger			
2015 BCIP	Sep 2015	10 250	Sep 2017
2016 BCIP	Sep 2016	9 000	Sep 2018
2017 BCIP	Sep 2017	9 600	Sep 2019
2018 BCIP	Sep 2018	10 200	Sep 2020
Balance BCIP		**39 050**	
2014 CIP	Sep 2014	9 250	Sep 2017
2015 CIP	Sep 2015	10 000	Sep 2018
2016 CIP	Sep 2016	14 630	Sep 2019
2017 CIP	Sep 2017	15 550	Sep 2020
Balance CIP		**49 430**	
Total long-term incentives			

1. *The values at settlement date include share price growth and interest earned (BCIP) from grant date.*
2. *FirstRand does not apply graded vesting to its long-term incentive schemes. BCIP vesting depends on continued employment over two years and CIP vesting depends on certain corporate targets being met on a cumulative basis over three years; however, in both circumstances the remuneration committee is able to apply discretion on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards at June 2018 is the market value of the total number of shares at R63.89 per share on the last trading day of the financial year (29 June 2018).*
3. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The BCIP allocation is determined after year end, using the average three day VWAP eight days after results announcement, therefore, the number of BCIP units allocated in 2018, cannot be calculated at the time the annual financial statements are issued.*

	Units					
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 18	Value on settlement in 2018[1] R thousand
	15 025	–	(15 025)	–	–	1 004
	194 345	–	(194 345)	–	–	11 934
	236 025	–	–	–	236 025	–
	221 477	–	–	–	221 477	–
	–	–	–	–	–	–
	666 872	–	(209 370)	–	457 502	12 938
	260 728	–	(260 728)	–	–	14 340
	295 776	–	–	–	295 776	–
	387 914	–	–	–	387 914	–
	–	362 925	–	–	362 925	–
	944 418	362 925	(260 728)	–	1 046 615	14 340
	1 611 290	362 925	(470 098)	–	1 504 117	27 278
	193 967	–	(193 967)	–	–	11 910
	190 258	–	–	–	190 258	–
	178 671	–	–	–	178 671	–
	–	–	–	–	–	–
	562 896	–	(193 967)	–	368 929	11 910
	204 384	–	(204 384)	–	–	11 241
	189 236	–	–	–	189 236	–
	309 274	–	–	–	309 274	–
	–	289 410	–	–	289 410	–
	702 894	289 410	(204 384)	–	787 920	11 241
	1 265 790	289 410	(398 351)	–	1 156 849	23 151

OUTSTANDING LONG-TERM INCENTIVES (AUDITED) *continued*

	Issue date	Value at grant date R thousand	Settlement date	
Conditional incentive plan				
HS Kellan				
2015 BCIP	Sep 2015	3 000	Sep 2017	
2016 BCIP	Sep 2016	2 938	Sep 2018	
2017 BCIP	Sep 2017	3 250	Sep 2019	
2018 BCIP	Sep 2018	4 000	Sep 2020	
Balance BCIP		**13 188**		
2014 CIP	Sep 2014	5 500	Sep 2017	
2015 CIP	Sep 2015	7 000	Sep 2018	
2016 CIP	Sep 2016	8 600	Sep 2019	
2017 CIP	Sep 2017	9 500	Sep 2020	
Balance CIP		**30 600**		
Total long-term incentives				
J Celliers				
2015 BCIP	Sep 2015	4 450	Sep 2017	
2016 BCIP	Sep 2016	4 625	Sep 2018	
2017 BCIP	Sep 2017	5 000	Sep 2019	
2018 BCIP	Sep 2018	6 000	Sep 2020	
Balance BCIP		**20 075**		
2014 CIP	Sep 2014	8 200	Sep 2017	
2015 CIP	Sep 2015	10 000	Sep 2018	
2016 CIP	Sep 2016	11 943	Sep 2019	
2017 CIP	Sep 2017	12 850	Sep 2020	
Balance CIP		**42 993**		
Total long-term incentives				

1. *The values at settlement date include share price growth and interest earned (BCIP) from grant date.*
2. *FirstRand does not apply graded vesting to its long-term incentive schemes. BCIP vesting depends on continued employment over two years and CIP vesting depends on certain corporate targets being met on a cumulative basis over three years; however, in both circumstances the remuneration committee is able to apply discretion on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards at June 2018 is the market value of the total number of shares at R63.89 per share on the last trading day of the financial year (29 June 2018).*
3. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The BCIP allocation is determined after year end, using the average three day VWAP eight days after results announcement, therefore, the number of BCIP units allocated in 2018, cannot be calculated at the time the annual financial statements are issued.*

	Units					Value on settlement in 2018[1] R thousand
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 18	
	56 770	–	(56 770)	–	–	3 486
	62 098	–	–	–	62 098	–
	60 487	–	–	–	60 487	–
	–	–	–	–	–	–
	179 355	–	(56 770)	–	122 585	3 486
	121 526	–	(121 526)	–	–	6 684
	132 465	–	–	–	132 465	–
	181 802	–	–	–	181 802	–
	–	176 809	–	–	176 809	–
	435 793	176 809	(121 526)	–	491 076	6 684
	615 148	176 809	(178 296)	–	613 661	10 170
	84 210	–	(84 210)	–	–	5 171
	97 772	–	–	–	97 772	–
	93 057	–	–	–	93 057	–
	–	–	–	–	–	–
	275 039	–	(84 210)	–	190 829	5 171
	181 184	–	(181 184)	–	–	9 965
	189 236	–	–	–	189 236	–
	252 472	–	–	–	252 472	–
	–	239 158	–	–	239 158	–
	622 892	239 158	(181 184)	–	680 866	9 965
	897 931	239 158	(265 394)	–	871 695	15 136

OUTSTANDING LONG-TERM INCENTIVES (AUDITED) *continued*

	Issue date	Value at grant date R thousand	Settlement date	
Conditional incentive plan				
J Formby				
2015 BCIP	Sep 2015	8 375	Sep 2017	
2016 BCIP	Sep 2016	8 625	Sep 2018	
2017 BCIP	Sep 2017	10 250	Sep 2019	
2018 BCIP	Sep 2018	4 000	Sep 2020	
Balance BCIP		**31 250**		
2014 CIP	Sep 2014	2 900	Sep 2017	
2015 CIP	Sep 2015	5 000	Sep 2018	
2016 CIP	Sep 2016	7 500	Sep 2019	
2017 CIP	Sep 2017	7 900	Sep 2020	
Balance CIP		**23 300**		
Total long-term incentives				
C de Kock				
2015 BCIP	Sep 2015	2 750	Sep 2017	
2016 BCIP	Sep 2016	3 000	Sep 2018	
2017 BCIP	Sep 2017	3 250	Sep 2019	
2018 BCIP	Sep 2018	2 750	Sep 2020	
Balance BCIP		**11 750**		
2014 CIP	Sep 2014	7 000	Sep 2017	
2015 CIP	Sep 2015	7 500	Sep 2018	
2016 CIP	Sep 2016	9 200	Sep 2019	
2017 CIP	Sep 2017	9 844	Sep 2020	
Balance CIP		**33 544**		
Total long-term incentives				

1. *The values at settlement date include share price growth and interest earned (BCIP) from grant date.*
2. *FirstRand does not apply graded vesting to its long-term incentive schemes. BCIP vesting depends on continued employment over two years and CIP vesting depends on certain corporate targets being met on a cumulative basis over three years; however, in both circumstances the remuneration committee is able to apply discretion on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards at June 2018 is the market value of the total number of shares at R63.89 per share on the last trading day of the financial year (29 June 2018).*
3. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The BCIP allocation is determined after year end, using the average three day VWAP eight days after results announcement, therefore, the number of BCIP units allocated in 2018, cannot be calculated at the time the annual financial statements are issued.*

	Units					
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 18	Value on settlement in 2018[1] R thousand
	158 485	–	(158 485)	–	–	9 732
	182 330	–	–	–	182 330	–
	190 768	–	–	–	190 768	–
	–	–	–	–	–	–
	531 583	–	(158 485)	–	373 098	9 732
	64 078	–	(64 078)	–	–	3 524
	94 618	–	–	–	94 618	–
	158 548	–	–	–	158 548	–
	–	147 031	–	–	147 031	–
	317 244	147 031	(64 078)	–	400 197	3 524
	848 827	147 031	(222 563)	–	773 295	13 256
	52 039	–	(52 039)	–	–	3 195
	63 420	–	–	–	63 420	–
	60 487	–	–	–	60 487	–
	–	–	–	–	–	–
	175 946	–	(52 039)	–	123 907	3 195
	154 669	–	(154 669)	–	–	8 507
	141 927	–	–	–	141 927	–
	194 486	–	–	–	194 486	–
	–	183 212	–	–	183 212	–
	491 082	183 212	(154 669)	–	519 625	8 507
	667 028	183 212	(206 708)	–	643 532	11 702

REGULATORY DISCLOSURES

The remuneration disclosure requirements of Regulation 43 of the Banks Act and Basel Pillar 3 are disclosed below. The definition of senior management and material risk-takers for the purposes of this regulatory reporting is as follows:

- Senior management: FirstRand executive directors and prescribed officers, and business executive committees responsible for banking activities i.e. FNB, RMB, WesBank and FCC executive committees;
- Other material risk-takers: Staff whose individual actions have a material impact on the risk exposure of the group based on the ability to:
  - commit a significant amount of the group's risk capital;
  - significantly influence the group's overall liquidity position; or
  - significantly influence other material risks.

REM1: REMUNERATION AWARDED DURING THE FINANCIAL YEAR

R million		2018 Senior management	2018 Other material risk-takers
Fixed/guaranteed remuneration	*Number of employees*[1]	54	12
	Total fixed remuneration	220	28
	Of which: cash based[2]	All	All
Variable remuneration and CIPs	*Number of employees*	54	12
	Total variable remuneration and long-term CIP	556	43
	Of which: cash-based	252	26
	Of which: deferred[3]	All	All
	Of which: shares or share-linked instruments	304	17
	Of which: deferred[4,5]	All	All
Total[6]		776	71

1. *For purposes of Basel Pillar 3 remuneration reporting, FirstRand defines senior management as the FirstRand executive directors and prescribed officers, and business executive committees responsible for banking activities i.e. FNB, RMB, WesBank and FCC. FirstRand defines other material risk-takers as staff whose individual actions have a material impact on the risk exposure of the group as a whole, based on the ability to: commit a significant amount of the group's risk capital; significantly influence the group's overall liquidity position; or significantly influence other material risk (i.e. Group Treasury executive committee).*
2. *Fixed remuneration is cash-based and is not deferred.*
3. *Variable compensation paid in cash in respect of the year ended June, is paid (with an interest factor) in three tranches, during the following year ending on 30 June.*
4. *Variable compensation for performance in the current year deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan.*
5. *Long-term incentive awards are made annually under CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is CIP settled in the financial year at original award value.*
6. *Based on new King IV single figure reporting. Refer to page 105 for explanation of methodology.*

REM2: SPECIAL PAYMENTS

	2018					
	Guaranteed bonus[2]		Sign-on awards[3]		Severance payments[4]	
R million	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management[1]	–	–	–	–	1	4
Other material risk-takers[1]	–	–	–	–	–	–

1. *For purposes of Basel Pillar 3 remuneration reporting, FirstRand defines senior management as the FirstRand executive directors and prescribed officers, and business executive committees responsible for banking activities i.e. FNB, RMB, WesBank and FCC. FirstRand defines other material risk-takers as staff whose individual actions have a material impact on the risk exposure of the group as a whole, based on the ability to: commit a significant amount of the group's risk capital; significantly influence the group's overall liquidity position; or significantly influence other material risk (i.e. Group Treasury executive committee).*
2. *FirstRand does not pay guaranteed bonuses to management.*
3. *Aggregate rand value of lump sum payments made to employees on month of joining during the financial year.*
4. *Aggregate rand value of severance payments related to retrenchment and company initiated early retirement during the financial year.*

REM3: DEFERRED REMUNERATION

	2018				
R million	Total amount of outstanding deferred remuneration at year end[1]	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment[3]	Total amount of amendment during the year due to ex post explicit adjustments[4]	Total amount of amendment during the year due to ex post implicit adjustments[5]	Total amount of deferred remuneration paid out in the financial year[6]
Senior management					
Cash	252	252	–	6	247
Shares or share-linked instruments[2]	1 053	1 053	–	57	317
Other material risk-takers					
Cash	26	26	–	0.5	24
Shares or share-linked instruments	56	56	–	3	19
Total	1 387	1 387	–	66.5	607

1. *Deferred remuneration is in the form of cash and share-linked instruments (CIP and BCIP).*
2. *FirstRand does not apply graded vesting to its long-term incentive schemes. BCIP vesting depends on continued employment over two years and CIP vesting depends on certain corporate targets being met on a cumulative basis over three years, however in both circumstances the remuneration committee is able to apply discretion on vesting. As such, a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. The total amount of outstanding deferred remuneration at year end is reflected at original award value.*
3. *Full amount of deferred remuneration is subject to malus and claw back, share price fluctuations and performance conditions.*
4. *Ex post explicit adjustments are direct adjustment clauses (for instance, subject to malus, clawbacks or similar reversal or downward revaluations of awards).*
5. *Ex post implicit adjustments reflect changes in the share price growth and interest earned on the awards paid out (settled) in the financial year.*
6. *The values at settlement date includes share price growth and interest earned from grant date.*

Audit committee

The fundamental role of an audit committee is to assist the board in fulfilling its oversight responsibilities in areas such as financial reporting, internal control systems, and the internal and external audit functions. The committee works closely with the group's risk, capital management and compliance committee, social, ethics and transformation committee and information and technology risk and governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another.

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, 71 of 2008, section 64 of the Banks Act 94 of 1990 and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the year.

SUMMARY OF RESPONSIBILITIES

- reviews the quality, independence and cost-effectiveness of the statutory audit and non-audit engagements;
- reviews the appointment of the external auditors for recommendation to the board;
- oversees internal and external audits, including review and approval of internal and external audit plans, review of significant audit findings and monitors progress reports on corrective actions required to rectify reported internal control shortcomings;
- assists the board in evaluating the adequacy and effectiveness of FirstRand's system of internal control (including internal financial controls), accounting practices, information systems and auditing processes;
- reports its assessment of the adequacy and effectiveness of internal controls (including internal financial controls), processes, practices and systems as set out above to the board;
- ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities;
- oversees financial risks, the Banks Act regulatory audit process and internal financial controls including integrity, accuracy and completeness of the annual financial statements and annual integrated report (both financial and non-financial reporting);
- receives reports on fraud and IT risks as these relate to financial reporting;
- satisfies itself with the expertise, resources and experience of the group financial director and finance function; and
- provides independent oversight of the integrity of the annual financial statements and other external reports issued by FirstRand (i.e. sustainability reporting and disclosure integrated with financial reporting) and recommends the annual integrated report to the board for approval and in a format agreed with the board.

The effectiveness of the committee and its individual members is assessed on an annual basis.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulation and governance practices.

Feedback was obtained from management, external audit and internal audit in making all assessments.

COMPOSITION		MEETING	NOVEMBER TRILATERAL
Membership			
GG Gelink (chairman)*	Independent non-executive director	4/4	1/1
RM Loubser	Independent non-executive director	4/4	1/1
EG Matenge-Sebesho	Independent non-executive director	4/4	1/1
PJ Makosholo	Non-executive director	4/4	1/1
JH van Greuning**	Independent non-executive director	2/2	0/0
T Winterboer (appointed with effect 1 June 2018	Independent non-executive director	0/0	0/0

* *Appointed as chairman of the committee with effect 1 September 2017.*

** *Resigned as chairman of the committee with effect 1 September 2017 and from the board with effect from 30 November 2017.*

ATTENDEES

CEO Financial director Chief risk officer Chief audit executive Chairmen of the subcommittees External auditors and other assurance providers Heads of finance, risk and compliance	The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act. In addition to the audit committee, divisional audit committees have been established. The divisional audit committees are chaired by competent independent non-executives who participate in the audit committee. The external auditors and chief audit executive meet independently with the non-executive members as and when required.

The committee is satisfied that the individual members of the committee possess appropriate qualifications and a balance of skills and experience to discharge their responsibilities.

AREAS OF FOCUS

During the year, the committee:

- reviewed the reports on internal financial controls and going concern aspect of FirstRand, in terms of regulation 40(4) of the Banks Act regulations;
- considered feedback from the external auditors on the SARB bilateral meeting;
- conducted quarterly financial trends analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the SARB;
- considered *IFRS 9 Financial Instruments* updates and impact assessments;
- received updates on *IFRS 15 Revenue from Contracts with Customers;*
- received an update on XBRL implementation;
- approved the key audit matters report;
- reviewed outcome of statutory and regulatory audit;
- noted the finding of the report from the JSE on the proactive monitoring of financial statements in 2017, published in 2018; and
- received the Banks Act regulation 39 corporate governance assessment.

EXTERNAL AUDIT

The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. as the external audit firms responsible for performing the functions of auditor for the 2019 financial year.

The committee ensured that the appointment of the auditors complied with all legislation on appointment of auditors.

The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee.

The committee encouraged effective communication between the external and internal audit functions.

The committee has satisfied itself of the performance and quality of the external audit and that the external auditors and lead partners were independent of the group, as set out in section 94(8) of the Companies Act.

This included consideration of:

- representations made by the external auditors to the audit committee;
- independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- auditor suitability assessment in terms of paragraph 3.84(g) (iii) and section 22.15(h) of the JSE Listings Requirements;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group;
- tenure of the auditors and rotation of the lead partners; and
- changes to management during the tenure of auditors, which mitigates the attendant risk of familiarity between the external auditor and management.

INTERNAL AUDIT

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit assists management by making recommendations for improvements to the control and risk management environment.

During the year, the committee received regular reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

The committee has assessed the performance of the chief audit executive and the arrangements of internal audit, and is satisfied that the internal audit function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.

The committee can confirm that the financial and risk management information contained in the annual integrated report accurately reflects information reported to the committee by management and has no reason to believe that the existing internal controls, including internal financial controls, do not form a sound basis for the preparation of reliable financial statements. The committee's opinion is supported by the reports received from the risk, capital management and compliance committee, external audit, internal audit and executive management.

Reviewed and approved the annual internal audit plan, which was informed by combined assurance roleplayers and aligned to the group's strategic objectives, risks and opportunities identified by management as well as topical issues facing the financial services industry. On a quarterly basis, the committee reviewed and approved proposed amendments to the plan to ensure it remained agile to the changing risk landscape.

INTERNAL AUDIT continued

Reviewed quarterly activity reports from internal audit which covered audit plan progress, insights and optimisation opportunities, cumulative view on internal financial controls and risk management process maturity, and a summary of audit observations with respective status updates on remediation effort.

The group's external auditors conducted an annual assessment of the internal audit function against International Standards on Auditing (ISA) 610 and confirmed the work of internal audit was reliable for the purposes of the external audit

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and annual integrated report for the year ended 30 June 2018 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

An audit committee process has been established to receive and deal appropriately with any concerns or complaints relating to:

- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, nor to the content or audit of the group's annual financial statements.

With the enhancement of the new audit report standard, the committee has considered the appropriateness of the key audit matters reported on by the external auditors and is satisfied with the treatment and audit response thereof.

The committee is satisfied that the group has appropriate financial reporting control frameworks and procedures, and that these procedures are operating effectively.

The committee reports that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise, effectiveness and experience of the group financial director during the reporting period.

In addition, the committee is satisfied with:

- the expertise, effectiveness and adequacy of resources and arrangements in the finance function; and
- the experience, effectiveness, expertise and continuous professional development of senior members of the finance function.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses sustain its conclusions reached for the 2018 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee works closely with the group's risk, capital management and compliance committee, social, ethics and transformation monitoring committee and information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared and these functions can leverage off one another.

Based on the reports received, the committee is satisfied that:

- the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and
- the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE

During the year, the committee monitored alignment of all assurance providers to achieve elimination of multiple approaches to risk assessment and reporting. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment, support the integrity of information used for internal decision-making by management, the governing body and its committees, and supports the integrity of the group's external reports.

The committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance.

During the year, the committee received regular reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

FUTURE AREAS OF FOCUS

- review and consider management's plans in respect of the implementation of *IFRS 16 Leases* and *IFRS 17 Insurance Contracts*;
- consider the requirements arising from mandatory audit firm rotation (MAFR), effective for financial periods ending on or after April 2023, and initiate a project to assess and address MAFR;
- monitor non-audit fees paid to external audit and whether it is within approved limits; and
- biannually assess significance of loss-making entities and entities with a negative net asset value.

GG GELINK
Chairman, audit committee

5 September 2018

Social, ethics and transformation committee

The group is committed to ethical conduct and fair play in all its business dealings. The FirstRand code of ethics describes the group's commitment to responsibly advancing an entrepreneurial spirit and captures the ethos of creating value in an accountable and sustainable manner. The FirstRand group code of ethics forms the constitution for the business practices of all businesses in the FirstRand group. The committee's focus is guided by the Companies Act, however, the aim is to drive integration of regulatory requirements and expectations into business processes such that compliance is pursued as an outcome of ethical behaviour and doing the right thing.

SUMMARY OF RESPONSIBILITIES

The role of the committee is to assist the board with ensuring responsible business practices within the FirstRand group and monitoring group activities having regard to the Companies Act, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters. It is charged with providing oversight of:

- **all culture and conduct risk programmes in all businesses of the FirstRand group; and**
- **the group's social value proposition.**

The committee has jurisdiction in all group business units in South Africa and in all other countries in which the group operates.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulation and governance practices.

The committee chairman is customarily available to report to shareholders at the annual general meeting on matters within its mandate. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

COMPOSITION		RECORD OF ATTENDANCE
NN Gwagwa (chairman)	Independent non-executive director	5/5
AT Nzimande	Independent non-executive director	5/5
PJ Makosholo	Non-executive director	4/5
F Knoetze	Non-executive director	5/5
HL Bosman (appointed with effect 1 June 2018)	Non-executive director	0/0
CEO	Executive director**	
Deputy CEO (up to 31 March 2018)*	Executive director**	
Financial director	Executive director**	
COO (with effect from 1 July 2018)	Executive director**	
Ex-officio attendees CEOs of operating businesses Group head of regulatory risk Group head of public policy and regulatory affairs Group ethics and conduct risk officer Group head of social investing Group employment equity manager Organisational development executive		**The committee is supported by the business ethics and transformation committees which report into the committee at every meeting.**

* *From 1 April 2018, the deputy CEO position was collapsed. The creation of the COO position was effective 1 July 2018.*

** *At least one executive member to be present, per committee charter.*

The committee assists the board in monitoring the agreed performance measures and outcomes of responsible corporate citizenship. More detail on the key performance indicators can be found at www.firstrand.co.za.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
B-BBEE, EMPLOYMENT EQUITY AND TRANSFORMATION		
Broad-based black economic empowerment (B-BBEE)	> The committee reviewed and monitored the group's B-BBEE scores. > The group was actively involved in the FSC and codes of good practice alignment discussions and a new FSC was gazetted by the Department of Trade and Industry in December 2017. > The committee kept abreast of the Parliamentary and Nedlac financial sector discussions.	> The group achieved a level 1 B-BBEE status under the 2017 gazetted Financial Sector Charter (FSC). > The group's BEE scorecard is available on the FirstRand website: www.firstrand.co.za.
Employment equity and transformation	In respect of employment equity and transformation, the committee: > reviewed the Employment Equity plan and oversaw the strategic objectives and progress made against the plan for 2016 to 2019; > oversaw the implementation of the group disability plan and focused on creating a conducive environment for persons with disabilities, and improving their representation in the workforce; > reviewed the comparison of major banks in South Africa on the employment of women and black people; > reviewed compliance with transformation legislation including the annual submission to the Department of Labour; > reviewed attrition of ACI (African, Coloured and Indian) employees and considered programmes to retain and develop ACI talent; and > reviewed gender equality and group networking initiatives for women. FirstRand continues to be actively involved in Banking Association of South Africa (BASA) transformation team workstreams with the primary focus on establishing the role the banking sector can play in advancing transformation. Focus areas include: > strengthening the role of banks as a transformative force in society; > employment equity; > black ownership; > procurement and enterprise development; and > access to financial services.	> In South Africa, the group maintained 77% (2017: 76%) ACI representation and 61% (2017: 60%) female representation. Considering international operations, overall female representation is 60% (2017: 61%). > Awareness and educational campaigns were held on mental health and disabilities in partnership with the group's wellness programme. > The committee reviewed income equality within the group. Refer to the income equality section on page 102. > The group workforce profile as at 30 June 2018 is available for review on the FirstRand website: www.firstrand.co.za.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
B-BBEE, EMPLOYMENT EQUITY AND TRANSFORMATION		
Skills development and decent working conditions	The committee continued to oversee employment development initiatives aimed at supporting employees in continued professional development to positively influence company commitment, reinforce retention, foster employee value proposition, harness and exploit skills, and facilitate knowledge sharing. The committee will monitor strategies and progress made on FirstRand's FirstJob initiative to address the youth unemployment crisis in South Africa.	First Job initiative commenced in July 2018
ETHICAL CONDUCT		
FirstRand conduct programmes To assist the committee in monitoring the group's activities, having regard to legislation, legal requirements and prevailing codes of best practice, the FirstRand conduct programmes were organised into three themes: ethics, business conduct and market conduct. Codes of conduct and policies that give effect to the committee's direction on organisational ethics are developed and reviewed to ensure these address key ethical risks affecting the organisation. The committee reviewed the following market conduct policies: > FAIS Act conflict of interest policy; > responsible competitive practices policy; and > fair market conduct policy.		The FirstRand Code of Ethics and FirstRand Philosophy are the primary reference points for these programmes.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Business conduct programmes	Incorporate principles of: > **Conflicts of interest management:** increased focus on the proactive identification of conflicts of interests via strengthening required controls, enhanced data analytics and platform improvements. > **Personal account trading:** the group personal account trading programme continues to mature with the personal account trading policy and associated control room reviewed, further resourced and improved. > **Anti-bribery and corruption prevention:** emphasis on the group anti-bribery and corruption policy increased during the reporting period. Improved risk detection was achieved with the use of data analytics. > **Client desirability/reputation risk:** the group continues to evaluate clients based on legal/regulatory risk, sensitive industries/countries and reputational risk.	> Campaigns and communications encouraging safe and effective whistle-blowing were presented throughout the year. > During the year, 383 cases were reported using the whistle-blowing line (administered externally by Deloitte). This represents a 41% increase in the number of cases from the prior year. The most notable increase was in the international operations (85% increase), reflecting the drive undertaken to increase awareness of the relevant hotlines. Spikes in activity were noted during awareness campaigns. > Approximately R2.5 million awarded in 2018 (2017: R1 million) through the Leading Light reward programme that incentivises employees to assist the group in preventing and combating theft, fraud and corruption. > The supplier code of conduct policy was disseminated to the group's supplier base using a risk-based approach. To date, suppliers that make up the top 80% of the group's spend have signed the code of conduct, and are subject to screening at onboarding and monthly against various sanctions and watch lists.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Market conduct programmes	Incorporating principles on: > **Culture:** first line accountability for market conduct risk is being embedded through market conduct governance forums, in which business leaders evaluate financial products and services against principles of treating customers fairly (TCF). > **Conduct**: the retail market conduct programme framework continues to strengthen, with the current focus on establishing a wholesale market conduct framework and standards. > **Monitoring and reporting:** the group conducted a significant number of focus group sessions, TCF self-assessment evaluations and monitoring review exercises. Review findings and remediation activities are formally tracked and reported through the appropriate governance committees. > The committee reviewed initiatives underway across the group on management of conduct risk in relation to incentives and potential conflicts of interest, focusing on lead and referral fees, mis-selling, remuneration arrangements (including third-parties) and platform and rebate fees. On sales in execution, the committee reviewed initiatives to mitigate conduct risks focusing on reserve pricing, customer debt relief and customer education.	> Fair market conduct training and awareness campaigns, including consumer education training initiatives, were implemented and received heightened focus. > Targeted responsible competitive practices training was rolled out in various areas in the group. Online training will be designed during the new financial year. > Projects to document TCF standards in operational procedures, throughout the product life cycle, will be implemented in the new financial year. > FAIS fit and proper regulatory projects to address regulatory amendments will be implemented in the new financial year.
Environmental and social risk conduct programmes	Incorporating principles on: > Equator Principles and environmental and social risk assessment (ESRA)	> Significant progress made to embed ESRA in the rest of Africa. > The group environmental sustainability commitment statement was reviewed and updated. > Climate change statement detailing the group's commitment to monitor and mitigate the effect of its operations on the climate was approved.
	> Natural capital credit risk assessment	> Project to assess the group's exposure to natural capital risks in credit portfolios implemented. Recommendations will be made on how to adapt credit governance processes to account for natural capital risk in the assessment of portfolio and transaction risks.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Environmental and social risk conduct programmes	> Climate resilience of operations	> Group energy management guideline implemented. Focus on energy efficiencies and accuracy of data and pricing. This process considerably reduced electricity costs.
	> Climate resilience of portfolios and investments	> Project to address recommendations of the Task Force for Climate-related Financial Disclosures initiated.
	> Positive impact financing (PIF)	> Dedicated environmental and social conduct forum with business representation implemented, with a mandate to focus on reviews of initiatives on PIF. Focus on renewable energy and SME financing.
	> Ecological footprint	> Carbon consumption is calculated per franchise and reported internally to the franchise conduct executive committees, as well as externally by way of the carbon disclosure project. Work was initiated to formalise a water management strategy for the group's operations.
	> Sustainable development goals (SDGs)	> Internal project to analyse impact of products, services and initiatives on addressing the SDGs started. > FirstRand participated in a BASA project to develop a performance dashboard for the sector in relation to the members' impact on SDGs. > The group's environmental and social risk report is available on the FirstRand website: www.firstrand.co.za.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Contribution to economic development	The committee monitored the group's contributions to the development of the communities where the group operates, which included the following initiatives, over and above CSI contribution: > **Employment and economic development** A learnership initiative was undertaken to provide 1 425 black youth with employment opportunities within the group. In addition, the group provided funding to three township hubs to create employment opportunities. > **Funding inclusive economic development** Contribution to empowerment financing initiatives, which included affordable housing finance, black agriculture, SMEs and energy infrastructure. In line with SA's electricity requirements, financing for both normal and clean energy increased from the previous year. > **Consumer education initiatives** Financial consumer education initiatives which target mainstream customers, educating both customers and potential customers on how to manage personal finances to equip them to make informed financial decisions. > **Financial inclusion – reaching lower income households** Efforts continued to ensure that all South Africa's people can transact easily and securely. > **Supply chain management** Efforts to change the spending patterns of the group continued in the reporting period, and a special focus area was procuring from black-owned and black women-owned entities. > **Pension fund** The committee assessed the risks associated with the pension fund structure in the group to create a better value proposition for employees on retirement planning and provision.	> Refer to statement of economic value added on page 131. > R180 million employment opportunity spend. > R10 billion contributed to empowerment financing initiatives (2017: R10 billion). > R36 million consumer education spend (2017: R28 million). > Active eWallet users at 30 June 2018: 6.1 million. On average three million eWallet transactions per month. > R9.4 billion spend with black-owned, black women-owned suppliers, and exempt microenterprises and qualifying small enterprises (2017: R7.5 billion). > Focus has been placed on ensuring greater education and awareness within the group to ensure employees/members are empowered to better manage retirement choices to reach their retirement goals.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Culture	FirstRand believes that its unique differentiator is its culture. The following initiatives were undertaken: > **FirstRand philosophy** FirstRand is currently in the process of re-articulating the philosophy to ensure the sustainability of the business moving forward. This will include feedback from employees and changes to the group strategy and operating model. > **Group engagement survey** The second group-wide engagement survey was conducted in March 2018.	> The group engagement survey results show an engaged and committed workforce, with results favourably comparable to the South Africa norm and high-performing organisations around the world.
Tax policy	During the year the group tax strategy was updated to incorporate King IV principles on responsible and transparent tax practices. It was approved at the group's tax risk committee and the RCC committee.	
Corporate social investment (CSI)	The committee monitored the group's progress on corporate social investment activities, principally undertaken through the FirstRand Foundation and FirstRand Empowerment Foundation.	> R235 million CSI spend (2017: R218 million) (FirstRand Foundation).

PLANNED AREAS OF FOCUS

The committee will continue to review planned areas of focus against regulatory requirements and strategic priorities. In addition, the committee will continue to monitor and review pay practices for fairness, and to ensure that there is no gender and race based pay discrimination. The committee is developing mentoring, leadership and professional development programs aimed at progressing and retaining black talent. In addition, focus has been placed on increasing black and women representation at management level.

Section 19 of the Employment Equity Act requires that as part of the process of developing an employment equity plan, employers conduct an analysis of its policies, practices and procedures. This is done to identify employment barriers which may adversely affect black people, women and people with disabilities. As part of its preparation to develop a succession plan, FirstRand will commence its section 19 analysis in September 2018.

PUBLIC REPORTING AND ASSURANCE

The committee, together with the audit committee, is responsible for reviewing and approving the non-financial content included in the annual integrated report and published on the group website, as well as determining and making recommendations on the need for assurance of the group's public reporting on its sustainable performance.

NN GWAGWA
Chairman, social, ethics and transformation committee

5 September 2018

GOVERNANCE OUTCOME:

SUSTAINABLE VALUE CREATION AND PERFORMANCE

responsible corporate citizenship

The board appreciates that there is an interdependent relationship between the group and its stakeholders, and the group's ability to create value for itself depends on its ability to create value for others. Robust governance processes exist to balance this relationship and to oversee the sustainability of this value creation.

During the year, the board oversaw the creation of R124 billion in economic value for the group's stakeholders.

	2018		2017	
Statement of economic value added – IFRS	R million	%	R million	%
Value added				
Net interest income after impairment	82 110	66.1	72 387	65.3
Non-operating revenue	45 215	36.4	42 068	38.0
Non-operating expenses	(3 055)	(2.5)	(3 628)	(3.3)
Value added by operations	124 270	100.0	110 827	100.0
To employees				
Salaries, wages and other benefits	28 679	23.1	25 852	23.3
To providers of funding	56 736	45.7	49 174	44.4
Dividends to shareholders	15 157		13 650	
Interest paid	41 579		35 524	
To suppliers	14 546	11.7	13 229	11.9
To government	9 440	7.6	8 495	7.7
Normal tax	8 342		7 383	
Value added tax	1 062		1 067	
Capital gains tax	7		12	
Other	29		33	
To communities				
CSI spend	235	0.2	218	0.2
To expansion and growth	14 634	11.7	13 859	12.5
Retained income	11 855		11 278	
Depreciation and amortisation	3 192		2 977	
Deferred income tax	(413)		(396)	
Total value added	124 270	100.0	110 827	100.0

NON-FINANCIAL REPORTING POLICIES

The board's responsibilities include oversight of financial and non-financial value drivers against agreed performance measures and targets, including environmental, social and governance issues impacting the sustainable profitability of the group and ensuring that the group is a responsible corporate citizen.

FirstRand's non-financial reporting policies are guided by the Global Reporting Initiative G4 guidelines, incorporating recommendations set out in King IV, JSE Socially Responsible Investment Index, the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, the Task Force on Climate-related financial disclosures (TCFD), BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Materiality is defined as disclosures reflecting significant economic, environmental and social impacts, or those that would substantially influence the ability of stakeholders to make informed decisions about the company's performance. Data measurement techniques are replicable and measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

GOVERNANCE OUTCOME:

TRUST AND LEGITIMACY THROUGH STAKEHOLDER ENGAGEMENT

stakeholder engagement

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that balances the legitimate needs, interests and expectations of material stakeholders, in the best interests of the group over time.

The FirstRand group is cognisant of the significant role its stakeholders – employees,shareholders, customers, partners, suppliers, governments, civil society and communities – play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive.

STAKEHOLDER	CHANNELS USED TO MANAGE RELATIONSHIP	KEY FOCUS AREAS
Government and regulators	> interviews and meetings; > reports and presentations; > conferences and round-table discussions; > website, media and SENS; and > electronic correspondence.	> transformation, B-BBEE; > regulatory compliance; > economic development; > IT risk and governance; > regulatory announcements as required.
Shareholders and analysts	> investor presentations; > financial reporting; > roadshows and analyst meetings; and > website, media and SENS.	> business performance and continuity; > dividend payments and share price; > strategy and growth opportunities; and > transformation and economic development.
Employees	> internal newsletters and interactive videos; > information sessions; > training and development; > website and intranet; > performance reviews; > functions and awards; and > employee wellness.	> group performance and business news; > industry trends and strategy implementation; > training: 2018 focusing on cybercrime, IT security, protection of personal information, anti-bribery and corruption, anti-money laundering and compliance matters; > compliance and ethics matters; > professional development programmes; > awards and recognition initiatives; and > employee wellness facilities on campus.
Customers	> service level agreements; > website, advertising and apps; > customer surveys; and > branches/front office.	> customer service; > customer experience; > innovation and new products; > small business development; and > customer education.
Suppliers	> service level agreements; > relationship with applicable business unit; > meetings and service deliverables; and > website.	> code of ethics; > business continuity and opportunity; > technology trends and requirements; and > innovation.
Communities	> sponsorships; > social responsibility investments; > FirstRand Foundation; > FirstRand Volunteers; and > website and advertising	> job opportunities; > resource allocation; > corporate social investment opportunities; > sponsorship and donations; and > small business development.
Civil society	> meetings – *ad hoc* engagement; > FirstRand Foundation; > FirstRand Volunteers; and > website and advertising.	> sponsorship; > fundraising; and > corporate social responsibility.

independent assurance report on selected non-financial information to the directors of firstrand limited

Group Internal Audit (GIA) have undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand Limited annual integrated report for the year ended 30 June 2018.

Sustainability reporting aims to:

- improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
- promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
- enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
- support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

FirstRand applies its own sustainability performance reporting criteria, derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the FTSE/JSE Responsible Investment Index Series, Black Economic Empowerment (BEE) transformation reporting requirements and King IV Code on Corporate Governance.

DIRECTORS' RESPONSIBILITY

The directors are responsible for:

- the selection, preparation and presentation of the sustainability information included in the integrated report;
- the identification of stakeholders and stakeholder requirements; and
- establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

INTERNAL AUDIT RESPONSIBILITY

GIA's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement by applying guidance from the International Standard on Assurance Engagements, *ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

GIA was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

Multiple sources of sustainability assurance providers were utilised, reflecting technical and process competencies necessary for the evaluation of the sustainability information. The following items were included in the scope:

> Verification and review of the accurate transfer and aggregation of information from supporting records to the FirstRand Limited annual integrated report relating to:
  – Doing business ethically, responsibly and sustainably:
    • whistle-blowing line calls.
  – Driving strategic change through systemic social investing:
    • CSI spend – FirstRand Foundation;
    • CSI spend – FirstRand Empowerment Fund; and
    • CSI spend – FirstRand Staff Assistance Trust.

> External assurance service providers perform verification assessments on selected non-financial data which forms the basis of disclosures in the FirstRand Limited annual integrated report. GIA did not replicate verification assessments performed by the external assurance service providers, and reliance was placed on the assurance opinions issued by these service providers where warranted. GIA, however, reviewed the assurance reports issued by the external assurance service providers and reviewed the incorporation of the data assessed by them in the FirstRand Limited annual integrated report where relevant. These are reflected below:
  – Providing capital for inclusive economic development – this information was included in the scope of the review of the Department of Trade and Industry (dti) scorecard that was performed by Mosela and SizweNtsalubaGobodo Rating Agency:
    • lending to affordable housing;
    • spend on consumer financial education;
    • deepening access to financial services through electronic channels;
    • transformational infrastructure;
    • lending to small and medium enterprises (SMEs), BEE transactions and black agriculture;
    • spending on enterprise development; and
    • BEE procurement.

– Creating an environment that maximises the potential of our people – this information was included in the scope of the review of the DTI scorecard that was performed by Mosela and SizweNtsalubaGobodo Rating Agency:
  - SA workforce diversity;
  - middle and junior management diversity;
  - senior management diversity;
  - top management diversity;
  - workforce gender; and
  - skills development spend.

– Doing business ethically, responsibly and sustainably:
  - Direct carbon footprint: selected non-financial aspects in the 2018 suite of reports are independently assured by PricewaterhouseCoopers Inc. FirstRand Bank Limited's carbon footprint data for the South African operations has been prepared in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Reporting Guidelines. The assurance report will be included in the 2018 social and environmental risk report when issued.
  - Equator principles transactions funded: selected non-financial aspects in the 2018 suite of reports are independently assured by PricewaterhouseCoopers Inc. The assurance report will be included in the 2018 social and environmental risk report when issued.

RESULTS OF WORK PERFORMED

Based on the results of the work performed on the selected non-financial information as presented in the FirstRand Limited annual integrated report for the year ended 30 June 2018, GIA confirms that nothing has come to our attention that causes us to believe that the identified sustainability and governance related information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

As part of ongoing refinement of the annual integrated report, management have identified areas for enhanced aggregation and disclosure of sustainability information in future reporting periods. GIA concurs with management's assessment and will assess the refinements in future reviews of the annual integrated report.

J JOHN
Chief audit executive

5 September 2018

04 summary risk and capital management report

summary risk and capital management report

INTRODUCTION

FirstRand believes that effective risk, performance and financial resource management are key to its success and underpin the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision-making.

RISK REPORTING

The group's robust and transparent risk reporting process enables key stakeholders (including the board and strategic executive committee) to:

- get an accurate, complete and reliable view of the group's financial and non-financial risk profile;
- make appropriate strategic and business decisions;
- evaluate and understand the level and trend of material risk exposures and the impact on the group's capital adequacy; and
- make timely adjustments to the group's future capital requirements and strategic plans.

Significant investment, commitment and notable progress has been made with implementation of *The principles for effective risk data aggregation and risk reporting* (BCBS 239), taking cognisance of the strategic data roadmap and supported by business IT strategies.

RISK GOVERNANCE

The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, setting risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

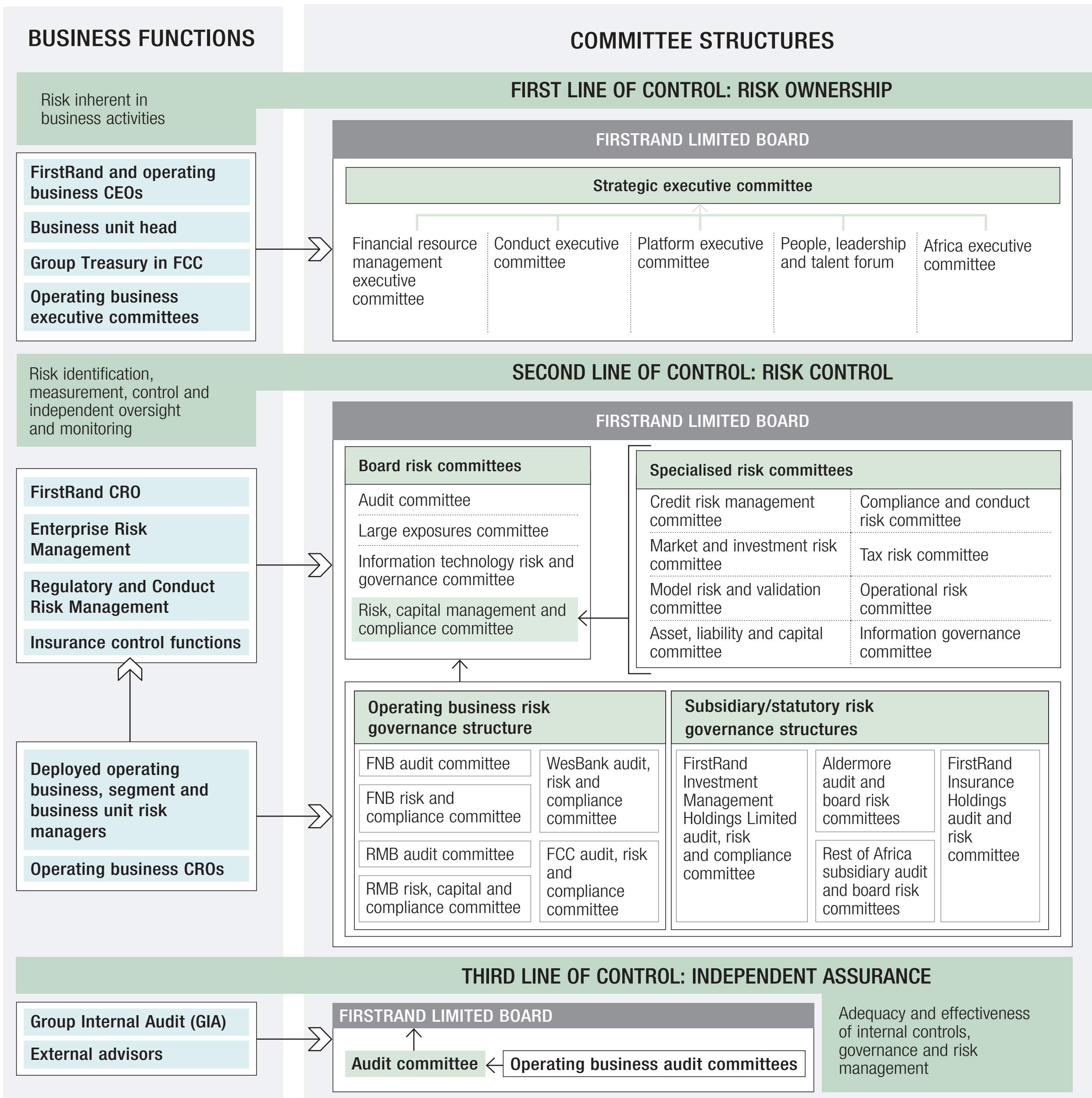
The group's business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF along with the business functions, committee structures and risk universe, as illustrated in the diagram on the next page.

The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in each operating business, the governance structures of which align closely with that of the group. Further detail on the roles and responsibilities of the RCC committee and its subcommittees relating to each particular risk type is provided in the group's Pillar 3 disclosure on www.firstrand.co.za.

Other board committees also exist, with clearly defined responsibilities. The group board committees comprise members of operating business advisory boards, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the group. The business audit, risk and compliance committees support the board risk committees and RCC subcommittees in the third line of control across the group.

The strategic executive committee ensures alignment of business strategies, implements the risk/return framework and is responsible for the optimal deployment of the group's resources.

BUSINESS PERFORMANCE AND RISK MANAGEMENT FRAMEWORK



RISK UNIVERSE

Insurance risk	Credit risk	Counterparty credit risk	Traded market risk	Interest rate risk in the banking book	Structural foreign exchange risk	Equity investment risk
Operational risk	Strategic, business, reputational, model, environmental and social, and regulatory and conduct risk					

RISK MANAGEMENT APPROACH

The group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. FirstRand's businesses have consistently executed on a set of strategies which are aligned to certain group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by frameworks set at the centre to ensure financial discipline. These frameworks include:

RISK MANAGEMENT FRAMEWORK	PERFORMANCE MANAGEMENT FRAMEWORK	RISK/RETURN AND FINANCIAL RESOURCE MANAGEMENT FRAMEWORKS
Key principles: > ensure material risks are identified, measured, monitored, mitigated and reported; > assess impact of the cycle on the group's portfolio; > understand and price appropriately for risk; and > originate within cycle-appropriate risk appetite and volatility parameters.	**Key principles:** > allocate capital appropriately; > ensure an efficient capital structure with appropriate/conservative gearing; and > ensure economic value creation, which is measured as NIACC, the group's key performance measure.	**Key principles:** > execute sustainable funding and liquidity strategies; > protect credit ratings; > preserve a "fortress" balance sheet that can sustain shocks through the cycle; and > ensure the group remains appropriately capitalised.

CORE RISK COMPETENCIES

Identification

Assessment

Monitoring

Management

The group defines risk widely. It is any factor that, if not adequately assessed, monitored and managed, may prevent the group from achieving its business objectives or result in adverse outcomes, including reputational damage.

Risk taking is an essential part of the group's business and FirstRand explicitly recognises core risk competencies as necessary and important differentiators in the competitive environment in which it operates. These core risk competencies include identifying, assessing, monitoring and managing risk, and are integrated in all management functions and business areas across the group.

They provide the checks and balances necessary to ensure sustainability and performance, create opportunities, achieve desired objectives, and avoid adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk associated with its activities if these risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level, and across all risk types and businesses through the application of the return and risk appetite framework. The group's return and risk appetite framework enables organisational decision-making and is aligned with FirstRand's strategic objectives.

For a detailed analysis of risk and capital management, refer to the group's Pillar 3 disclosure on www.firstrand.co.za. The Pillar 3 disclosure complies with BCBS revised Pillar 3 disclosure requirements, the consolidated and enhanced Pillar 3 framework, Regulation 43 of the Regulations relating to Banks, issued in terms of the Banks Act, 1990 (Act 94 of 1990), and all Pillar 3 related directives issued by the Prudential Authority (PA).

RISK APPETITE

Risk appetite is set by the board. The group's return and risk appetite statement informs organisational decision-making and is integrated with FirstRand's strategic objectives. Business and strategic decisions are aligned to risk appetite measures to ensure these are met during a normal cyclical downturn. Limits are also set for stressed cyclical downturns. At a business unit-level, strategy and execution are influenced by the availability and price of financial resources, earnings volatility limits, and required hurdle rates and targets.

RETURN AND RISK APPETITE STATEMENT

FirstRand's risk appetite is the aggregate level and the type of risks the group is willing and able to accept within its overall risk capacity. It is captured by a number of qualitative principles and quantitative measures.

The group's strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth, and contextualise the level of reward the group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risks it assumes in the normal course of business.

This ensures that the group maintains an appropriate balance between risk and reward. Risk/return targets and appetite limits are set to enable the group to achieve its overall strategic objectives, namely to:

- create long-term business value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

Risk capacity is the absolute maximum level of risk the group can technically assume given its current available financial resources. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk limits are clearly defined risk boundaries for different measures per risk type, and are also referred to as thresholds, tolerances or triggers.

The return and risk appetite statement aims to drive the discipline of balancing risk, return and sustainable growth across the portfolio. Through this process, the group ultimately seeks to achieve an optimal trade-off between its ability to take on risk, and the sustainability of the returns delivered to shareholders.

The group's risk/return profile is monitored regularly, using risk appetite limits, which are measured on a point-in-time and forward-looking basis.

Risk appetite influences business plans and informs risk-taking activities and strategies.

The group cascades overall appetite into targets and/or limits at risk type, business and activity level, and these represent the targets and constraints the group imposes to ensure its commitments are attainable. Management of risk is the responsibility of everybody across the group, supported through three lines of control, the BPRMF and the group's risk governance committees.

The following diagram outlines the quantitative measures and qualitative principles of the group's return and risk appetite framework. The measures are continually reassessed as part of the group's ongoing review and refinement of its return and risk appetite.

RETURN AND RISK APPETITE FRAMEWORK

QUANTITATIVE MEASURES

Normal cycle

Performance targets		Resource objectives and constraints		
% **Returns**	ROE **18% – 22%**	**Solvency**	CET1 capital **10% – 11%**	Leverage **>5%**
Earnings growth	Normalised earnings growth **Nominal GDP plus >0% – 3%**	**Liquidity**	To exceed minimum regulatory requirements with appropriate buffers	

Credit rating*:
Equal to highest in SA banking industry

* *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors and refers to FirstRand Bank Limited.*

Normal downturn and stressed downturn

Limits set for earnings fall under stressed conditions, as well as minimum ROE, CET1, leverage and liquidity ratios.

RISK LIMITS

Risk limits, thresholds, tolerances and triggers are defined per risk type.

QUALITATIVE PRINCIPLES

Always act with a fiduciary mindset.	Limit concentrations in risky asset classes or sectors.
Comply with prudential regulatory requirements.	Avoid reputational damage.
Comply with the spirit and intention of accounting and regulatory requirements.	Manage the business on a through-the-cycle basis to ensure sustainability.
Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines.	Identify, measure, understand and manage the impact of downturn and stress conditions.
Do not take risk without a deep understanding thereof.	Strive for operational excellence and responsible business conduct.
Comply with internal targets in various defined states to the required confidence interval.	Ensure the group's sources of income remain appropriately diversified across activities, products, segments, markets and geographies.
Do not implement business models with excessive gearing through either on- or off-balance sheet leverage.	

FINANCIAL RESOURCE MANAGEMENT

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is critical to the achievement of its 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 compared to the group's 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 the 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.

FirstRand uses the group's house view for budgeting, forecasting and business origination strategies. The house view focuses on the key macroeconomic variables that impact the group's financial performance and risk position. The macroeconomic outlook for South Africa and a number of other jurisdictions where the group operates, is reviewed on a monthly basis and spans a three-year forecast horizon. The house views for other jurisdictions with less data are updated less frequently, but at least quarterly. Business plans for the next three years are captured in the budget and forecasting process. Scenario planning is then used to assess whether the desired profile can be delivered and whether the group will remain within the constraints that have been set. These scenarios are based on changing macroeconomic variables, plausible event risks, and regulatory and competitive changes.

The strategy, risk and financial resource management processes inform the capital and funding plans of the group. Analysis and understanding of the value drivers, markets and macroeconomic environment also inform portfolio optimisation decisions as well as the price and allocation of financial resources.

BUSINESS ACTIVITIES AND RESULTANT RISKS

The group's strategy is executed through its portfolio of operating businesses within the frameworks set by the group.

	FNB	RMB	WesBank	Aldermore	Ashburton Investments	FCC
Key activities	**Retail and commercial banking, insurance, and wealth and investment management**	**Corporate and investment banking**	**Instalment finance and short-term insurance (VAPS)****	**Asset and invoice finance, commercial and residential mortgages, and deposit taking**	**Asset management**	**Group-wide functions**
Market segments	> consumer > small business > agricultural > medium corporate > public sector	> financial institutions > large corporates > public sector	> retail and commercial	> retail and commercial	> retail and institutional	> institutional (and internal/ intragroup)
Products and services	> transactional and deposit taking > mortgage and personal loans > credit and debit cards > investment products > insurance products (funeral, risk, credit life) > card acquiring > credit facilities > distribution channels > FNB Connect > wealth and investment management*	> advisory > structured finance > markets and structuring > transactional banking and deposit taking > principal investing solutions and private equity	> asset-based finance > full maintenance leasing > personal loans > value-added products and services (short-term insurance)	> asset finance > invoice finance > commercial, buy-to-let and residential mortgages > deposits	> traditional and alternative investment solutions	> group asset/ liability management > funding instruments > funding and liquidity management > capital issuance > capital management > foreign exchange management > tax risk management
Risks#	Retail and commercial credit risk	Corporate and counterparty credit risk	Retail, commercial and corporate credit risk	Retail and commercial credit risk		Interest rate risk in the banking book
	Insurance risk	Traded market risk		Interest rate risk in the banking book		Funding and liquidity risk
				Funding and liquidity risk		Foreign exchange risk
	Equity investment risk					
	Operational risk					
Other risks	Strategic, business, reputational, model, environmental and social, regulatory and conduct risk					

* With effect from 1 July 2017, the wealth and investment management business moved from Ashburton Investments to FNB.
** Value-added products and services.
\# For risk definitions refer to page 150.

RISK PROFILE

The following table provides a high-level overview of FirstRand's risk profile in relation to its quantitative return and risk appetite measures.

	YEAR ENDED 30 JUNE 2018	RETURN AND RISK APPETITE QUANTITATIVE MEASURES	2018 IN REVIEW
GROWTH AND RETURNS	**Normalised ROE** **23.0%** 2017: 23.4%	**Normalised ROE** Long-term target **18% – 22%**	The quality of the group's operating businesses' growth strategies and disciplined allocation of financial resources has over time enabled the group to deliver on its earnings growth and return targets. The *CFO report* provides an overview of the group's financial position and performance for the year ended 30 June 2018.
	Normalised earnings growth **+8%** 2017: +7%	**Normalised earnings growth** Long-term target **Nominal GDP plus >0% – 3%**	
SOLVENCY	**Capital adequacy** **14.7%** 2017: 17.1%	**Capital adequacy** Target **>14%**	The group's CET1 position was impacted by the acquisition of Aldermore in April 2018, which resulted in a reduction in the CET1 ratio of 240 bps. The decrease in the CET1 position relates mainly to the payment of goodwill and identified intangible assets, as well as the consolidation of Aldermore RWA. Post the acquisition of Aldermore, FirstRand operated above its stated capital targets. The group continues to actively manage its stated capital composition given the grandfathering and redemption of old-style Tier 2 instruments. During the year under review, the group issued R2.75 billion Basel III-compliant Tier 2 instruments in the domestic market, as well as \$500 million in the international market. This resulted in a more efficient composition which is closely aligned with the group's internal targets. The Basel III leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring the interplay between capital and leverage. FirstRand has maintained a leverage ratio above its internal targets.
	Tier 1 **12.1%** 2017: 14.9%	**Tier 1** Target **>12%**	
	CET1 **11.5%** 2017: 14.3%	**CET1** Target **10% – 11%**	
	Leverage **7.1%** 2017: 8.6%	**Leverage** Target **>5%**	

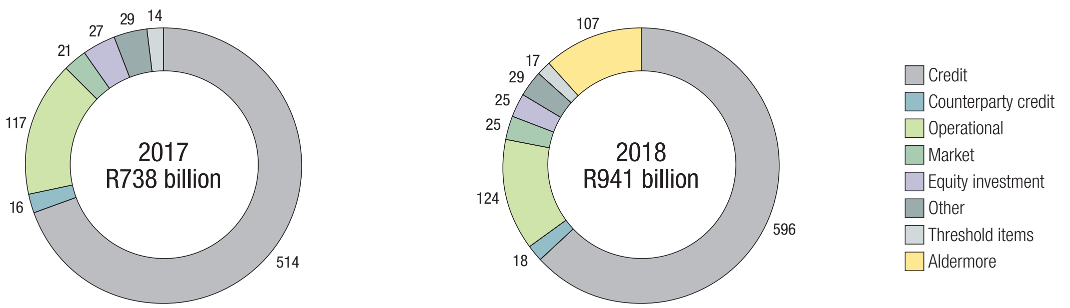
Note: Capital and leverage ratios include unappropriated profits.

LIQUIDITY	**LCR** **115%** 2017: 97%	**LCR** Minimum regulatory requirement: **90%** (2017: 80%)	FirstRand continued to actively manage liquidity buffers through high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The group exceeded the 90% minimum LCR with an average LCR of 115% over the quarter ended 30 June 2018. At 30 June 2018, the group's average available HQLA holdings amounted to R203 billion.
	NSFR **112%** 2017: n/a	**NSFR** Minimum regulatory requirement: **100%**	The NSFR became effective on 1 January 2018 with a minimum regulatory requirement of 100%. The group exceeded the 100% minimum requirement with an NSFR of 112% at 30 June 2018.

	RISK TYPE	YEAR ENDED 30 JUNE 2018	2018 IN REVIEW
EXPOSURES PER RISK TYPE	**Credit risk**	**Normalised NPLs** **2.36%** 2017: 2.41% **Normalised credit loss ratio** **84 bps** **90 bps** (excluding Aldermore) 2017: 91 bps Long-run average (excluding Aldermore) **100 – 110 bps**	The group's credit loss ratio of 84 bps (90 bps excluding Aldermore) was 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 and the acquisition of Aldermore.
	Market risk	**10-day expected tail loss** **R464 million** 2017: R350 million	The foreign exchange asset class represents the most significant traded market risk exposure as at 30 June 2018. The group's market risk profile remained within risk appetite.
	Equity investment risk	**Equity investment risk carrying value as % of Tier 1** **11.7%** 2017: 10.1%	The year was characterised by some realisations and new investments added to the private equity portfolio. The quality of the investment portfolio remains acceptable and within risk appetite.
	Interest rate risk in the banking book	**Net interest income sensitivity** **Down 200 bps** **-R3.4 billion** 2017: -R2.1 billion **Up 200 bps** **R3.1 billion** 2017: R1.4 billion	Assuming no change in the balance sheet nor any management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R3.4 billion. A similar increase in interest rates would result in an increase in projected 12-month NII of R3.1 billion. The group's average endowment book was R223 billion for the year. The year-on-year increase in NII sensitivity was largely driven by the inclusion of Aldermore and the transitioning of RMB's investment banking advances from fair value to amortised cost in preparation for IFRS 9.

The group's RWA distribution below shows that credit risk remains the most significant risk type that the group is exposed to.

RWA ANALYSIS



CURRENT AND EMERGING CHALLENGES AND OPPORTUNITIES

Identifying and monitoring challenges emerging in the wider operating environment and risk landscape domestically, the rest of Africa and the UK, are integral to the group's approach to risk management. Challenges in the global environment are also monitored to identify possible impacts on the group's operating environment.

These challenges and associated risks are continuously identified, potential impacts determined, reported to and debated by appropriate risk committees and management.

CURRENT AND EMERGING CHALLENGES	OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS
Strategic and business risks	
> Global pressure on emerging markets. > Intensifying competition in banking profit pools from non-traditional competitors (specifically those with low-cost infrastructures) and insurance players. > Policy uncertainty with challenges remaining around the mining charter, state-owned enterprises' (SOEs) financial stability and labour markets. > In the UK, uncertainty relating to Brexit dominates the macroeconomic outlook and will continue to weigh on business and consumer confidence, which in turn is expected to suppress investment spending to a certain degree.	> Developments in South Africa and other key markets are monitored with appropriate responses, strategic adjustments and proactive financial resource management actions implemented, where required. > Refer to the *CEO's report* for detail on the group's strategic responses to intensifying competition from non-traditional competitors. > Credit origination and funding strategies are assessed and adjusted considering macroeconomic conditions and market liquidity. > 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.
Funding, liquidity and capital	
> The current environment of increasing cost and scarcity of financial resources, and greater potential for global financial market volatility, pose risks for FirstRand's funding, liquidity and capital profile. > The impact of PA transitional regulatory requirements, which include buffer add-ons for domestic systemically-important banks, the countercyclical buffer, and capital conservation requirements, are incorporated in the targets set for the group, but regulatory reforms such as ongoing Basel III pronouncements may pose further risks for capital levels.	> The group continues to focus on growing its deposit franchise through innovative products and improving the risk profile of institutional funding. > FirstRand has continued to exceed internal capital targets, with ongoing focus on optimising the capital stack. > The impact of the proposed regulatory reforms continues to be assessed and incorporated into the group's capital planning.
Credit and counterparty credit risk	
> Credit risk remains high due to a macroeconomic environment characterised by low economic growth, structural constraints, high structural unemployment, and rising income and wealth disparity. > Credit and counterparty credit risks are impacted by the sovereign rating, policy uncertainty and financial distress of several large SOEs.	> Despite challenging economic conditions, the group is benefiting from prudent risk mitigation measures in place. > Developments in the corporate and public sector are closely monitored and managed. > The group reviews risk appetite and credit origination strategies on an ongoing basis. > Sovereign rating actions are also monitored, together with the ratings of associated entities, with proactive revisions, where required. > The group worked towards finalising its implementation of IFRS 9 impairment models. IFRS 9 comes into effect on 1 July 2018.

CURRENT AND EMERGING CHALLENGES	OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS
Traded market risks	
> The overall diversified level of market risk increased over the year. There were no significant concentrations in the portfolio.	> Given the impending regulatory changes outlined in the BCBS's documents, *Fundamental review of the trading book* and BCBS 239, RMB is reviewing the current target operating platform for market risk activities, considering platform capabilities across both front office and risk-management areas, and aligning market risk processes, analyses and reporting in line with these requirements.
Interest rate risk in the banking book and structural foreign exchange risk	
> The SARB is expected to begin a shallow interest rate hiking cycle from 2019. > The next hike could come sooner if inflation is stronger than expected, or if the rand depreciates further than expected.	> The group is addressing the new BCBS requirements for IRRBB. > FirstRand actively manages the endowment book, monitors the net open forward position in foreign exchange against limits, assesses and reviews the group's foreign exchange exposures and enhances the quality and frequency of reporting.
Operational, IT and information governance risk	
> Operational risk is driven by ongoing challenges in the IT environment, growing sophistication of cybercrime, operational challenges in meeting various regulatory requirements across multiple jurisdictions, current group-wide projects to replace key legacy systems, risk of process breakdowns and organisational change. > The impact of external factors on business operations, such as disruptive protest actions, water and electricity supply shortages and interruptions, pose a risk to operations and require management to continuously review contingency plans to ensure minimal business disruption. > Increased business digitisation (including robotics and artificial intelligence) introduces additional IT risk due to the demand and speed of digital technology adoption.	> Continue to address possible control weaknesses, improve system security, IT risk processes and operational business resilience capability. > Integrated group cybercrime strategy and cyber incident response planning. > Continue to improve risk data management, aggregation and reporting. > Align IT and related frameworks and risk management practices with changing business models and the technology landscape. > Improve information management capabilities and the control environment, and roll out awareness programmes on records management, data quality and data privacy management.
Regulatory and conduct risk	
> The Twin Peaks system of financial regulation was implemented in April 2018. This has resulted in the creation of the PA and the Financial Sector Conduct Authority to govern prudential regulation and market conduct, respectively. > Regulatory and conduct risk management is impacted by the changing regulatory landscape and the ongoing introduction of new/amended regulations and legislation (particularly in banking activities) and the pressure on resources which could impact profitability over the medium to long term. > Heightened scrutiny and monitoring by regulators and other stakeholders on regulatory compliance and ethical conduct.	> Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new and amended local and international regulatory requirements, market conduct reforms, data privacy and financial crime legislation. > Focus on monitoring the risk culture with clear prevention and remediation frameworks. > Risk mitigation strategies will focus on the integration of conduct risk controls into business-as-usual processes, the repositioning of some programmes to cater for regulatory changes, the active management of conflicts of interest and creating greater awareness of these matters at every level of the organisation.

DISCLOSURE OF KEY RISKS

The definitions of key risks, a description of how each risk arises and a list of where the group discloses its objectives, policies and processes for managing these risks are provided below.

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks. The quantitative information required by IFRS 7 is presented in the notes to the financial statements in the annual financial statements and sets out the group's exposure to these financial and insurance risks.

Further detailed analysis of the group's risks and the Pillar 3 disclosure requirements are provided in the Pillar 3 disclosure and can be found on the group's website www.firstrand.co.za.

FINANCIAL AND INSURANCE RISKS

RISK TYPE	RISK DEFINITION	DISCLOSURE REQUIREMENT	REPORT REFERENCES
Capital management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets.	> Capital adequacy and composition of capital > Common disclosure templates in line with the Regulations	Pillar 3 disclosure
Credit risk	The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.	> IFRS 7 quantitative information	Annual financial statements
		> Pillar 3 disclosure requirements	Pillar 3 disclosure
Counterparty credit risk	The risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.	> Pillar 3 disclosure requirements	Pillar 3 disclosure
Funding and liquidity risk		> IFRS 7 quantitative information	Annual financial statements
> Funding liquidity risk > Market liquidity risk	The risk that a bank will not be able to effectively meet current and future cashflow and collateral requirements without negatively affecting the normal course of business, financial position or reputation. The risk that market disruptions or lack of market liquidity will cause a bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.	> Funding and liquidity risk governance, assessment and management > Liquidity risk profile > Common disclosure templates in line with the regulations	Pillar 3 disclosure
Traded market risk	The risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.	> IFRS 7 quantitative information	Annual financial statements
		> Pillar 3 disclosure requirements	Pillar 3 disclosure

RISK TYPE	RISK DEFINITION	DISCLOSURE REQUIREMENT	REPORT REFERENCES
Non-traded market risk		> IFRS 7 quantitative information > Projected NII sensitivity > Net structural foreign exposures	Annual financial statements
> Interest rate risk in the banking book > Structural foreign exchange risk	The sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. Foreign exchange risk is the risk of an adverse impact on the group's financial position and earnings as a result of movements in foreign exchange rates impacting balance sheet exposures.	> Governance, assessment and management > NII sensitivity > Banking book NAV sensitivity > Net structural foreign exposures	Pillar 3 disclosure
Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instrument.	> IFRS 7 quantitative information > Investment risk exposure and sensitivity	Annual financial statements
		> Governance, assessment and management > Investment risk exposure, sensitivity and capital	Pillar 3 disclosure
Insurance risk	Insurance risk arises from the inherent uncertainties relating to liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of liabilities differing from expectations. Insurance risk can arise throughout the product cycle and relates to product design, pricing, underwriting or claims management.	> Assessment and management of insurance risk	Pillar 3 disclosure

In terms of Regulation 43 of the *Regulations relating to banks*, the common disclosures are published on the group's website: www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx

NON-FINANCIAL RISKS

RISK TYPE	RISK DEFINITION	DISCLOSURE REQUIREMENT	REPORT REFERENCES
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.	> Assessment and management > Pillar 3 disclosure requirements	Pillar 3 disclosure
Regulatory risk	The risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of failure to comply with any applicable laws, regulations or supervisory requirements.	> Assessment and management > Pillar 3 disclosure requirements	Pillar 3 disclosure
Business risk	The risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress. Business risk is often associated with volume and margin risk, and relates to the group's ability to generate sufficient levels of revenue to offset its costs.	> Assessment and management > Pillar 3 disclosure requirements	Pillar 3 disclosure
Model risk	The use of models presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial losses, poor business and strategic decision making, or damage to the group's reputation.	> Assessment and management > Pillar 3 disclosure requirements	Pillar 3 disclosure
Reputational risk	The risk of reputational damage due to compliance failures, pending litigations, underperformance or negative media coverage.	> Assessment and management > Pillar 3 disclosure requirements	Pillar 3 disclosure
Environmental and social risk	Relates to environmental and social issues which impact the group's ability to successfully and sustainably implement business strategy.	> Governance and assessment	Environmental and social risk report on www.firstrand.co.za

05

firstrand group summary consolidated financial statements

155 – 200

firstrand group summary consolidated financial statements

Directors' responsibility statement and approval of the summary consolidated financial statements

for the year ended 30 June 2018

This summary consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2018 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on this summary consolidated financial statements appears on page 156.

The summary consolidated financial statements are not the group's statutory financial statements and do not contain all the disclosures required by IFRS. Reading the summary consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated financial statements have been audited by the group's external auditors. Their unmodified report is available for inspection at the group's registered office.

The audited consolidated financial statements are available online at www.firstrand.co.za, or may be obtained from the company secretary.

BASIS OF PRESENTATION

FirstRand prepares its summary consolidated financial statements in accordance with the requirements of the JSE Limited which requires the summary consolidated financial statements to be prepared in accordance with:

- the framework concepts and the recognition and measurement requirements of IFRS, and also, at a minimum contain the information required by IAS 34;
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- the requirements of the Companies Act 71 of 2008, as amended, applicable to summarised financial statements.

The consolidated financial statements, from which the summary consolidated financial statements are extracted, are:

- prepared by applying accounting policies that are in accordance with IFRS;
- in accordance with the going concern principle;
- using the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS; and
- presented in South African rand, which is the group's presentation currency.

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 on the accounting policies.

The amendments to IAS 7 introduce 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 on these assets in line with the amendments and the adoption of these amendments had no impact on the group.

The board acknowledges its responsibility to ensure the integrity of the summary consolidated financial statements. The board has applied its mind to the summary consolidated financial statements and believes that this document addresses all material issues and fairly presents the group's integrated performance and impacts.

Jaco van Wyk, CA(SA) supervised the preparation of the consolidated annual financial statements from which these summary consolidated financial statements were extracted. The consolidated annual financial statements were approved by the board of directors on 5 September 2018 and signed on its behalf by:

WR JARDINE
Chairman

AP PULLINGER
CEO

Sandton
3 October 2018

Independent auditors' report on the summary consolidated financial statements

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

OPINION

The summary consolidated financial statements of FirstRand Limited, set out on pages 161 to 200 of the annual integrated report, which comprise the summary consolidated statement of financial position as at 30 June 2018, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2018.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited's Guidance Letter: Summary of Financial Statements (25 July 2011), as set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 5 September 2018. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited's Guidance Letter: Summary of Financial Statements (25 July 2011), set out in the basis of presentation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

AUDITORS' RESPONSIBILITY

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

Deloitte & Touche

DELOITTE & TOUCHE
Registered auditor
Per partner: Darren Shipp

Johannesburg
3 October 2018

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: Francois Prinsloo
Registered auditor

Johannesburg
3 October 2018

Directors' report
for the year ended 30 June 2018

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company with a primary listing on the JSE Limited (JSE) (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of franchises comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments and provides a universal set of transactional, lending, investment and insurance products and services. The FCC franchise represents group-wide functions.

Whilst the group is predominantly South African-based, it has subsidiaries in the United Kingdom (being Aldermore Group plc), Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Dubai, Kenya, Angola and China.

Refer to page 62 for the simplified group structure.

The board acknowledges its responsibilities for the integrity of this report. Guidelines as provided by the 2016 King Code have been adopted in preparation of this report. The board believes that this report fairly represents the performance of the group.

CASH DIVIDEND DECLARATIONS

ORDINARY SHARES

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

DIVIDENDS

ORDINARY SHARES

	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**

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2018 are shown in note 3 of the group's summary financial statements in the annual integrated report.

ORDINARY SHARE CAPITAL

There were no changes to authorised or issued ordinary share capital during the year.

PREFERENCE SHARE CAPITAL

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS

The following shareholders have a significant beneficial interest in FirstRand's issued ordinary shares.

%	2018	2017
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)	**34.1**	34.1
Public Investment Corporation	**9.2**	9.1
BEE partners	**5.2**	5.2
Financial Securities Limited (Remgro)	**3.9**	3.9

A further analysis of shareholders is set out on page 221.

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.

DIRECTORATE

Details of the board of directors are on pages 76 to 78.

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.*

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under cautionary or where participants have knowledge of price sensitive information. Similar prohibitions exist in respect of trading in RMB Holdings Limited shares because of the relative importance of FirstRand in the earnings of RMB Holdings Limited. All directors' dealings require the prior approval of the chairman, and the company secretary retains a record of all such share dealings and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

ORDINARY SHARES

	Direct beneficial (thousands)	Indirect beneficial (including held by associates) (thousands)	Indirect via RMBH (thousands)	**Total 2018 (thousands)**	Percentage holding %	Total 2017 (thousands)
Executive directors and prescribed officers						
JP Burger	504	6 117	1 670	**8 291**	0.15	8 291
AP Pullinger	4 550	37	–	**4 587**	0.08	4 585
HS Kellan	780	629	11	**1 420**	0.03	1 420
J Celliers	–	333	1	**334**	0.01	338
C de Kock	300	536	–	**836**	0.01	1 136
JR Formby	598	587	–	**1 185**	0.02	1 185
Non-executive directors						
HL Bosman	120	–	–	**120**	–	120
LL Dippenaar*	1 377	1 728	101 627	**104 732**	1.87	104 732
GG Gelink	102	–	–	**102**	–	102
PM Goss**	1	–	16 401	**16 402**	0.29	16 402
NN Gwagwa	251	–	–	**251**	–	251
PK Harris#	–	313	9 473	**9 786**	0.17	9 786
WR Jardine	–	232	11	**243**	–	243
RM Loubser	–	–	1 868	**1 868**	0.03	1 868
EG Matenge-Sebesho	–	77	–	**77**	–	77
BJ van der Ross#	363	–	–	**363**	0.01	463
Total	8 946	10 589	131 062	**150 597**	2.67	150 999

* *Retired March 2018.*

** *Retired April 2018.*

\# *Retired November 2017.*

Directors' interests remained unchanged from the end of the financial year to the date of this report.

B PREFERENCE SHARES

	Indirect beneficial (thousands)	**Total 2018 (thousands)**	Total 2017 (thousands)
Non-executive directors			
LL Dippenaar	250	**250**	250
Total	250	**250**	250

WR JARDINE
Chairman

AP PULLINGER
CEO

5 September 2018

Company secretary's certification

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88 (2) (E) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

C LOW

Company secretary

Sandton

3 October 2018

Summary consolidated income statement
for the year ended 30 June

R million	Notes	2018	2017
Interest and similar income		**90 677**	80 441
Interest expense and similar charges		**(41 579)**	(35 524)
Net interest income before impairment of advances		**49 098**	44 917
Impairment and fair value of credit of advances	2	**(8 567)**	(8 054)
Net interest income after impairment of advances		**40 531**	36 863
Non-interest revenue		**44 193**	40 922
Income from operations		**84 724**	77 785
Operating expenses		**(48 462)**	(44 585)
Net income from operations		**36 262**	33 200
Share of profit of associates after tax		**519**	757
Share of profit of joint ventures after tax		**390**	281
Income before tax		**37 171**	34 238
Indirect tax		**(1 077)**	(1 081)
Profit before tax		**36 094**	33 157
Income tax expense		**(7 950)**	(7 018)
Profit for the year		**28 144**	26 139
Attributable to			
Ordinary equityholders		**26 546**	24 572
Contingent convertible securities (AT1)		**115**	–
NCNR preference shareholders		**351**	356
Equityholders of the group		**27 012**	24 928
Non-controlling interests		**1 132**	1 211
Profit for the year		**28 144**	26 139
Earnings per share (cents)			
Basic		**473.3**	438.2
Diluted		**473.3**	438.2

Summary consolidated statement of other comprehensive income

for the year ended 30 June

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

Summary consolidated statement of financial position

as at 30 June

R million	Notes	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	**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	3	**56**	56
Share premium	3	**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 changes in equity

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
Balance as at 1 July 2016	56	7 952	**8 008**	(930)	308
Net proceeds of issue of share capital	–	–	**–**	–	–
Proceeds from the issue of share capital	–	–	**–**	–	–
Share issue expenses	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Contingent convertible securities dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	8	**8**	–	–
Total comprehensive income for the year	–	–	**–**	169	(150)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2017	56	7 960	**8 016**	(761)	158
Net proceeds of issue of share capital	–	–	**–**	–	–
Proceeds from the issue of share capital	–	–	**–**	–	–
Share issue expenses	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Contingent convertible securities dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	34	**34**	–	–
Total comprehensive income for the year	–	–	**–**	38	185
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2018	56	7 994	**8 050**	(723)	343

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares and contingent convertible securities	Non-controlling interests	Total equity
9	(441)	3 310	374	89 107	91 737	4 519	3 801	108 065
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	8	8
3	–	–	195	(167)	31	–	81	112
–	–	–	–	(13 294)	(13 294)	–	(1 099)	(14 393)
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	(356)	–	(356)
–	–	–	16	(16)	–	–	–	–
–	–	–	–	(175)	(175)	–	(166)	(341)
–	–	–	–	(8)	(8)	–	–	–
–	(274)	(1 620)	(123)	24 572	22 574	356	1 156	24 086
(3)	–	–	–	6	3	–	–	3
9	(715)	1 690	462	100 025	100 868	4 519	3 781	117 184
–	–	–	–	–	–	–	14	14
–	–	–	–	–	–	–	14	14
–	–	–	–	–	–	–	–	–
–	–	(24)	–	–	(24)	1 250	(22)	1 204
7	–	–	191	(226)	(28)	–	12	(16)
–	–	–	–	(14 921)	(14 921)	–	(923)	(15 844)
–	–	–	–	–	–	(115)	–	(115)
–	–	–	–	–	–	(351)	–	(351)
–	–	–	18	(18)	–	–	–	–
–	–	–	–	(139)	(139)	–	5	(134)
–	–	–	–	2	2	–	–	36
–	(646)	1 166	(72)	26 546	27 217	466	1 137	28 820
(12)	–	–	–	12	–	–	–	–
4	(1 361)	2 832	599	111 281	112 975	5 769	4 004	130 798

Summary consolidated statement of cash flows

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		
Acquisition 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 to 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

* *In the current year taxation paid was reclassified from movement 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 Rnil impact on net cash generated from operating activities.*

** *Gross cash paid less cash in subsidiaries on date of acquisition.*

Statement of headline earnings, earnings and dividends per share
for the year ended 30 June

	R million		Cents per share	
	2018	2017	**2018**	2017
Headline earnings				
– Basic	**26 509**	23 762	**472.7**	423.7
– Diluted	**26 509**	23 762	**472.7**	423.7
Earnings attributable to ordinary equityholders				
– Basic	**26 546**	24 572	**473.3**	438.2
– Diluted	**26 546**	24 572	**473.3**	438.2
Dividends – ordinary				
– Interim			**130.0**	119.0
– Final declared/paid			**145.0**	136.0
Dividends – preference				
– Interim			**386.2**	395.6
– Final declared/paid			**378.3**	393.6

WEIGHTED AVERAGE NUMBER OF SHARES

	2018	2017
Weighted average number of shares before treasury shares	**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)
Weighted average number of shares in issue	**5 608 124 783**	5 608 007 067
Diluted weighted average number of shares in issue	**5 608 124 783**	5 608 007 067

The same weighted average number of shares was used for the diluted HEPS and diluted EPS as there are no potential dilutive ordinary shares in issue.

HEADLINE EARNINGS RECONCILIATION

	2018		2017	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders		**26 546**		24 572
Adjusted for				
Gain on disposal of investment securities of a capital nature	**(29)**	**(23)**	(3)	(3)
Loss/(gain) on disposal of available-for-sale assets	**91**	**67**	(52)	(33)
Transfer from foreign currency translation reserve	**108**	**85**	–	–
Loss on disposal of non-private equity associates	**–**	**–**	5	5
Impairment of non-private equity associates	**–**	**–**	4	4
Gain on disposal of investments in subsidiaries	**(97)**	**(75)**	(1 817)	(1 361)
Loss on reclassification of non-current assets and disposal groups held for sale which were not sold	**–**	**–**	95	95
Gain/(loss) on disposal of property and equipment	**(63)**	**(35)**	14	10
Property related insurance recovery	**(31)**	**(21)**	–	–
Impairment of goodwill	**12**	**7**	119	119
Fair value movement of investment properties	**(29)**	**(21)**	–	–
Impairment of assets in terms of IAS 36	**41**	**21**	370	354
Gain from a bargain purchase*	**(42)**	**(42)**	–	–
Headline earnings attributable to ordinary equityholders		**26 509**		23 762

Selected notes to the summary consolidated financial statements

for the year ended 30 June

1. ADVANCES

R million	Notes	2018	2017
Notional value of advances		**1 142 141**	911 720
Contractual interest suspended		**(2 079)**	(2 074)
Gross value of advances		**1 140 062**	909 646
Category analysis			
Overdrafts and cash management accounts		**74 451**	78 742
Term loans		**62 225**	53 465
Card loans		**29 753**	25 870
Instalment sales and hire purchase agreements		**215 072**	180 625
Lease payments receivable		**12 163**	5 872
Property finance		**374 027**	234 381
Personal loans		**45 324**	40 639
Preference share agreements		**48 644**	44 459
Assets under agreement to resell		**33 064**	30 885
Investment bank term loans		**150 383**	139 294
Long-term loans to group associates and joint ventures		**2 961**	1 891
Other		**36 765**	29 066
Total customer advances		**1 084 832**	865 189
Marketable advances		**55 230**	44 457
Gross value of advances		**1 140 062**	909 646
Impairment and fair value of credit of advances	2	**(18 835)**	(16 540)
Net advances		**1 121 227**	893 106

2. IMPAIRMENT AND FAIR VALUE OF CREDIT OF ADVANCES

	FNB		RMB	
R million	Retail	Commercial	Investment banking	Corporate banking
Analysis of movement in impairment of advances per class of advance				
Balance as at 1 July 2016	5 564	1 436	3 708	848
Amounts written off	(4 474)	(460)	(1 030)	(46)
Acquisitions of subsidiaries	–	–	–	–
Disposal of advances	–	–	–	–
Transfers (to)/from other divisions	(1)	1	(4)	(5)
Transfer from non-current assets or disposal groups held for sale	–	–	(39)	–
Reclassifications	–	–	–	–
Exchange rate differences	(28)	(1)	(69)	–
Unwinding of discounted present value on NPLs	(97)	(3)	–	–
Net new impairments created/(released)	5 382	586	400	138
Balance as at 30 June 2017	6 346	1 559	2 966	935
(Increase)/decrease in impairments	(5 382)	(586)	(400)	(138)
Recoveries of bad debts previously written off	1 477	55	–	1
Impairment (loss)/profit recognised in profit or loss	(3 905)	(531)	(400)	(137)
Balance as at 1 July 2017	**6 346**	**1 559**	**2 966**	**935**
Amounts written off	**(4 282)**	**(750)**	**(251)**	**–**
Acquisitions of subsidiaries	**–**	**–**	**–**	**–**
Disposals of advances	**–**	**–**	**(18)**	**–**
Transfers (to)/from other divisions	**(69)**	**2**	**12**	**41**
Transfer to non-current assets or disposal groups held for sale	**–**	**–**	**39**	**–**
Reclassifications	**–**	**–**	**–**	**–**
Exchange rate differences	**53**	**–**	**16**	**7**
Unwinding of discounted present value on NPLs	**(119)**	**–**	**–**	**–**
Net new impairments created/(released)	**5 291**	**741**	**235**	**11**
Balance as at 30 June 2018	**7 220**	**1 552**	**2 999**	**994**
(Increase)/decrease in impairments	**(5 291)**	**(741)**	**(235)**	**(11)**
Recoveries of bad debts previously written off	**1 605**	**71**	**–**	**3**
Impairment (loss)/profit recognised in profit or loss	**(3 686)**	**(670)**	**(235)**	**(8)**

WesBank	Aldermore	FCC and other	Total impairment	Specific impairment	Portfolio impairment
3 847	–	754	16 157	8 218	7 939
(3 494)	–	–	(9 504)	(9 504)	–
–	–	–	–	–	–
–	–	–	–	–	–
8	–	1	–	–	–
(1)	–	–	(40)	(40)	–
–	–	–	–	244	(244)
(51)	–	–	(149)	(83)	(66)
3	–	–	(97)	(97)	–
4 017	–	(350)	10 173	9 751	422
4 329	–	405	16 540	8 489	8 051
(4 017)	–	350	(10 173)	(9 751)	(422)
586	–	–	2 119	2 119	–
(3 431)	–	350	(8 054)	(7 632)	(422)
4 329	**–**	**405**	**16 540**	**8 489**	**8 051**
(3 756)	**(115)**	**–**	**(9 154)**	**(9 154)**	**–**
–	**484**	**–**	**484**	**196**	**288**
–	**–**	**–**	**(18)**	**(18)**	**–**
14	**–**	**–**	**–**	**–**	**–**
–	**–**	**–**	**39**	**39**	**–**
–	**–**	**–**	**–**	**80**	**(80)**
50	**39**	**2**	**167**	**79**	**88**
1	**(6)**	**–**	**(124)**	**(124)**	**–**
4 798	**57**	**(232)**	**10 901**	**10 405**	**496**
5 436	**459**	**175**	**18 835**	**9 992**	**8 843**
(4 798)	**(57)**	**232**	**(10 901)**	**(10 405)**	**(496)**
644	**11**	**–**	**2 334**	**2 334**	**–**
(4 154)	**(46)**	**232**	**(8 567)**	**(8 071)**	**(496)**

3. SHARE CAPITAL AND SHARE PREMIUM

SHARE CAPITAL AND SHARE PREMIUM CLASSIFIED AS EQUITY

Authorised shares	2018	2017
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

	2018			2017		
Issued shares	**Number of shares**	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Treasury shares	**(1 045 515)**	**–**	**(62)**	(311 919)	–	(96)
Total issued share capital attributable to ordinary equityholders	**5 608 442 486**	**56**	**7 994**	5 609 176 082	56	7 960
B preference shares	**45 000 000**	**–**	**4 519**	45 000 000	–	4 519
Total issued share capital attributable to equityholders		**56**	**12 513**		56	12 479

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The shareholding of subsidiaries in FirstRand Limited was 0.02% (2017: 0.01%) of total issued ordinary shares and these shares have been treated as treasury 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.

4. CONTINGENCIES AND COMMITMENTS

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

5. FAIR VALUE MEASUREMENTS

5.1 VALUATION METHODOLOGY

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

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

Non-recurring fair value measurements

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

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

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

5. FAIR VALUE MEASUREMENTS *continued*

Financial instruments

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

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

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included under section 5.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

5.2 FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

5. FAIR VALUE MEASUREMENTS *continued*

Measurement of assets and liabilities at level 2

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

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

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place in which case level 2 classifications are used.	Market transactions
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and interest rate curves
Treasury bills and other government and government guaranteed stock	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and interest rate curves

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and interest rate curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, these third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rates, foreign exchange rates and credit inputs
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates or performance of underlying

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplying this by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of the future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates and interest rate curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and interest rate curves

5. FAIR VALUE MEASUREMENTS *continued*

MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3

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

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

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. PE ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES continued			
Investment properties	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Income capitalisation rates
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

5. FAIR VALUE MEASUREMENTS *continued*

Non-recurring fair value measurements

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table.

2018

There were no non-recurring fair value measurements during the year.

2017

An investment in a subsidiary was classified as a disposal group held for sale in the prior year. The assets and liabilities in the disposal group were measured at fair value less costs to sell and classified as level 2 and level 3 of the fair value hierarchy, depending on the nature of the specific underlying asset and liability. Further details have been provided in note 14 of the published June 2018 annual financial statements.

During the prior year impairments were recognised for assets that are measured at fair value on a non-recurring basis. Further details have been provided in note 3 of the published June 2018 annual financial statements.

5. FAIR VALUE MEASUREMENTS *continued*

5.2.1 Fair value hierarchy

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

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

5. FAIR VALUE MEASUREMENTS *continued*

	2017			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	268	35 183	8	35 459
Advances	–	31 236	199 179	230 415
Investment securities	86 118	38 931	2 230	127 279
Non-recourse investments	–	10 369	–	10 369
Commodities	14 380	–	–	14 380
Investment properties	–	–	399	399
Total fair value assets – recurring	100 766	115 719	201 816	418 301
Non-recurring fair value measurements				
Non-current assets and disposal groups held for sale	–	188	79	267
Total fair value assets – non-recurring	–	188	79	267
Liabilities				
Recurring fair value measurements				
Short trading positions	15 276	–	–	15 276
Derivative financial instruments	307	43 863	233	44 403
Deposits	1 962	75 482	536	77 980
Non-recourse deposits	–	10 369	–	10 369
Other liabilities	–	2 226	1 543	3 769
Policyholder liabilities under investment contracts	–	3 150	–	3 150
Total fair value liabilities – recurring	17 545	135 090	2 312	154 947
Non-recurring fair value measurements				
Liabilities associated with disposal groups held for sale	–	123	–	123
Total fair value liabilities – non-recurring	–	123	–	123

5. FAIR VALUE MEASUREMENTS *continued*

5.3 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

5.3.1 Transfers between fair value hierarchy levels

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

	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 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)	

5. FAIR VALUE MEASUREMENTS *continued*

5.3 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

5.3.2 Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2016	62	204 736	2 380	386	128	1 479	679
Gains/losses recognised in profit or loss	(54)	15 295	80	–	71	175	(33)
Gains/losses recognised in other comprehensive income	–	(1)	(21)	–	–	–	–
Purchases, sales, issue and settlements	–	(18 910)	(192)	13	(5)	(110)	(103)
Acquisitions/disposals of subsidiaries	–	(947)	–	–	–	–	–
Net transfer into level 3	–	–	–	–	38	–	–
Exchange rate differences	–	(994)	(17)	–	1	(1)	(7)
Balance as at 30 June 2017	**8**	**199 179**	**2 230**	**399**	**233**	**1 543**	**536**
Gains/losses recognised in profit or loss	**(17)**	**15 889**	**186**	**33**	**(107)**	**160**	**23**
Gains/losses recognised in other comprehensive income	**–**	**(1)**	**(7)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**40**	**(44 096)**	**(63)**	**2**	**1**	**(151)**	**(51)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**–**	**320**	**–**	**33**	**–**
Net transfer into level 3	**532**	**–**	**31**	**–**	**504**	**–**	**–**
Exchange rate differences	**–**	**266**	**17**	**–**	**(1)**	**1**	**6**
Balance as at 30 June 2018	**563**	**171 237**	**2 394**	**754**	**630**	**1 586**	**514**

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

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

5. FAIR VALUE MEASUREMENTS *continued*

5.3 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains/losses relating to remeasurement of assets and liabilities carried at fair value on a recurring basis classified in level 3 that are still held at reporting date. With the exception of interest on funding instruments and available-for-sale financial assets, all gains or losses are recognised in non-interest revenue.

	2018		2017	
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Derivative financial instruments	**11**	**–**	8	–
Advances*	**12 026**	**(1)**	12 148	(1)
Investment securities	**84**	**(7)**	257	(21)
Investment properties	**29**	**–**	–	–
Total	**12 150**	**(8)**	12 413	(22)
Liabilities				
Derivative financial instruments	**(299)**	**–**	(72)	–
Deposits	**24**	**–**	(27)	–
Other liabilities	**43**	**–**	97	–
Total	**(232)**	**–**	(2)	–

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

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

5. FAIR VALUE MEASUREMENTS *continued*

5.3 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

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

5. FAIR VALUE MEASUREMENTS *continued*

5.3 ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

	2018			2017		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**563**	**569**	**556**	8	11	4
Advances	**171 237**	**171 958**	**170 603**	199 179	199 854	198 783
Investment securities	**2 394**	**2 598**	**2 254**	2 230	2 394	2 100
Total financial assets measured at fair value in level 3	**174 194**	**175 125**	**173 413**	201 417	202 259	200 887
Liabilities						
Derivative financial instruments	**630**	**624**	**637**	233	227	246
Deposits	**514**	**460**	**551**	536	526	547
Other liabilities	**1 586**	**1 566**	**1 607**	1 543	1 526	1 561
Total financial liabilities measured at fair value in level 3	**2 730**	**2 650**	**2 795**	2 312	2 279	2 354

5. FAIR VALUE MEASUREMENTS *continued*

5.4 FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

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

	2017				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	662 691	667 600	–	105 381	562 219
Investment securities	29 779	29 843	22 121	6 995	727
Total financial assets at amortised cost	692 470	697 443	22 121	112 376	562 946
Liabilities					
Deposits	895 180	897 677	41	888 725	8 911
Other liabilities	2 602	2 601	–	967	1 634
Tier 2 liabilities	18 933	19 242	–	19 242	–
Total financial liabilities at amortised cost	916 715	919 520	41	908 934	10 545

5. FAIR VALUE MEASUREMENTS *continued*

5.5 DAY 1 PROFIT OR LOSS

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

R million	2018	2017
Opening balance	**51**	39
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**13**	17
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(10)**	(5)
Closing balance	**54**	51

5.6 FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. The methods used are:	
Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances based on the original credit spreads (as determined using the group's credit spread pricing matrix) and the fair value of advances based on the most recent credit spreads where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

5. FAIR VALUE MEASUREMENTS *continued*

5.6.1 Loans and receivables designated as at fair value through profit or loss

Certain financial assets designated at fair value also meet the definition of loans and receivables in terms of IAS 39. The table below contains details on the change in credit risk attributable to these financial assets.

	2018			
			Change in fair value	
			Due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**173 389**	**4 325**	**405**	**(1 702)**
Investment securities	**10 178**	**–**	**–**	**–**
Non-recourse investments	**11 160**	**–**	**–**	**–**
Total	**194 727**	**4 325**	**405**	**(1 702)**

	2017			
			Change in fair value	
			Due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	211 192	4 460	(63)	(2 137)
Investment securities	6 416	–	–	–
Non-recourse investments	10 369	–	–	–
Total	227 977	4 460	(63)	(2 137)

Losses are indicated with brackets.

5.6.2 Financial liabilities designated at fair value through profit or loss

	2018		2017	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**95 094**	**95 708**	77 980	78 068
Non-recourse deposits	**11 160**	**11 816**	10 369	6 263
Other liabilities	**3 560**	**3 690**	3 769	3 706
Policyholder liabilities under investment contracts	**3 877**	**3 877**	3 150	3 150
Total	**113 691**	**115 091**	95 268	91 187

The change in the fair value of these liabilities due to own credit risk is not material.

5. FAIR VALUE MEASUREMENTS *continued*

5.7 TOTAL FAIR VALUE INCOME INCLUDED IN PROFIT OR LOSS FOR THE YEAR

R million	2018	2017
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue	**7 027**	6 231
Fair value of credit of advances included in impairment of advances	**376**	(274)

6. SUMMARISED SEGMENT INFORMATION

	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**

	2017									
	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	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

7. 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.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group is an integrated financial services group comprising banking, insurance and asset management operations. The majority of the group's operations are in Africa and the United Kingdom. In addition, the group also has branches in the Channel Islands, India and London.

The group's operations are conducted through its six significant wholly-owned subsidiaries:

SUBSIDIARY	OPERATION
FirstRand Bank Limited	Banking
FirstRand EMA Proprietary Limited	Financial services
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand International Limited*	Financial services
FirstRand Insurance Holdings Proprietary Limited	Insurance

* *FirstRand International Limited acquired the entire issued share capital of Aldermore Group plc effective 1 April 2018.*

With the exception of the mandatory balances with central banks, there are no other significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to page 62 for a simplified group structure.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.1 ACQUISITIONS OF SUBSIDIARIES

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are as follows:

	Aldermore		Other insignificant acquisitions	
R million	**2018**	2017	**2018**	2017
ASSETS				
Cash and cash equivalents	**8 676**	–	**–**	71
Derivative financial instruments	**512**	–	**–**	–
Accounts receivable	**298**	–	**–**	43
Current tax asset	**–**	–	**–**	1
Advances	**147 447**	–	**–**	84
Investment securities	**11 922**	–	**–**	67
Investments in associates	**81**	–	**–**	28
Property and equipment	**68**	–	**2**	6
Investment properties	**–**	–	**570**	–
Deferred income tax asset	**58**	–	**173**	46
Intangible assets	**244**	–	**4**	186
Total assets acquired	**169 306**	–	**749**	532
LIABILITIES				
Derivative financial instruments	**266**	–	**–**	–
Creditors and accruals	**1 597**	–	**164**	83
Current tax liability	**164**	–	**–**	2
Deposits	**153 735**	–	**284**	159
Employee liabilities	**28**	–	**–**	1
Other liabilities	**–**	–	**2**	4
Deferred income tax liability	**10**	–	**38**	13
Tier 2 liabilities	**1 030**	–	**–**	–
Total liabilities acquired	**156 830**	–	**488**	262
Net asset value as at date of acquisition	**12 476**	–	**261**	270
Total goodwill is calculated as follows:				
Total cash consideration transferred	**18 311**	–	**–**	328
Total non-cash consideration transferred	**–**	–	**219**	–
Contingent consideration transferred	**–**	–	**–**	–
Less: net identifiable asset value at date of acquisition	**(12 476)**	–	**(261)**	(270)
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/(gain from a bargain purchase)	**5 895**	–	**(42)**	58

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

Significant acquisitions in 2018

Aldermore

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.

Management, together with external valuation experts, have applied judgement in identifying the intangible assets that result from the acquisition of Aldermore and have made use of estimates and assumptions in order to determine the value of each of these intangibles. The most significant intangible, other than goodwill, relates to broker relationships. The value of these broker relationships was determined by discounting the cash flows from the underlying book of advances, using a discount rate of 11.5%. The cash flows used in the calculation of the carrying value was determined after an appropriate broker attrition rate was applied. The key assumptions used in determining the carrying value of the broker relationship intangible asset is the discount rate and the attrition rates applied to the underlying advances books.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

The table below illustrates the sensitivity of the carrying value of the broker relationship intangible asset to a reasonable possible change in the discount rate or attrition rate. This assessment was performed by calculating a 1% absolute adjustment to the attrition rates applied to the underlying advances book and a 1% absolute adjustment to the discount rate applied to the cash flows. Based on the results of the sensitivity analysis performed, management is satisfied that the carrying amount of the broker relationship intangible asset is appropriate.

R million	Sensitivity		
	Discount rates		
	10.50%	11.50%	12.50%
Attrition rate			
+1%	2 351	2 084	1 829
Base case	2 483	2 201	1 921
-1%	2 613	2 304	2 013

The core deposit and trademark intangible assets are not sensitive to changes in the significant inputs and assumptions used to calculate these intangibles.

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.

Other insignificant acquisitions in 2018

The group, through RMB IBD, acquired a subsidiary as a result of a restructuring transaction. This acquisition resulted in a gain on bargain purchase of R42 million. The at acquisition fair values were reassessed to ensure the measurements appropriately reflect consideration of all available information as of the acquisition.

Other insignificant acquisitions in 2017

Other insignificant acquisitions include the acquisition of a 100% equity interest in a number of companies to enable FNB to become a leading financial services provider in Namibia. The effective date of the acquisition was 30 March 2017. This transaction included the acquisition of a commercial bank and a group of companies that provide investment and wealth management services. This acquisition resulted in the recognition of goodwill of R45 million.

8.1.1 ACQUISITIONS THAT DO NOT RESULT IN A CHANGE OF CONTROL

	RMB private equity		Other insignificant acquisitions	
R million	**2018**	2017	**2018**	2017
Carrying amount of non-controlling interest acquired	**(17)**	32	**28**	134
Consideration paid to non-controlling interest acquired	**(101)**	(121)	**(78)**	(41)
– Discharged by cash consideration	**(1)**	(121)	**(44)**	(41)
– Non-cash consideration	**(100)**	–	**(34)**	–
(Loss)/gain recognised directly in equity	**(118)**	(89)	**(50)**	93

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.2 Disposals of subsidiaries

8.2.1 Disposals of interest in subsidiaries with loss in control

	RMB private equity		Other insignificant disposals	
R million	**2018**	2017	**2018**	2017
ASSETS				
Cash and cash equivalents	**5**	–	**401**	–
Accounts receivable	**3**	–	**–**	–
Advances	**679**	–	**–**	2 391
Investments in associates	**9**	–	**–**	–
Property and equipment	**2**	–	**–**	–
Investment properties	**448**	–	**–**	–
Deferred income tax asset	**167**	–	**–**	–
Non-current assets and disposal groups held for sale	**234**	674	**150**	–
Total assets disposed of	**1 547**	674	**551**	2 391
LIABILITIES				
Creditors and accruals	**459**	–	**–**	2 391
Current tax liability	**1**	–	**–**	–
Liabilities directly associated with disposal groups held for sale	**171**	647	**–**	–
Intergroup banking accounts	**5**	–	**–**	–
Amounts due to holding company and fellow subsidiary companies	**979**	–	**–**	–
Total liabilities disposed of	**1 615**	647	**–**	2 391
Net asset value as at date of disposal	**(68)**	27	**551**	–
Total gain on disposal is calculated as follows:				
Total consideration received	**149**	1 823	**512**	–
Total cash consideration received	**149**	1 815	**469**	–
Total non-cash consideration received	**–**	8	**43**	–
Add: non-controlling share of net asset value at disposal date	**(11)**	(8)	**18**	–
Less: group's portion of the net asset value on disposal	**68**	(27)	**(551)**	–
Gain/(loss) on disposal of controlling interest in a subsidiary	**206**	1 788	**(21)**	–
Cash flow information				
Discharged by cash consideration	**149**	1 815	**469**	–
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**(5)**	–	**(401)**	–
Net cash inflow on disposal of subsidiaries	**144**	1 815	**68**	–

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

Disposals in 2018

RMB Private Equity

FirstRand Investment Holdings Proprietary Limited disposed of a private equity subsidiary that was held via Corvest Holdings Proprietary Limited. A gain of R206 million was made on the disposal of the subsidiary.

Disposals in 2017

RMB Private Equity

FirstRand Investment Holdings (Pty) Limited disposed of a private equity subsidiary that was held via RMB Investments and Advisory (Pty) Limited (RMBIA). A gain of R1 788 million was made on the disposal of the subsidiary.

The group consolidates entities, including investment funds, that it controls. When the investment funds are initially established the group provides seed capital and as a result of a significant interest and other factors, the group consolidates these funds. Refer to the basis of consolidation and equity accounting section of the accounting policies in the FirstRand annual financial statements for details of when the group controls investment funds in line with the requirements of IFRS 10. As the external investors increase, the group's interest decreases and the group may lose control over the fund.

Other insignificant disposals

The group consolidates entities, including investment funds, that it controls. When the investment funds are initially established the group provides seed capital and as a result of a significant interest and other factors, the group consolidates these funds. Refer to the basis of consolidation and equity accounting section of the accounting policies in the FirstRand annual financial statements for details of when the group controls investment funds in line with the requirements of IFRS 10. As the external investors increase, the group's interest decreases and the group may lose control over the fund.

During the prior financial year, it was assessed that the group no longer controls one of these investment funds, but retains significant influence. The fund was no longer consolidated, but accounted for as an investment in associates.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.3 NON-CONTROLLING INTERESTS

The only subsidiaries that give rise to a significant non-controlling interest are First National Bank of Namibia Holdings Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank Holdings Botswana Limited. The non-controlling interests recognised by the group result from First National Bank Holdings Botswana Limited's shareholding in FNB Botswana Limited. The non-controlling interests own 30.54% of FNB Botswana Limited.

In addition to the above, the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMBIA sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank of Namibia Holdings Limited	First National Bank Botswana Limited
Country of incorporation	**Namibia**	**Botswana**
% ownership held by NCI	**40.1**	**30.5**
% voting rights by NCI	**40.1**	**30.5**

R million	**2018**	2017	**2018**	2017
Balances included in the consolidated statement of financial position				
Total assets	**39 430**	37 810	**32 952**	30 129
Balances with central banks*	**345**	334	**1 014**	1 178
Total liabilities	**34 414**	33 269	**28 812**	26 573
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 582**	3 283	**1 928**	1 844
Non-interest revenue	**1 902**	1 654	**1 379**	1 255
Profit or loss before tax	**1 551**	1 637	**1 072**	877
Total comprehensive income	**1 059**	1 100	**951**	446
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**224**	232	**133**	128
Profit or loss attributable to non-controlling interests	**439**	459	**251**	209
Accumulated balance of non-controlling interests	**2 050**	1 859	**1 195**	1 036

* *These balances are not available to the group for day-to-day operational use.*

06 definitions, abbreviations and supplementary information

definitions, abbreviations and supplementary information

Definitions

Additional Tier 1 (AT1) capital	Non-cumulative non-redeemable (NCNR) preference share capital and contingent convertible securities, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Contingent convertible securities (AT1)	Fixed rate additional tier 1 perpetual subordinated contingent convertible securities issued by Aldermore.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

Abbreviations

AIRB	Advanced internal ratings based approach.
AMA	Advanced measurement approach.
ASF	Available stable funding.
AT1	Additional Tier 1 capital.
AUA	Assets under administration.
AUE	Assets under execution.
AUM	Assets under management.
AVC	Asset value correlation.
BCBS	Basel Committee for Banking Supervision.
BEE	Black economic empowerment.
BIA	Basic indicator approach.
BIS	Bank of International Settlements.
BPRMF	Business performance and risk management framework.
BSE	Botswana Stock Exchange.
C&TB	Corporate and transactional banking.
CAGR	Compound annual growth rate.
Capex	Capital expenditure.
CAR	Capital adequacy ratio.
CB	RMB corporate banking.
CCyB	Capital conservative counter cyclical.
CET1	Common Equity Tier 1 capital.
CIB	RMB corporate and investment banking.
CIS	Collective investment scheme.
CLF	Committed liquidity facility.
CVA	Credit value adjustment.
DIS	Deposit insurance scheme.
D-SIB	Domestic systemically important banks.
DWT	Dividend withholding tax.
EMTN	European medium term note programme.
EPS	Earnings per share.
FML	Full maintenance leasing.
FNB	First National Bank.
FREMA	FirstRand EMA Holdings (Pty) Ltd.
FRIHL	FirstRand Investment Holdings (Pty) Ltd.
FSB	Financial Services Board.
FSR	FirstRand Limited.
GBP	British pound.
HQLA	High quality liquid assets.
IB	RMB investment banking.
IB&A	Investment banking and advisory.
ICR	Individual capital requirement.
IM	Investment management.
INV	Investing.
ISP	Interest in suspense.
JSE	Johannesburg Stock Exchange.
LCR	Liquidity coverage ratio.
LGD	Loss given default.
LISP	Linked investment service provider.
LSE	London Stock Exchange.
M&S	Markets and structuring.
MCA	Market Conduct Authority.
MTM	Mark-to-market.
NCAA	National Credit Amendment Act.
NCNR	Non-cumulative non-redeemable.
NIACC	Net income after capital charge.
NII	Net interest income.
NIR	Non-interest revenue.
NOFP	Net open forward position in foreign exchange.
NPLs	Non-performing loans.
NSFR	Net stable funding ratio.
NSX	Namibian Stock Exchange.
PA	Prudential Authority.
P/E	Price earnings.
RA	Resolution Authority.
RMB	Rand Merchant Bank.
ROA	Return on assets.
ROE	Return on equity.
RPS	Required stable funding.
RWA	Risk weighted assets.
S&P	S&P Global Ratings.
SAICA	South African Institute of Chartered Accountants.
SARB	South African Reserve Bank.
SIX	Swiss Stock Exchange.
SRB	Special Resolution Bill.
TLAC	Total loss absorbing capacity.
TRS	Total return swap.
TSA	The standardised approach.
UK	United Kingdom.
VAF	Vehicle asset finance.
VAPS	Value added products and services.
VaR	Value-at-Risk.
WIM	Wealth and investment management.

Healthcheck definitions

- FirstRand is one of South Africa's "Big Four" banks. "Peers" is defined as the Big Four excluding FirstRand. ROE for FirstRand is as disclosed at 23.0% for the year to 30 June 2018. For the remainder of the peer group (Big Four excluding FirstRand's contribution) it is the weighted average as at 31 December 2017 in line with these banks' financial year ends.
- NIACC % of total is calculated using each bank's own cost of equity as disclosed, as well as earnings and NAV for respective year ends. For FirstRand, this includes the five years from 30 June 2014 to 30 June 2018. For the rest of the peer group, this includes the five-year weighted average across the peer group (excluding FirstRand) beginning 31 December 2013 and ending 31 December 2017.
- For FirstRand, earnings CAGR includes the five years beginning 30 June 2013 and ending 30 June 2018. For the rest of the peer group this includes the five-year weighted average across the peer group (excluding FirstRand) beginning 31 December 2012 and ending 31 December 2017.

Acquisition of Aldermore

Aldermore Group plc was acquired effective 1 April 2018 and consolidated from that date. The group's results, therefore, includes three months of Aldermore's income and full statement of financial position as at 30 June 2018. The following exchange rates were used for translation:

£/R	30 June 2018
Closing	18.177
Twelve month average	17.267

ADDITIONAL SEGMENTAL DISCLOSURE – ALDERMORE

	Three months ended 30 June 2018*						
R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let	Residential mortgages	Central functions	Total Aldermore
NII before impairment of advances	305	38	190	487	182	22	1 224
Impairment of advances	(39)	6	–	(8)	(5)	–	(46)
Normalised profit before tax	220	54	160	433	154	(472)	549
Normalised earnings	220	54	160	433	154	(745)**	276
Advances	33 632	4 879	17 631	80 756	26 978	–	163 876
– Normal advances	33 632	4 879	17 631	80 756	25 103	–	162 001
– Securitised advances	–	–	–	–	1 875	–	1 875
NPLs	112	14	54	246	190	–	616
Advances margin (%)	3.83	3.31	4.55	2.54	2.83	–	3.15
NPLs (%)	0.33	0.29	0.31	0.30	0.70	–	0.38
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	0.12

* *Aldermore acquisition date 1 April 2018.*
** *Tax expense retained in Central functions.*

£ million	Three months ended 30 June 2018*						
	Asset finance	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let**	**Residential mortgages**	**Central functions**	**Total Aldermore**
NII before impairment of advances	18	2	11	28	11	1	71
Impairment of advances	(2)	–	–	(1)	–	–	(3)
Normalised profit before tax	13	3	9	25	9	(27)	32
Normalised earnings	13	3	9	25	9	(43)**	16
Advances	1 850	269	970	4 443	1 484	–	9 016
– Normal advances	1 850	269	970	4 443	1 381	–	8 913
– Securitised advances	–	–	–	–	103	–	103
NPLs	6	1	3	14	10	–	34
Advances margin (%)	3.83	3.31	4.55	2.54	2.83	–	3.15
NPLs (%)	0.33	0.29	0.31	0.30	0.70	–	0.38
Credit loss ratio (%)	0.49	(0.52)	–	0.04	0.08	–	0.13

* *Aldermore acquisition date 1 April 2018.*
** *Tax expense reflected in Central functions.*

ADDITIONAL INFORMATION – ALDERMORE

	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**

Description of difference between normalised and IFRS results

The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies.

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

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

CLASSIFICATION OF IMPAIRMENT ON RESTRUCTURED ADVANCE

Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment. The restructure resulted in the group having significant influence over the counterparty and an investment in an associate was recognised. The group believes that the circumstances that led to the impairment arose prior to the restructure. For normalised reporting, therefore, the group retained the gross advance and impairment. This amount is classified in advances rather than investments in associates as this more accurately reflects the economic nature of the transaction.

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 4/2018 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

The group entered into a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes.

In terms of *IAS 39 Financial Instruments: Recognition and Measurement*, the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR.

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 4/2018 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 168.

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	
Net interest income before impairment of advances	**51 254**	–	–	(2 252)	
Impairment charge	**(8 567)**	–	–	–	
Net interest income after impairment of advances	**42 687**	–	–	(2 252)	
Total non-interest revenue	**41 926**	320	(18)	2 252	
– Operational non-interest revenue	**41 012**	320	(13)	2 252	
– Share of profit of associates and joint ventures after tax	**914**	–	(5)	–	
Income from operations	**84 613**	320	(18)	–	
Operating expenses	**(47 664)**	(320)	–	–	
Income before tax	**36 949**	–	(18)	–	
Indirect tax	**(1 077)**	–	–	–	
Profit before tax	**35 872**	–	(18)	–	
Income tax expense	**(7 865)**	–	–	–	
Profit for the year	**28 007**	–	(18)	–	
Attributable to					
Contingent convertible securities (AT1)	**(115)**	–	–	–	
NCNR preference shareholders	**(351)**	–	–	–	
Non-controlling interests	**(1 130)**	–	–	–	
Ordinary equityholders of the group	**26 411**	–	(18)	–	
Headline and normalised earnings adjustments	**–**	–	18	–	
Normalised earnings attributable to ordinary equityholders of the group	**26 411**	–	–	–	

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
–	–	–	96	**49 098**
–	–	–	–	**(8 567)**
–	–	–	96	**40 531**
–	(27)	92	557	**45 102**
–	(27)	92	557	**44 193**
–	–	–	–	**909**
–	(27)	92	653	**85 633**
151	–	(53)	(576)	**(48 462)**
151	(27)	39	77	**37 171**
–	–	–	–	**(1 077)**
151	(27)	39	77	**36 094**
(42)	(20)	–	(23)	**(7 950)**
109	(47)	39	54	**28 144**
–	–	–	–	**(115)**
–	–	–	–	**(351)**
–	–	(2)	–	**(1 132)**
109	(47)	37	54	**26 546**
(109)	47	(37)	(54)	**(135)**
–	–	–	–	**26 411**

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
Net interest income before impairment of advances	46 626	–	–	(1 796)
Impairment charge	(8 054)	–	–	–
Net interest income after impairment of advances	38 572	–	–	(1 796)
Total non-interest revenue	39 268	745	12	1 796
– Operational non-interest revenue	38 227	745	11	1 796
– Share of profit of associates and joint ventures after tax	1 041	–	1	–
Income from operations	77 840	745	12	–
Operating expenses	(43 773)	(314)	–	–
Income before tax	34 067	431	12	–
Indirect tax	(1 081)	–	–	–
Profit before tax	32 986	431	12	–
Income tax expense	(6 951)	–	–	–
Profit for the year	26 035	431	12	–
Attributable to				
Contingent convertible securities (AT1)	–	–	–	–
NCNR preference shareholders	(356)	–	–	–
Non-controlling interests	(1 208)	–	–	–
Ordinary equityholders of the group	24 471	431	12	–
Headline and normalised earnings adjustments	–	(431)**	(12)	–
Normalised earnings attributable to ordinary equityholders of the group	24 471	–	–	–

* *FirstRand shares held for client trading activities.*

** *Private equity-related goodwill and other assessment impairments.*

IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
–	–	–	87	44 917
–	–	–	–	(8 054)
–	–	–	87	36 863
–	(1 788)	1 849	78	41 960
–	(1 788)	1 853	78	40 922
–	–	(4)	–	1 038
–	(1 788)	1 849	165	78 823
163	–	(584)	(77)	(44 585)
163	(1 788)	1 265	88	34 238
–	–	–	–	(1 081)
163	(1 788)	1 265	88	33 157
(46)	30	(26)	(25)	(7 018)
117	(1 758)	1 239	63	26 139
–	–	–	–	–
–	–	–	–	(356)
–	426	(429)	–	(1 211)
117	(1 332)	810	63	24 572
(117)	1 332	(810)	(63)	(101)
–	–	–	–	24 471

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.*

07 shareholders' information

221 – 226

shareholders' information

Analysis of ordinary shareholders

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)		1 910 433	34.1
Public Investment Corporation		516 674	9.2
BEE partners*		290 317	5.2
Financial Securities Ltd (Remgro)		219 828	3.9
Subtotal		2 937 252	52.4
Other		2 672 236	47.6
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 261	38.0
Pension funds		855 770	15.2
Insurance companies and banks		261 319	4.6
Unit trusts		1 244 508	22.2
Individuals		32 261	0.6
BEE partners*		290 317	5.2
Other		795 052	14.2
Total		5 609 488	100.0
Public and non-public shareholders			
Public	55 142	3 179 964	56.6
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 261	38.0
– Directors and prescribed officers**	11	8 946	0.2
– BEE partners*	6	290 317	5.2
Total	55 161	5 609 488	100.0
Geographic ownership			
South Africa		3 776 585	67.3
International		1 442 655	25.7
Unknown/unanalysed		390 248	7.0
Total		5 609 488	100.0

* *Includes staff assistance trust.*

** *Reflects direct beneficial ownership.*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	6 003	44 750	99.4
Non-public			
– directors	1	250	0.6
Total	6 004	45 000	100.0

Performance on the JSE

	2018	2017
Number of shares in issue (thousands)	5 609 488	5 609 488
Market price (cents per share)		
Closing	6 389	4 715
High	7 725	5 446
Low	4 669	4 198
Weighted average	5 999	4 914
Closing price/net asset value per share	2.98	2.43
Closing price/earnings (headline)	13.34	11.13
Volume of shares traded (millions)	3 239	3 537
Value of shares traded (millions)	196 560	171 871
Market capitalisation (R billion)	358.39	264.49

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

COMPANY SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg 2196
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2052

Listed financial instruments of the group and its subsidiaries

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

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

Botswana Stock Exchange (BSE)

Ordinary shares

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

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB05	ZAG000031337	FRB16	ZAG000127622	FRB21	ZAG000140856
FRB12	ZAG000116278	FRB17	ZAG000127630	FRB22	ZAG000141219
FRB13	ZAG000116286	FRB18	ZAG000135229	FRB23	ZAG000146754
FRB14	ZAG000116294	FRB19	ZAG000135310	FRBC21	ZAG000052283
FRB15	ZAG000124199	FRB20	ZAG000135385	FRBC22	ZAG000052390
Senior unsecured					
FRBZ01	ZAG000049255	FRJ23	ZAG000149436	FRX26	ZAG000112160
FRBZ02	ZAG000072711	FRJ25	ZAG000124256	FRX27	ZAG000142506
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX30	ZAG000124264
FRJ19	ZAG000104563	FRX19	ZAG000073685	FRX31	ZAG000084195
FRJ20	ZAG000109596	FRX20	ZAG000109604	FRX32	ZAG000142514
FRJ21	ZAG000115858	FRX23	ZAG000104969	FRX45	ZAG000076480
FRJ22	ZAG000142498	FRX24	ZAG000073693		
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		
Structured notes					
FRS100	ZAG000111634	FRS109	ZAG000113564	FRS119	ZAG000118951
FRS101	ZAG000111774	FRS110	ZAG000113663	FRS120	ZAG000119298
FRS103	ZAG000111840	FRS112	ZAG000115395	FRS121	ZAG000120643
FRS104	ZAG000111857	FRS113	ZAG000115478	FRS122	ZAG000121062
FRS108	ZAG000113515	FRS114	ZAG000116070	FRS123	ZAG000121328

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS124	ZAG000122953	FRS151	ZAG000136987	FRS173	ZAG000148180
FRS126	ZAG000125188	FRS152	ZAG000136995	FRS174	ZAG000148198
FRS127	ZAG000125394	FRS153	ZAG000137670	FRS175	ZAG000149451
FRS129	ZAG000125865	FRS157	ZAG000144197	FRS176	ZAG000149444
FRS131	ZAG000126186	FRS158	ZAG000145012	FRS36	ZAG000077397
FRS132	ZAG000126194	FRS159	ZAG000145020	FRS37	ZAG000077793
FRS133	ZAG000126541	FRS160	ZAG000145038	FRS43	ZAG000078643
FRS134	ZAG000126574	FRS161	ZAG000145046	FRS46	ZAG000079807
FRS135	ZAG000126608	FRS162	ZAG000145111	FRS49	ZAG000081787
FRS136	ZAG000126780	FRS163	ZAG000145129	FRS51	ZAG000086117
FRS137	ZAG000127549	FRS164	ZAG000145160	FRS62	ZAG000090614
FRS138	ZAG000127556	FRS165	ZAG000145178	FRS64	ZAG000092529
FRS142	ZAG000130782	FRS166	ZAG000145756	FRS81	ZAG000100892
FRS143	ZAG000130790	FRS167	ZAG000145764	FRS85	ZAG000104985
FRS145	ZAG000134263	FRS168	ZAG000145772	FRS87	ZAG000105420
FRS146	ZAG000134636	FRS169	ZAG000145780	FRS90	ZAG000106410
FRS147	ZAG000135724	FRS170	ZAG000145954	FRS94	ZAG000107871
FRS149	ZAG000136573	FRS171	ZAG000147448	FRS96	ZAG000108390
FRS150	ZAG000136615	FRS172	ZAG000147455		
Credit-linked notes					
FRC107	ZAG000094574	FRC221	ZAG000121229	FRC256	ZAG000145806
FRC169	ZAG000104852	FRC225	ZAG000121435	FRC257	ZAG000146564
FRC176	ZAG000107178	FRC233	ZAG000128752	FRC258	ZAG000146580
FRC177	ZAG000107632	FRC234	ZAG000130816	FRC259	ZAG000147414
FRC178	ZAG000107897	FRC236	ZAG000135211	FRC260	ZAG000147596
FRC179	ZAG000108168	FRC237	ZAG000135203	FRC261	ZAG000147653
FRC181	ZAG000108549	FRC238	ZAG000135237	FRC262	ZAG000147646
FRC183	ZAG000109356	FRC239	ZAG000135245	FRC263	ZAG000148230
FRC185	ZAG000111451	FRC240	ZAG000135252	FRC264	ZAG000149345
FRC188	ZAG000111873	FRC241	ZAG000135393	FRC265	ZAG000149485
FRC189	ZAG000112145	FRC242	ZAG000135401	FRC266	ZAG000149824
FRC192	ZAG000114521	FRC243	ZAG000135419	FRC267	ZAG000150004
FRC195	ZAG000114745	FRC244	ZAG000135427	FRC268	ZAG000150095
FRC206	ZAG000116088	FRC245	ZAG000135468	FRC269	ZAG000150806
FRC207	ZAG000117649	FRC246	ZAG000135476	FRC270	ZAG000151234
FRC208	ZAG000117656	FRC247	ZAG000135484	FRC271	ZAG000151556
FRC209	ZAG000118613	FRC248	ZAG000135450	FRC272	ZAG000151564
FRC210	ZAG000120296	FRC249	ZAG000135542	FRC273	ZAG000151945
FRC212	ZAG000121054	FRC250	ZAG000135559	FRC274	ZAG000151952
FRC213	ZAG000121047	FRC251	ZAG000141813	FRC66	ZAG000088485
FRC215	ZAG000121021	FRC252	ZAG000142225	FRC69	ZAG000088766
FRC219	ZAG000121138	FRC254	ZAG000144825	FRC71	ZAG000088923

LONDON STOCK EXCHANGE (LSE)

European medium term note programme

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

SWISS STOCK EXCHANGE (SIX)

ISIN code
Senior unsecured
CH0238315680

Issuer: First National Bank of Namibia Limited

JSE

ISIN code
ZAG000142803
ZAG000142902

NSX

Domestic medium term note programme

ISIN code
Senior unsecured
NA000A188PX0
NA000A188PW2
NA000A188PV4
NA000A19FKU3
NA000A188PY8
NA000A19FKV1

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700
Senior unsecured	
FNBB005	BW 000 000 1510
FNBB006	BW 000 000 1528
FNBB009	BW 000 000 1916

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

IRISH STOCK EXCHANGE

ISIN code
Contingent convertible securities (AT1)
XS1150025549

08 notice of annual general meeting

notice of annual general meeting

Notice of annual general meeting

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the twenty second annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Thursday, 29 November 2018, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary, endorsements and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Limited Listings Requirements (Listings Requirements) and the Banks Act 94 of 1990 (the Banks Act).

SALIENT DATES	
Record date to be eligible to receive the notice of AGM	Friday, 19 October 2018
Posting date	Tuesday, 23 October 2018
Last day to trade to be eligible to attend and vote at the AGM	Tuesday, 20 November 2018
Record date to be eligible to attend and vote at the AGM	Friday, 23 November 2018
Proxies due (for administrative purposes) by 09:00*	Tuesday, 27 November 2018
AGM at 09:00**	Thursday, 29 November 2018

Notes:

The above dates and times are subject to amendment, provided, that in the event of an amendment, an announcement will be released on SENS.

All dates and times indicated above are references to South African dates and times.

* *Alternatively, to be handed to the chairman of the AGM prior to its commencement.*

** *Results of AGM to be released on SENS on Friday, 30 November 2018.*

Agenda

1. ANNUAL FINANCIAL STATEMENTS

Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company ("directors" or "board"), including the reports of the external auditors, audit committee and directors for the year ended 30 June 2018 (available on the company's website, www.firstrand.co.za), and the summary financial statements, which are included in the 2018 annual integrated report, of which this notice forms part, distributed as required by the Act to shareholders.

2. SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee report is set out on pages 123 to 130 in the annual integrated report, as required in terms of regulation 43 (5) (c) of the Act's Regulations, 2011.

3. ORDINARY RESOLUTIONS NUMBER 1.1 TO 1.4

Re-election of directors by way of separate resolutions

To re-elect the following directors by way of separate resolutions in accordance with the provisions of the company's memorandum of incorporation (MOI). The directors, being eligible, offer themselves for re-election. Details of the directors offering themselves for re-election are as follows.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.1	**Nolulamo Nobambiswano (Lulu) Gwagwa***	BA, MTRP, MSc, PhD	25 February 2004	Independent non-executive director
1.2	**Amanda Tandiwe (Tandi) Nzimande***	CTA, CA(SA), HDip Co Law	28 February 2008	Independent non-executive director
1.3	**Ethel Gothatamodimo Matenge-Sebesho**	MBA, CAIB	1 July 2010	Independent non-executive director
1.4	**Paballo Joel Makosholo**	MCom (IEDP), CA(SA)	1 October 2015	Non-executive director

* *During the year, a King IV independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision making in the best interests of the group.*

Additional information in respect of ordinary resolutions number 1.1 to 1.4

Skills and experience of these directors are set out on pages 241 to 242 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for each ordinary resolution numbered 1.1 to 1.4 to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

4. ORDINARY RESOLUTIONS NUMBER 1.5 TO 1.7

Vacancies filled by the directors during the year

Upon the recommendation of the nomination committee and the board, the following directors who were appointed by the board to fill a vacancy in accordance with the Act and the company's MOI, and are now recommended by the board for election by shareholders by way of separate resolutions.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.5	**Thomas (Tom) Winterboer**	BCom (Hons), CA(SA)	20 April 2018	Independent non-executive director
1.6	**Mary Vilakazi**	BCom (Hons), CA(SA)	1 July 2018	Executive director – COO

Change in designation

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.7	**Jan Jonathan (Jannie) Durand**	BAccSc (Hons), MPhil, CA(SA)	3 September 2018	Change in designation from non-executive director to alternate non-executive director

Additional Information in respect of ordinary resolutions number 1.5 to 1.7

Skills and experience of these directors are set out on pages 243 to 244 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for ordinary resolutions number 1.5 to1.7 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolutions.

5. RETIRING DIRECTORS

Pursuant to the retirement of three independent non-executive directors, namely Messrs PM Goss, JH van Greuning and BJ van der Ross during the 2018 financial year, the board temporarily comprised of a majority of the non-executive directors who were not considered to be independent during the period 1 December 2017 to 30 April 2018. The board, however, subscribes to the governance recommendations of King IV and filled the vacancy for an independent non-executive director which resulted in the appointment of Mr T Winterboer effective 20 April 2018. At the financial year-end and aligned to the governance recommendations of King IV, the majority of the board consisted of non-executive directors, the majority of whom are considered to be independent.

It was noted that the following directors retired during the financial year.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Benedict James van der Ross	30 November 2017	Independent non-executive director
Jan Hendrik van Greuning	30 November 2017	Independent non-executive director
Lauritz Lanser (Laurie) Dippenaar	31 March 2018	Chairman and non-executive director
Johan Petrus Burger	31 March 2018	CEO*
Patrick Maguire (Pat) Goss	30 April 2018	Independent non-executive director
Paul Kenneth Harris	30 April 2018	Non-executive director

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

6. ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.2

Reappointment of auditors

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. and recommend their reappointment as joint auditors of the company.

2.1 Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

Additional Information in respect of ordinary resolutions number 2.1 to 2.2

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

The percentage of voting rights required for ordinary resolutions number 2.1 to 2.2 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7. ORDINARY RESOLUTION NUMBER 3

General authority to issue authorised but unissued ordinary shares for regulatory capital reasons

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company to support the conversion and/or exchange (as the case may be) of Basel III compliant additional Tier 1 and Tier 2 instruments issued by either FirstRand or FirstRand Bank Limited (FirstRand Bank) as contemplated in the Regulations promulgated pursuant to the Banks Act (the Regulations) into FirstRand ordinary shares upon the occurrence of a trigger event as specified in writing by the CEO of the Prudential Authority or such other regulatory body in South Africa that has the authority to make such decisions, subject to:

> the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 5% (five percent) representing 280 422 124 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and

> the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:

- this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
- the ordinary shares which are the subject of conversion for regulatory capital reasons (i.e. being the extinction of a liability) under this authority must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
- in respect of shares which are the subject of the conversion and/or exchange (as the case may be):
  - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate numbers of shares to be allotted and issued in terms of this resolution;
  - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares;
  - an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five per cent) of the number of shares in issue prior to the issue, in accordance with Section 11.22 of the JSE Listings Requirements;
  - the ordinary shares which are the subject of the conversion and/or exchange under this authority must be issued to public shareholders and not to related parties;
  - any such issue under this authority are subject to exchange control regulations and approval at that point in time, if applicable;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
  - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio.

Reasons and effects of ordinary resolution number 3

> Basel III requires that the terms and conditions of additional Tier 1 and Tier 2 capital instruments contain a provision that such instruments, at the option of the Prudential Authority, either be written-off or converted into ordinary shares upon the occurrence of a trigger event as specified in writing by the CEO of the Prudential Authority (i.e. the CEO of the Prudential Authority determines that FirstRand Bank has reached the "point of non-viability", as such term is contemplated in the Regulations).

> This means that if a trigger event were to occur, additional Tier 1 and Tier 2 capital instruments issued by either FirstRand or FirstRand Bank would, at the option of the CEO of the Prudential Authority, either be written-off or converted into ordinary shares in the issued share capital of the company.

> The Regulations further require that FirstRand Limited must at all times maintain all prior authorisations

necessary to immediately issue the relevant number of ordinary shares specified in the terms and conditions of the additional Tier 1 and/or Tier 2 capital instruments and/or in terms of the provisions of the Banks Act and the Regulations dealing with additional Tier 1 and/or Tier 2 capital should the relevant trigger event occur.

- The effect of such a conversion of the additional Tier 1 and/or Tier 2 capital instruments issued by either FirstRand or FirstRand Bank into ordinary shares in FirstRand Limited would be to subordinate the claims of the holders of such instruments, such that those claims would in effect rank *pari passu* with the claims of the ordinary shareholders of the company.
- FirstRand Bank has and/or intends to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to the requirements of the Regulations in relation to the possible conversion of additional Tier 1 and/or Tier 2 instruments issued by FirstRand Bank for ordinary shares in FirstRand.

Additional Information in respect of ordinary resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

8. ORDINARY RESOLUTION NUMBER 4

General authority to issue authorised but unissued ordinary shares for cash

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half percent) representing 84 126 637 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue;
  - the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;
  - any such general issues are subject to exchange control regulations and approval at that point in time;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares;
  - in respect of shares which are the subject of the general issue of shares for cash:
    - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
    - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
    - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 4

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

Additional Information in respect of ordinary resolution number 4

The percentage of voting rights required for ordinary resolution number 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

9. ORDINARY RESOLUTION NUMBER 5

Signing authority

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 5

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

The percentage of voting rights required for ordinary resolution number 5 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

10. ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

10.1 ENDORSEMENT OF REMUNERATION POLICY

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on pages 93 to 102 in the remuneration report of the annual integrated report.

10.2 ENDORSEMENT OF REMUNERATION IMPLEMENTATION REPORT

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on pages 103 to 117 in the remuneration report of the annual integrated report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote, however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. In the event that, either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised, the board will initiate engagement with the relevant shareholders and the outcome thereof will be disclosed in the 2019 annual integrated report.

11. SPECIAL RESOLUTION NUMBER 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiary/ies (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the CEO of the Prudential Authority, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% of the company's issued ordinary share capital as at the

beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in aggregate of the number of issued shares in the company at any time;

- any such general repurchase will be subject to the applicable provisions of the Act, including sections 114 and 115 to the extent that section 48(8) is applicable in relation to that particular repurchase;
- neither the company nor its subsidiary/ies will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group;
- any such general repurchases are subject to exchange control regulations and approval at that time;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS in accordance with the JSE Listings Requirements; and
- at any time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reason and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the JSE Listings Requirements is set out in Annexure 1.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

12. SPECIAL RESOLUTION NUMBER 2.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified staff of the company, and related and interrelated companies participate.

The percentage of voting rights required for this special resolution number 2.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

13. SPECIAL RESOLUTION NUMBER 2.2

Financial assistance to related and inter-related entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

The percentage of voting rights required for this special resolution number 2.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

14. SPECIAL RESOLUTION NUMBER 3

Remuneration of non-executive directors

Resolved to approve as a special resolution as recommended by the remuneration committee and the board, set out in the table below, in respect of remuneration of non-executive directors, in their capacity as non-executive directors, as contemplated in Section 66(9) of the Act, with effect from 1 December 2018:

	Note	Proposed remuneration for the 12-month period from 1 December 2018 to 30 November 2019 (excl. VAT)	Remuneration for the 12-month period from 1 December 2017 to 30 November 2018 (excl. VAT)
Board			
Chairman	1	**6 496 954**	5 649 525
Director	2	**554 817**	523 412
Audit committee			
Chairman	3	**792 595**	747 731
Member		**396 298**	373 866
Risk, capital management and compliance committee			
Chairman	3	**792 595**	747 731
Member		**396 298**	373 866
Remuneration committee			
Chairman	3	**475 557**	448 639
Member		**237 778**	224 319
Directors' affairs and governance committee			
Chairman	3	**152 178**	143 564
Member		**76 089**	71 782
Large exposures committee			
Chairman	3	**559 150**	527 500
Member		**279 575**	263 750
Social, ethics and transformation committee			
Chairman	3/4	**438 008**	425 250
Member	4	**219 004**	212 625
Information, technology and risk governance committee			
Chairman	3	**318 000**	300 000
Member		**159 000**	150 000
Ad hoc work			
Special technical	5	**4 856**	4 581
Standard	6	**3 170**	2 991

1. *The group chairman's fees cover chairmanship and membership of all board committees and subcommittees. This has been adjusted in line with industry benchmarks.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees for board committee chairpersons are twice that of committee members fees.*
4. *A 3% increase applied to the social, ethics and transformation committee for the period, to align with industry benchmarks.*
5. *Special technical rate for highly specialised ad hoc work on an hourly basis at the request of the board.*
6. *Standard ad hoc rate for additional work on an hourly basis at the request of the responsible executive.*

Additional information in respect of special resolution number 3

The percentage of voting rights required for special resolution number 3 to be adopted is at least than 75% (seventy five percent) of the voting rights exercised on the resolution.

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

General

Shareholders wishing to attend the meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in its stead. A proxy need not be a shareholder. Shareholders are referred to the attached proxy form in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached proxy form in accordance with the instructions contained therein to be received for the orderly arrangement of matters on the day of the annual general meeting by the Transfer Secretaries, 15 Biermann Avenue, Rosebank Towers, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), by no later than 09:00 on Tuesday, 27 November 2018 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

If you are a dematerialised shareholder, other than with own-name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Dematerialised shareholders without own-name registration

Voting at the annual general meeting

> Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.

> If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.

> If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.

> You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

> In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own-name registration

Voting and attendance at the annual general meeting

> You may attend the annual general meeting in person and may vote at the annual general meeting.

> Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received by no later than 09:00 on Tuesday, 27 November 2018 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Certificated shareholders

Voting and attendance at the annual general meeting

> You may attend the annual general meeting in person and may vote at the annual general meeting.

> Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received by no later than 09:00 on Tuesday, 27 November 2018 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Voting requirements

Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shares held by FirstRand employee share trusts and unlisted shares will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the Listings Requirements and the Act.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of financial statements

The complete financial statements are available for inspection at the registered office and downloading on the company's website www.firstrand.co.za or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C LOW
Company secretary

5 September 2018

Transfer secretaries
Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Annexure 1 – Additional information regarding special resolution number 1

For the purposes of considering special resolution number 1 and in compliance with the Listings Requirements, the information listed below has been included.

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 76 to 78 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the Listings Requirements.

2. MAJOR SHAREHOLDERS

Details of major shareholders of the company are set out on page 221 of the annual integrated report.

3. SHARE CAPITAL OF THE COMPANY

Details of the share capital of the company are set out on page 172 of the annual integrated report.

4. MATERIAL CHANGES

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the annual integrated report to which this Annexure 1 forms part.

Annexure 2 – Skills and experience of the directors to be re-elected and vacancies filled by the directors during the year in ordinary resolution number 1.4 to 1.7

For the purposes of considering ordinary resolutions number 1.4 to 1.7 and in compliance with the JSE Listings Requirements, the information listed below has been included.

1 Nolulamo Nobambiswano **(Lulu)** Gwagwa (59)

BA, MTRP, MSc, PhD

Appointed February 2004

After studying abroad, Lulu took up a position in 1992 as a senior lecturer at the University of Natal's Department of Town and Regional Planning. From 1995 to 1998 she became the deputy director general in the national Department of Public Works. During this period, she also served as the presidential appointee on the Commission on Provincial Government and as deputy chair of the Ministerial Advisory Committee on Local Government Transformation. From 1998 until 2003 she was the CEO of the Independent Development Trust. She is currently the CEO of Lereko Investments, a black-owned investment company and the chairperson of Aurecon Africa.

FirstRand – committee memberships

- Directors' affairs and governance
- Social, ethics and transformation – chairman

Other listed directorships

Massmart Holdings Limited, Sun International Limited

2 Amanda Tandiwe **(Tandi)** Nzimande (48)

CTA, CA(SA), HDip Co Law

Appointed February 2008

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that, period she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching.

Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professional.

FirstRand – committee memberships

- Directors' affairs and governance – chairman
- Remuneration
- Social, ethics and transformation

Other listed directorships

Hulamin Limited and Verimark Holdings Limited

3 **Ethel** Gothatamodimo Matenge-Sebesho (63)

MBA, CAIB

Appointed July 2010

Ethel previously worked for Home Finance Guarantors Africa Reinsurance (HFGA Re), whose main objective is to facilitate access to housing finance in the low to medium income market in Africa. Her main role was to drive the establishment of new markets for the company in a number of African countries.

Prior to joining HFGA Re, Ethel was head of Housing Institutions at National Housing Finance Corporation, where she was part of a team that introduced social housing in South Africa. She has previously worked for Standard Chartered Bank in Botswana, at which time she obtained the Institute of Bankers' qualification and MBA from Brunel University of London.

Ethel has served on various bodies, among them, Air Botswana (vice chairman), Oikocredit (an international development financial institution based in the Netherlands), Botswana Investment and Trade Centre (vice chairman) and Momentum Investments.

FirstRand – committee memberships
- Audit
- Directors' affairs and governance
- First National Bank*

* *Divisional board*

Other listed directorships
Distell Group Holdings Ltd

4 **Paballo** Joel Makosholo (39)

MCom SA & International Tax, (IEDP), CA(SA)

Appointed October 2015

Paballo qualified as a chartered accountant after serving articles at KPMG and thereafter one year with Rothschild Investment Bank as an executive.

He joined Kagiso Trust in 2006 and was appointed chief financial and investment executive, a position he held for ten years. Paballo was responsible for overseeing all investments of the Trust which included FirstRand and Kagiso Tiso Holdings (KTH). He is currently the Chairman of KTH's Investment Committee and is working as chief operations officer at Kagiso Capital.

FirstRand – committee memberships
- Audit
- Directors' affairs and governance
- Social, ethics and transformation
- First National Bank*
- WesBank*

* *Divisional board*

Other listed directorships
None

5 Thomas **(Tom)** Winterboer (62)

BCom (Hons), CA(SA), AEP

Appointed April 2018

Tom joined Price Waterhouse in 1978 and left the firm after completion of his training contract in 1981 to join an investment bank. He rejoined the firm in 1982 and completed a two-year secondment in PwC's London offices from 1986 to 1988 as a senior manager, serving clients in the financial services industry, and a variety of other industries. He was admitted to partnership in 1989. Tom was appointed as the firm's banking leader since 1996 and later became financial services leader for PwC Africa where he was a member of the PwC Global Financial Services Leadership team. Tom developed and launched various banking and other financial services thought leadership material since 1996. He led services in assurance and advisory for the big four South African banks, foreign and smaller SA banks and for clients in many other industries.

In August 2014, Tom was appointed as the curator for African Bank. The new African Bank was successfully launched in April 2016, after which he continued his work as curator for Residual Debt Services Limited (previously African Bank Limited) until March 2018.

FirstRand – committee memberships

- Audit
- Directors' affairs and governance
- Risk, capital management and compliance

Other listed directorships

None

6 **Mary** Vilakazi (41)

BCom (Hons), CA(SA)

Appointed July 2018

Mary graduated from the University of the Witwatersrand in 1999 and qualified as a chartered accountant (2002) after serving articles at PricewaterhouseCoopers Inc. from 2000. Mary was admitted as a partner in 2005 in the Financial Services audit practice, specialising in Insurance and Investment management companies. After leaving the auditing profession in 2008, Mary took up the position of CFO of the MS group. She became a non-executive director of Metropolitan Holdings Board from 2009 before the merger with Momentum and thereafter a non-executive director of MMI Holdings board in 2010. She administered her own accounting, tax and advisory business from 2011 to 2014 and served on the boards of several entities, including MS Group subsidiaries, Kagiso Media Limited, Holdsport Limited and Development Bank of South Africa (DBSA) as well as MMI Holdings Limited.

Mary joined MMI Holdings in May 2014 as CEO of Balance Sheet Management and became the group finance director in July 2015. She was then appointed as the deputy chief executive officer in June 2017 where she was responsible for Metropolitan and Momentum retail businesses. In 2016, Mary was nominated at the World Economic Forum as a "Young Global Leader".

FirstRand – committee memberships

- Audit – *ex officio*
- Large exposures
- Risk, capital management and compliance – *ex officio*
- Social, ethics and transformation – *ex officio*
- First National Bank*
- Rand Merchant Bank*
- WesBank*

* *Divisional board*

Other listed directorships

None

7 Jan Jonathan **(Jannie)** Durand (51)

BAccSc (Hons), MPhil, CA(SA)

Appointed September 2018

Jannie studied at the University of Stellenbosch and after obtaining his BAcc degree in 1989 and BAcc (Hons) degree in 1990, he obtained his MPhil (Management Studies) degree from Oxford in 1992. He qualified as a chartered accountant in 1995.

He joined the Rembrandt Group in 1996 and became financial director of VenFin Limited in 2000 and CEO in May 2006. Jannie was appointed as chief investment officer of Remgro Limited in November 2009 and CEO from 7 May 2012.

FirstRand – committee memberships

- Directors' affairs and governance
- Remuneration

Other listed directorships
Distell Group Holdings, Mediclinic International plc, RCL Foods Limited, Rand Merchant Investment Holdings Limited (chairman), RMB Holdings Limited (chairman), and Remgro Limited

FirstRand

Proxy form – ordinary shareholders

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (FirstRand or the company)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2018 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Thursday, 29 November 2018 at 09:00 (the annual general meeting).

I/We

Of (address) (contact number)

Being the holder/s of ordinary shares in the company, hereby appoint (see notes overleaf)

1. Or, failing him/her
2. Or, failing him/her
3. The chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see notes overleaf).

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	**Against**	**Abstain**
Ordinary resolutions number 1.1 to 1.4 Re-election of directors by way of separate resolution: 1.1 NN Gwagwa			
1.2 AT Nzimande			
1.3 EG Matenge-Sebesho			
1.4 PJ Makosholo			
Ordinary resolutions number 1.5 to 17 Vacancies filled by the directors during the year 1.5 T Winterboer			
1.6 M Vilakazi			
1.7 JJ Durand			
Ordinary resolutions number 2.1 and 2.2 Reappointment of auditor: 2.1 Deloitte & Touche			
Reappointment of auditor: 2.2 PricewaterhouseCoopers Inc.			
Ordinary resolution number 3 General authority to issue authorised but unissued shares for regulatory capital reasons			
Ordinary resolution number 4 General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution number 5 Signing authority			
Advisory endorsement of remuneration policy Endorsement of remuneration policy			
Advisory endorsement of remuneration implementation report Endorsement of remuneration implementation report			
Special resolution number 1 General authority to repurchase ordinary shares			
Special resolution number 2.1 Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 2.2 Financial assistance to related and interrelated entities			
Special resolution number 3 Remuneration of non-executive directors with effect from 1 December 2018			

Signed at on 2018

Signature/s

Assisted by

(where applicable)

Proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Thursday, 29 November 2018 for administrative purposes (or alternatively to be handed to the Chairman of the AGM prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

Notes to proxy form

USE OF PROXIES

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid the completed proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 27 November 2018 for administrative purposes (or alternatively to be handed to the Chairman of the AGM prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

STUDIO ⑤

www.firstrand.co.za

FirstRand