FirstRand

# '19

## analysis of financial results

*for the year ended 30 June*

# about this report

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

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

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

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

FirstRand

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

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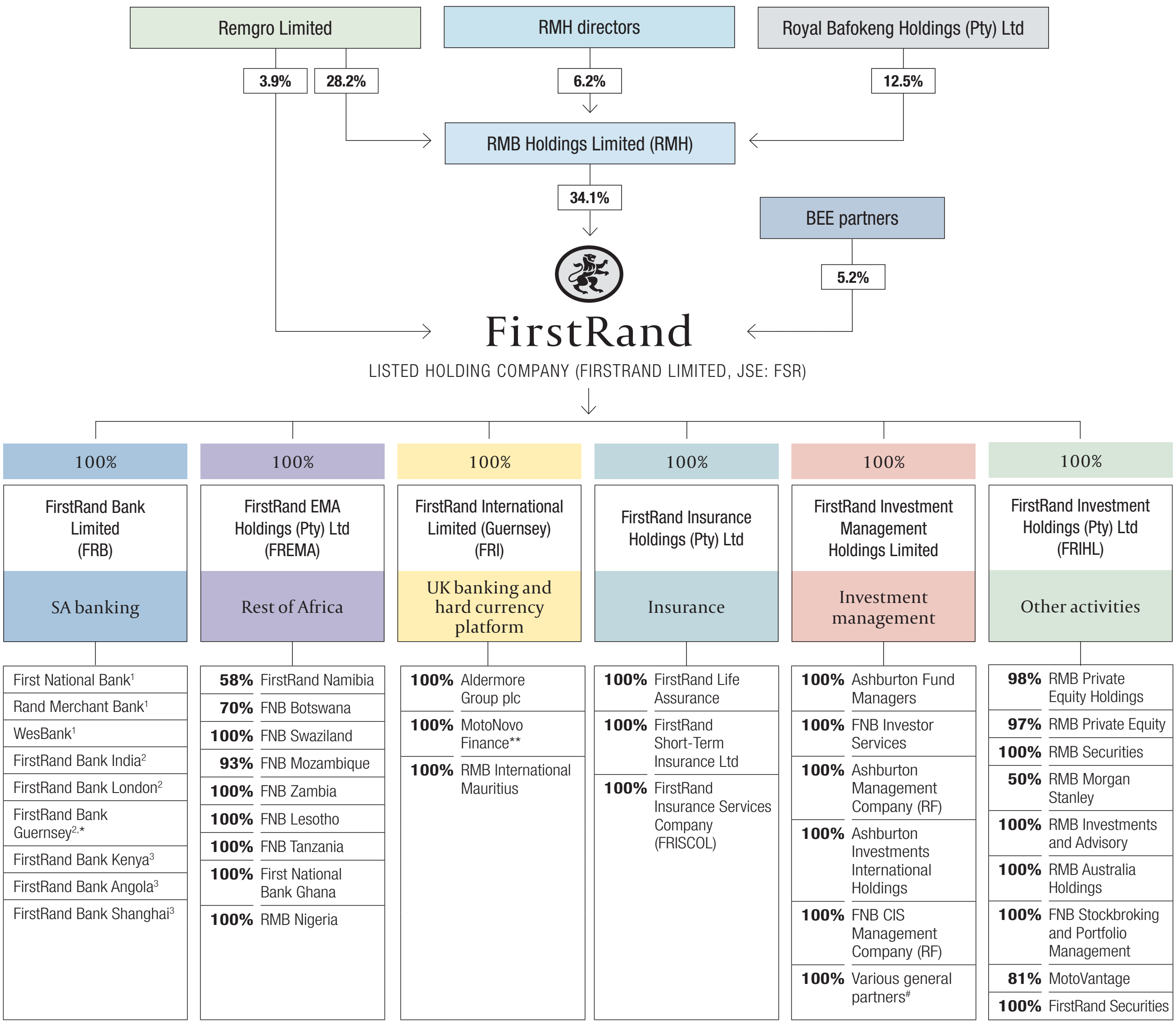
## overview of results

# Simplified group and shareholding structure




1. *Division.*
2. *Branch.*
3. *Representative office.*

*DirectAxis is a business unit of FirstRand Bank Limited.*

* *Trading as FNB Channel Islands.*

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

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

### Structure shows effective consolidated shareholding

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

FirstRand

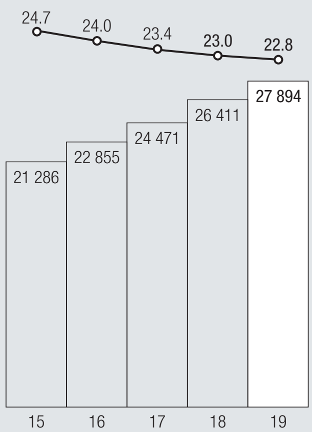
FIRSTRAND'S PORTFOLIO of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products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

| | | |
|---|---|---|
| Normalised earnings | ↑ 6% | 2018: 8% |
| Dividend per share | ↑ 6% | 2018: 8% |
| Normalised return on equity | 22.8% | 2018: 23.0% |
| Normalised net asset value per share | ↑ 7% | 2018: 11% |
| Normalised earnings per share | ↑ 6% | 2018: 8% |
| CET1 ratio | ↑ 12.1% | 2018: 11.5% |

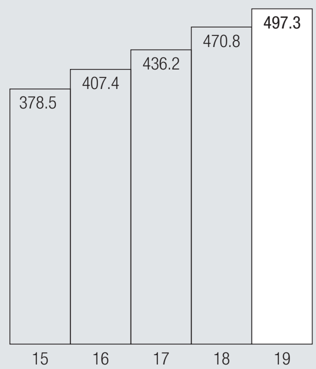
FNB RMB WesBank Aldermore ASHBURTON INVESTMENTS

# Track record

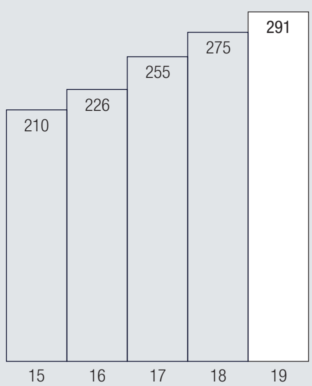
NORMALISED EARNINGS *(R million)* AND ROE *(%)*
**CAGR 7%**



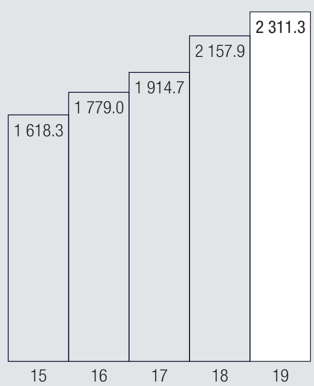

DILUTED NORMALISED EARNINGS PER SHARE *(cents)*
**CAGR 7%**




DIVIDEND PER SHARE *(cents)*
**CAGR 8%**




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




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

# Key financial results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 158 to 163. IFRS 9 and IFRS 15 were adopted effective 1 July 2018 and the statement of financial position as at 1 July 2018 was restated. Other comparatives were not restated, as allowed by IFRS 9 and IFRS 15. The income statement and statement of comprehensive income for the year ended 30 June 2018 and earnings-related ratios were not restated. The column headings indicate the basis of presentation.

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

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

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

** *75.56% of FNB prime lending rate.*

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

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

## KEY BALANCE SHEET RESULTS, RATIOS AND STATISTICS EXCLUDING ALDERMORE

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

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

# Summary consolidated income statement – normalised

*for the year ended 30 June*

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

# Summary consolidated statement of other comprehensive income – normalised

*for the year ended 30 June*

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

# Summary consolidated statement of financial position – normalised

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

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

# Flow of funds analysis – normalised

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

# Summary consolidated statement of changes in equity – normalised

*for the year ended 30 June*

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

* *Other reserves include the FVOCI reserve.*

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

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

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

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

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

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

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

**ALAN PULLINGER**
CEO

## INTRODUCTION

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

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

In South Africa, the government continued to make some progress with implementing governance and institutional reforms, although this did not translate into an improvement in economic conditions. The real economy remained weak on account of high government indebtedness, ongoing inefficiencies in the large state-owned entities (SOEs) and a lack of government capacity, combined with low private sector confidence and investment. Electricity supply interruptions and the global slowdown placed additional pressure on real GDP growth, which remained below one per cent. These conditions in turn placed significant and sustained pressure on both household and corporate income.

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

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

## GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. Its ambition is to deliver a fully integrated financial services value proposition across its regional portfolio, built on a customer-centric focus and underpinned by leading digital platforms and capabilities. In the UK the group aims to build further franchise value through scaling, digitisation and disruption.

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

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

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

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

## OVERVIEW OF RESULTS

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

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

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

Comparatives for 2018 have been restated to reflect these changes.

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

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

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

SOURCES OF NORMALISED EARNINGS

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

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

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

# *Includes FirstRand Limited (company).*

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

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

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

Total group NII increased 9% (+18% including Aldermore), underpinned by strong growth in deposits of 10% and solid advances growth of 9%. RMB delivered strong NII growth of 20%, driven by resilient core advances growth (+7%), supported by higher margins in the cross-border lending book, higher utilisation of trade and working capital facilities and good growth in deposits (+8%) in the corporate bank. FNB's NII growth was underpinned by robust advances growth of 9%, and strong deposit growth of 12%, particularly from the premium and commercial segments. WesBank's subdued NII reflects a tough operating environment, with advances down 2%.

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

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

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

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

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

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

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

As previously disclosed, IFRS 9 contributes a material increase in NPLs mainly due to:

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

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

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

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

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

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

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

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

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

- FNB card impairments increased >R330 million (+56%) on the back of 23% growth in advances. Operational NPLs in card increased materially (+94%) mainly due to specific origination issues. As part of its focus on acquiring new customers and cross-selling credit cards into its base, FNB saw strong book growth from new-to-bank and new-to-product origination strategies. As vintages showed strain, FNB implemented significant risk cutbacks, however, these cuts were delayed in certain cohorts. The group expects ongoing elevated NPLs in these cohorts in the 2020 financial year. However, the credit loss ratio of 3.68% remains well below TTC levels.
- The FNB personal loans charge increased >R500 million (+63%) and was also driven by strong book growth of 36%. Operational NPLs tracked book growth. The credit loss ratio of 6.39% remains well below TTC levels.
- DA's impairment charge increased >R200 million (+18%) largely due to prior year advances growth. Operational NPLs tracked book growth, which was slightly lower year-on-year.
- The impairment charge for FNB retail other increased >R100 million (+10%), reflecting advances growth of 13% and a 24% increase in operational NPLs.
- The residential mortgages credit loss ratio increased marginally to 11 bps, still due to low inflows of NPLs on the back of conservative origination. NPLs increased in line with expectations.
- An improvement in WesBank's vehicle asset finance (VAF) charge, benefiting from reducing appetite in higher-risk origination, resulting in NPL growth of 4%.
- A moderate improvement of 4% (in pound terms) in the standalone MotoNovo business's impairment charge, reflecting the benefit of risk cuts over the last 24 months.
- FNB commercial NPLs increased 36%, driven by growth in the higher collateralised agricultural portfolios against which proactive provisions were raised in prior years. The impairment charge increased to 75 bps, which has trended to the bottom of the TTC range.
- The RMB corporate and investment banking (CIB) portfolio reported a 7% increase in NPLs since 1 July 2018, reflecting the migration of certain counters in distressed industries. The overall portfolio reflected the higher levels of corporate stress in SA, resulting in an uptick in the credit charge in the current financial year to 12 bps.
- The 13% improvement in the credit performance in the rest of Africa portfolio benefited from proactive provisioning in the prior financial year and the adoption of IFRS 9. However, ongoing tough macros in some of the jurisdictions in which the group operates (primarily Namibia and Zambia) still resulted in a 1% increase in NPLs since 1 July 2018.
- Aldermore's NPLs increased 34% (35% including MotoNovo), in part reflecting the expected increase in the retail portfolio, given strong book growth in buy-to-let and owner-occupied residential mortgages over the last two financial years, as well as the migration of specific high-value stage migrations in the asset finance portfolio into NPL status. Aldermore's impairment charge, excluding the MotoNovo new book, was 21 bps (24 bps including MotoNovo), in line with expectations.

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

# OPERATING REVIEWS

## *FNB*

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

FNB FINANCIAL HIGHLIGHTS

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

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

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

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

SEGMENT RESULTS

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

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

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

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

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

The ongoing strong growth in deposits in both retail and commercial was due to historic customer growth, cross-sell, product innovation and specific strategies to gather cash investment balances.

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

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

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

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies. The focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship. Mortgages (+6%) grew marginally above nominal house price inflation. Growth in both the premium and consumer segments was driven by unsecured lending origination. In consumer, this was on the back of writing to credit appetite after risk cuts in previous periods, and was mainly focused on personal loans. Card growth was down year-on-year.

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

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

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

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

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

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

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

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

## CUSTOMERS

| *Customer segment* | **Growth in customer numbers %** |
|---|---|
| Consumer | **(4)** |
| Premium | **17** |
| Commercial | **11** |

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

## CHANNEL VOLUMES

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

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

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

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

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

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

## NEW BUSINESS APE

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

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

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

## WIM ASSETS

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

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

## *RMB*

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The strategy leverages an entrenched origination franchise, a growing market-making and distribution product offering, a competitive transactional banking platform and a strong private equity track record to ensure delivery of an integrated corporate and investment banking value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

### RMB FINANCIAL HIGHLIGHTS

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

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

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

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

### BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

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

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

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

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

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

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

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

## *WesBank*

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

### WESBANK FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

### BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

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

* *Refer to additional segmental disclosure on page 42.*

** *Includes MotoVantage.*

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

The risk cuts in both portfolios resulted in advances declining 2% year-on-year. Margin pressure continued, partly due to increased competitive activity and the focus on originating lower-risk business, which is generally written at lower margins, and a significant shift in new business origination mix from fixed- to floating-rate business.

Total WesBank NIR (excluding associate income) – mainly insurance and fleet revenues – also declined marginally as insurance revenues tracked book growth. Rental revenues increased 10% due to growth in the full maintenance leasing (FML) book.

WesBank continues to control operational expenditure, and invest in digital process improvements and its growing FML fleet. Fleet depreciation increased R62 million.

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

## *Aldermore Group*

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

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

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

ALDERMORE FINANCIAL HIGHLIGHTS

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

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

* *Reflects three months' contribution from 1 April 2018.*

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

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

Aldermore Group delivered a solid operational performance.

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

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

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

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

* *Reflects three months' contribution from 1 April 2018.*

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

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

## *Standalone operational performance of MotoNovo*

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

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

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

## *Ashburton Investments*

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

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

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

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

Below is a segmental breakdown of normalised earnings.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

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

* *Includes rest of Africa.*

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

## MANAGEMENT OF FINANCIAL RESOURCES

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

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

The group adopts a disciplined approach to the management of its foreign currency balance sheet. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group employs self-imposed structural borrowing and liquidity risk limits, which are more onerous than those required in terms of regulations. The group's philosophy is that, in the longer term, foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction. It aligns with one of the group's strategic priorities to increase diversification by jurisdiction, which is evidenced by the integration of the MotoNovo business with Aldermore Group in the UK, as well as the utilisation of the RMB International Mauritius platform for the group's rest of Africa dollar exposures.

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

### *Balance sheet strength*

#### Capital position

Capital ratios as at 30 June 2019 are summarised below.

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

* *Includes foreign branches.*

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

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

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

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

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

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

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

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

It remains the group's intention to continue optimising its regulatory capital stack by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

## Liquidity position

Given the liquidity risk introduced by its business activities across various currencies and geographies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via the group's pool of high-quality liquid assets (HQLA) that is available as protection against unexpected stress events or market disruptions, as well as to facilitate the variable liquidity needs of the operating businesses. The composition and quantum of available sources of liquidity are defined by the behavioural funding liquidity-at-risk and the market liquidity depth of these resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business activities.

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

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

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

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

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

The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The discussion paper outlines the objectives of the resolution framework, and planning and conducting a resolution with an emphasis on open-bank resolution. This is applicable to systemically important institutions. The intended approach to bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country.

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

The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. first loss-absorbing capacity (FLAC) instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. FLAC requirements will be applicable to banks with open bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity, but has not detailed how the quantum of required FLAC will be calculated for relevant institutions, nor the deadline for compliance. The SARB will be conducting a study (with the support of the World Bank) in the second half of 2019 to analyse various aspects relevant to FLAC instrument requirements.

## DIVIDEND STRATEGY

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

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

## PROSPECTS

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

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

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

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

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

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

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

## DISCOVERY CARD

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

## FNB SWAZILAND

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

## EVENTS AFTER REPORTING PERIOD

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

## BOARD CHANGES

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

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

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

Changes to the directorate are outlined below.

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

## CASH DIVIDEND DECLARATIONS

### *Ordinary shares*

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

### *Dividends*

#### Ordinary shares

| | Year ended 30 June | |
|---|---|---|
| *Cents per share* | **2019** | 2018 |
| Interim (declared 11 March 2019) | **139.0** | 130.0 |
| Final (declared 4 September 2019) | **152.0** | 145.0 |
| | **291.0** | 275.0 |

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

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

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

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

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

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

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

## B preference shares

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

DIVIDENDS DECLARED AND PAID

| *Cents per share* | Preference dividends |
|---|---|
| **Period:** | |
| 29 August 2017 – 26 February 2018 | **386.2** |
| 27 February 2018 – 27 August 2018 | **378.3** |
| 28 August 2018 – 25 February 2019 | **381.7** |
| 26 February 2019 – 26 August 2019 | **384.2** |

| **WR JARDINE** | **AP PULLINGER** | **C LOW** |
|---|---|---|
| Chairman | CEO | Company secretary |

4 September 2019

# Segment report

*for the year ended 30 June 2019 IFRS 9*

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

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

* *Refer to additional segmental disclosure on page 42.*

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

\# *Refer to additional segmental disclosure on pages 44 and 45.*

† *FCC represents group-wide functions.*

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

*Notes:*

*During the current financial year:*

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

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

# Segment report continued

*for the year ended 30 June 2019 IFRS 9*

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

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

* *Refer to additional segmental disclosure on page 42.*

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

\# *Refer to additional segmental disclosure on pages 44 and 45.*

† *FCC represents group-wide functions.*

‡ *Total liabilities are net of interdivisional balances.*

*Notes:*

*During the current financial year:*

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

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

# Segment report continued

*for the year ended 30 June 2018 IAS 39*

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

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

* *Refer to additional segmental disclosure on page 42.*

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

\# *Refer to additional segmental disclosure on pages 44 and 45.*

† *FCC represents group-wide functions.*

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

*Notes:*

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

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

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

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

# Segment report continued

*for the year ended 30 June 2018 IAS 39*

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

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

* *Refer to additional segmental disclosure on page 42.*

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

\# *Refer to additional segmental disclosure on pages 44 and 45.*

† *FCC represents group-wide functions.*

‡ *1 July 2018 IFRS 9.*

^ *Total liabilities are net of interdivisional balances.*

*Notes:*

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

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

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

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

# Additional segmental disclosure – WesBank

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

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

* *1 July 2018 IFRS 9.*

# Additional activity and business unit disclosure – RMB

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

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

* *Includes investment in global markets' infrastructure programme.*

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

*Note:*
*IB&A – investment banking and advisory*
*C&TB – corporate and transactional banking*
*M&S – markets and structuring*
*INV – investing*
*IM – investment management*

# Additional segmental disclosure – Aldermore

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

* *Tax expense reflected in central functions.*

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

* *Tax expense reflected in central functions.*

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

* *Aldermore acquisition date 1 April 2018.*

** *Tax expense reflected in central functions.*

\# *1 July 2018 IFRS 9.*

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

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

* *Aldermore acquisition date 1 April 2018.*

** *Tax expense reflected in central functions.*

# *1 July 2018 IFRS 9.*

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

# Additional segmental disclosure – MotoNovo standalone*

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

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

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

# Additional information on the internal restructure

*for the year ended 30 June 2018 IAS 39*

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

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

# Additional information on the internal restructure continued

*for the year ended 30 June 2018 IAS 39*

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

* *1 July 2018 IFRS 9.*

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

# Additional segmental disclosure – insurance activities

## FNB

### NUMBER OF POLICIES

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

### IN-FORCE APE

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

### VALUE OF NEW BUSINESS*

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

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

### SALES CHANNELS (STANDALONE LIFE PRODUCTS)

| *% of sales* | **2019** | 2018 |
|---|---|---|
| Face to face | **70** | 70 |
| Call centres | **26** | 24 |
| Digital | **4** | 6 |
| **Total** | **100** | 100 |

## WESBANK

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

VALUE-ADDED PRODUCTS AND SERVICES (VAPS) SALES CHANNELS

| *% of sales* | **2019** | 2018 |
|---|---|---|
| Point of sale | **64** | 68 |
| Telesales | **26** | 27 |
| Other | **10** | 5 |
| **Total** | **100** | 100 |

# 02

# income statement analysis

# Introduction

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

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

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

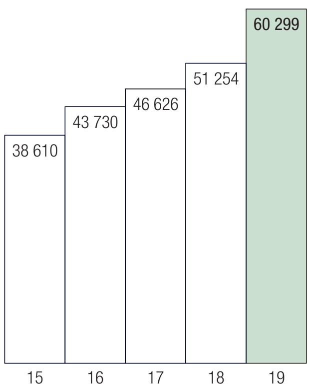
**Given the material impact of the adoption of IFRS 9 on the level of stage 3/NPL balances and balance sheet provisions, all balance sheet-related credit analyses focus on the changes in credit metrics since 1 July 2018 (restated for IFRS 9) and 30 June 2019, unless stated otherwise.**

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

# Net interest income (before impairment of advances)

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

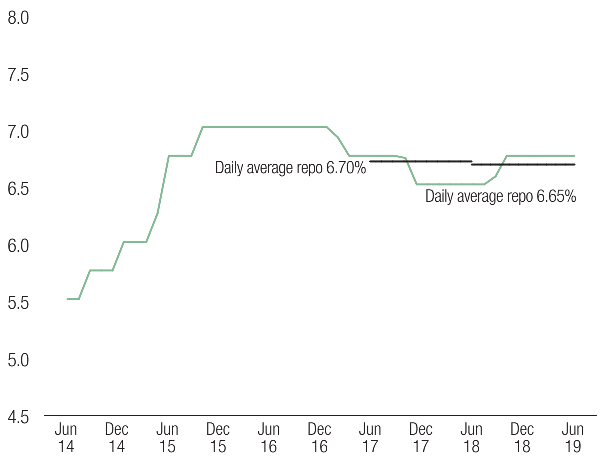
NET INTEREST INCOME
*R million*
CAGR 12%*




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

** Including Aldermore.*

REPO RATE – SOUTH AFRICA
*%*




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

## MARGIN CASCADE TABLE

| *Percentage of average interest-earning banking assets* | % |
|---|---|
| **June 2018 normalised margin excluding Aldermore** | **5.30** |
| Capital and deposit endowment | 0.04 |
| – Volume | 0.06 |
| – Average rate | (0.02) |
| Interest earning assets | (0.04) |
| – Change in balance sheet advances mix | (0.02) |
| – Increase in HQLA | (0.06) |
| – Change in basis spreads (difference between prime and JIBAR) | – |
| – Asset pricing | 0.07 |
| – Change in interest suspended under IFRS 9 | (0.03) |
| Liabilities | (0.05) |
| – Change in deposit franchise composition | 0.01 |
| – Deposit pricing | (0.06) |
| Group Treasury and other movements | (0.03) |
| – Accounting mismatches (MTM vs accrual on term issuance) | (0.01) |
| – Interest rate and FX management | 0.01 |
| – Term funding costs | (0.03) |
| **June 2019 normalised operating margin excluding Aldermore** | **5.22** |
| Aldermore foregone interest relating to invested capital | (0.10) |
| **June 2019 normalised margin excluding Aldermore** | **5.12** |
| Impact of Aldermore on margin | (0.37) |
| **June 2019 normalised margin including Aldermore** | **4.75** |

# Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

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

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

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

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

**KEY DRIVERS**

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

# Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

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

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

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

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

# *Includes trading liabilities.*

## NOTE 1 – MARGIN ANALYSIS ON ADVANCES TO CUSTOMERS

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

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

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

\# *Aldermore advances margin is shown net of cost of funds.*

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

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

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

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

## NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

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

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

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

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

# Credit highlights

## CREDIT HIGHLIGHTS AT A GLANCE

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

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

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

# *IAS 39 for the year ended 30 June 2018.*

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

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

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

◊ *Portfolio impairments as a % of the performing book.*

# Credit highlights continued

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

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

* *Included in Group Treasury.*

** *Included in Aldermore.*

\# *IAS 39.*

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

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

* *Included in Group Treasury.*

** *Included in Aldermore.*

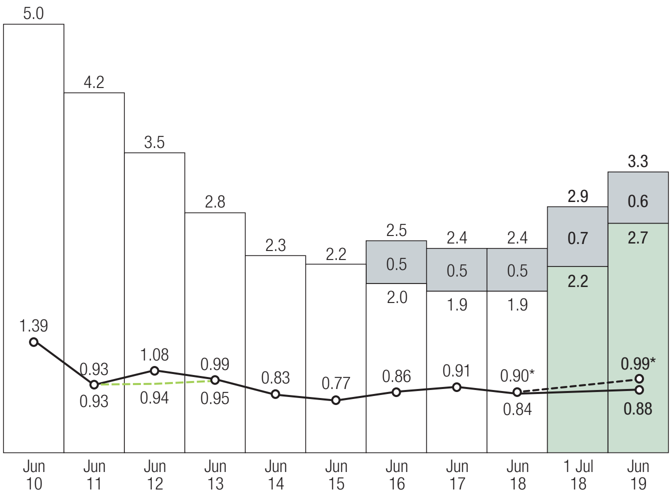
# *IAS 39.*

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

# Credit highlights continued

NPL AND IMPAIRMENT HISTORY

%




Stage 3/NPLs as a % of advances

Restructured debt-review accounts and technical cures (performing accounts which are classified as stage 3/NPLs because they have defaulted in the past and do not meet the stringent cure definition of performance for 12 consecutive months) included in stage 3/NPLs as a % of advances. Technical cures became effective with the adoption of IFRS 9.

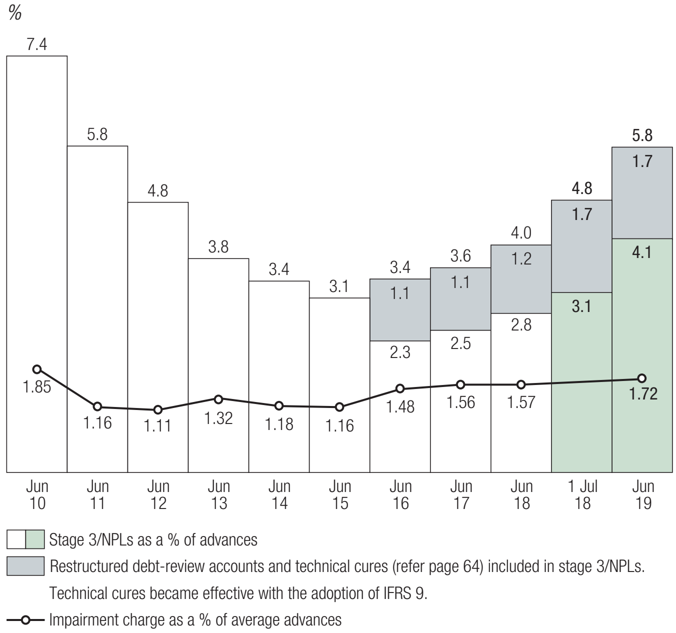
Impairment charge as a % of average advances

Credit loss ratio % (excluding merchant acquiring event)

* *Impairment charge excluding Aldermore.*

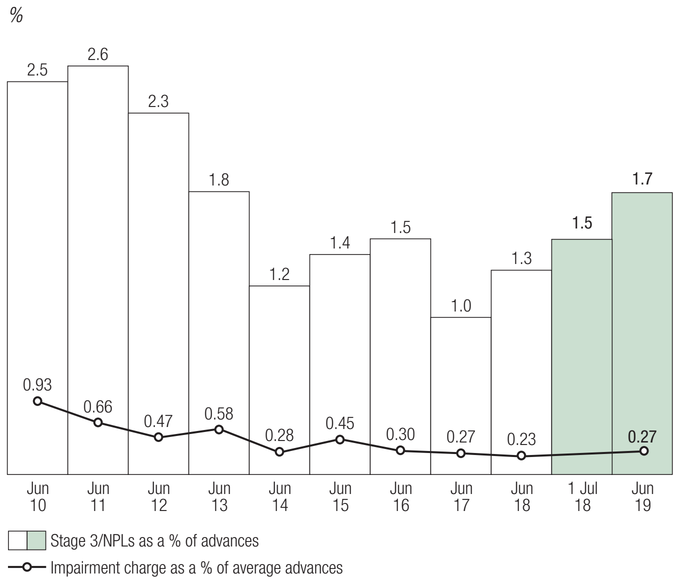
*Note: 30 June 2010 to 30 June 2018 figures are prepared on an IAS 39 basis. 1 July 2018 figures were restated and therefore 1 July 2018 and 30 June 2019 are prepared on an IFRS 9 basis.*

RETAIL NPLs AND IMPAIRMENTS*




* *Excludes Aldermore.*

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS*




* *Excludes Aldermore.*

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

# Credit highlights continued

## BASIS OF PRESENTATION AND ANALYSIS OF CREDIT INFORMATION

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

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

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

## HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

### *NPLs*

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

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

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

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

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

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

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

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

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

### *Coverage*

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

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

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

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

- the impact of a growing proportion of technically cured customers (customers who are less than three payments in arrears, but do not meet the group's stringent curing definitions of 12 consecutive payments), which carry lower coverage ratios, specifically in the retail unsecured and VAF advances books;
- an increase in highly collateralised NPLs in commercial, e.g. agric;
- the write-off, restructure and positive credit migration of certain highly collateralised corporate exposures during the year; and
- strong growth in reverse repo transactions, which carry no coverage as they are fully secured by cash.

### *Income statement impairment charge*

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

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

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

# Credit highlights continued

## DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

| PRODUCT | ADVANCES | |
|---|---|---|
| **SA retail (excluding Discovery card)** | > SA retail advances growth was 7%, in line with the 6% growth in the prior year. Retail secured advances growth was muted at 4% impacted by declining growth in VAF. This was offset by strong growth in SA retail unsecured of 20%.<br>> 13% of the growth is due to the extension of the write-off period, which results in R3 593 million NPL formation in gross advances. | |
| **Residential mortgages** | > Total residential mortgages increased 6% year-on-year, marginally above nominal house price inflation of 4%.<br>> FNB HomeLoans advances remained flat year-on-year, reflecting lower demand.<br>> Growth in affordable housing slowed to 5% on the back of lower client demand.<br>> Private bank mortgage lending showed resilient growth of 10%, benefiting from new client acquisition. | |
| **Card (excluding Discovery card)** | > Underpinned by targeted client acquisition, client migration as well as increased limits and utilisation in the premium segment, resulting in advances growth of 23%. Growth in the consumer segment was marginally negative, given reduced risk appetite. | |

| STAGE 3/NPLS AND COVERAGE | IMPAIRMENT CHARGE |
|---|---|

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

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

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

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

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

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

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

- The increase in operational NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous years. Debt-review and technical-cure NPLs comprise 10% of total NPLs.
- The increase in card NPLs since 1 July 2018 is analysed below.

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

- Card reported a charge of 3.68% (June 2018: 2.83%), reflecting an increase in operational NPLs on the back of strong book growth, as well as the impact of the extension in write-off point (as NPLs age, they carry a higher coverage), although partially benefiting from improved curing in the second half of the year. The charge remains within TTC appetite.
- Further risk cuts have been implemented in the second half of the financial year to mitigate against increasing arrears and elevated vintages.

# Credit highlights continued

| PRODUCT | ADVANCES | |
|---|---|---|
| **FNB personal loans** | > Strong growth of 36% driven by the premium segment (+49%), due to client-scoring process enhancements and the activation of new digital channels to existing customers. Consumer segment personal loans advances showed robust growth of 17% following declines in the prior financial years. This was driven by measured loan extension to main-banked clients, in line with risk appetite.<br>> The lengthening of the write-off point contributed 10% of the 36% growth in advances. | |
| **DirectAxis loans** | > Advances growth moderated with a focus on lower-risk segments and repeat business. | |
| **Retail other** | > Driven by increases in transactional banking accounts (primarily overdrafts). | |
| **FNB rest of Africa** | | |
| Namibia | > Residential mortgages remained flat, due to the subdued macro environment. | |
| Botswana | > Retail advances grew 8% in pula year-on-year, reflecting macros and risk cutbacks. | |
| **FNB commercial** | > 11% growth driven by targeted new client acquisition in the business segment, resulting in growth of 7% in agric, 17% in commercial property finance, 5% in specialised finance and 13% in asset-based finance. | |

| STAGE 3/NPLS AND COVERAGE | IMPAIRMENT CHARGE |
|---|---|

> The increase in operational NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous years. Debt-review and technical-cure NPLs comprise 20% of NPLs.

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

| | FNB loans | | |
|---|---|---|---|
| | **R million** | **% change** | **Percentage point contribution to overall NPL increase** |
| Operational – new business strain | **264** | **33** | **17** |
| Debt review (D7) | **(84)** | **(15)** | **(5)** |
| Technical cures/curing rules | **50** | **28** | **3** |
| Write-off point extension | **1 660** | **–** | **>100** |
| **Total** | **1 890** | **>100** | **>100** |

> FNB loans reported a credit loss ratio of 6.39% (June 2018: 5.03%) reflecting the impact of higher operational NPLs, but remaining within TTC appetite.

> DirectAxis NPLs increased 29% since 1 July 2018, compared to the 34% increase recorded in the financial year to June 2018. The increase was impacted by:

| | DirectAxis loans | | |
|---|---|---|---|
| | **R million** | **% change** | **Percentage point contribution to overall NPL increase** |
| Operational – new business strain | **(16)** | **(2)** | **(1)** |
| Debt review (D7) | **56** | **7** | **3** |
| Technical cures/curing rules | **14** | **19** | **1** |
| Write-off point extension | **494** | **–** | **26** |
| **Total NPLs** | **548** | **29** | **29** |

> The DirectAxis credit loss ratio of 8.94% (June 2018: 8.20%) reflects the seasoning of the book and ongoing advances growth.

> The rest of Africa portfolio showed an improved performance, although headwinds remained in certain jurisdictions, such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth. This resulted in a 3% increase in NPLs since 1 July 2018, specifically impacted by increased NPLs in Namibia. The increase in NPLs had a limited impact on the credit impairment charge, reflecting proactive and appropriate stage 2 provisions created in the prior financial year and on adoption of IFRS 9. Active work-out of defaulting back books in the prior year also contributed to lower NPL growth.

> The overall credit impairment charge decreased 14% year-on-year.

> NPLs grew 36% due to increases in highly collateralised NPLs in agric, both in South Africa and some other African jurisdictions, and increases in commercial property and specialised finance.

> FNB commercial's income statement impairment charge deteriorated 12%, in line with book growth and conservative provisioning, resulting in a credit loss ratio of 75 bps.

# Credit highlights continued

| PRODUCT | ADVANCES | |
|---|---|---|
| **RMB CIB*** | > Growth from the SA core advances book was satisfactory, despite competitive pressures, and was underpinned by 14% growth in SA corporate bank advances, due to increased working capital utilisation by clients. Cross-border advances grew 18% in dollar terms, reflecting targeted new credit extension. In rand terms, the cross-border book increased 20%. | |
| **WesBank VAF (SA)** | > New business production in retail SA VAF contracted 6%, impacted by the run-off of business now written on associates' balance sheets, further risk cuts in origination, increased competitive pressures, the impact of the curtailment of a JV relationship during the year and the challenging macroeconomic environment. In addition the lengthening in vehicle replacement cycles increased the average life of the book.<br>> Corporate new business volumes contracted >13%, also reflecting the difficult macro environment, risk cuts in high-risk categories and industries and the fact that a portion of business now originates in FNB (own-banked clients). | |
| **MotoNovo VAF (UK)** | > New business volumes were impacted by weak first half origination, driven by rising funding costs which led to competitive pressures. First half volumes were 15% down on the prior year. Volumes improved significantly in the second half of the financial year, 13% above the prior period, bolstered by funding cost synergies from the Aldermore integration.<br>> MotoNovo continued to constrain its appetite for higher-risk origination throughout the year. | |
| **Aldermore (excluding MotoNovo Finance)** | > Growth of 13% benefited from strong new business levels in owner-occupied mortgages and targeted invoice and asset finance origination. | |

* *Core advances.*

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

# Credit highlights continued

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

| *R million* | Operational stage 3/ NPLs* | Technical cures | Write-offs** | Paying restructured debt-review stage 3/ NPLs | |
|---|---|---|---|---|---|
| **June 2019 IFRS 9** | | | | | |
| Residential mortgages | **5 611** | **2 477** | **–** | **550** | |
| Card (excluding Discovery) | **1 297** | **16** | **745** | **214** | |
| Personal loans | **1 074** | **229** | **1 660** | **458** | |
| DirectAxis loans# | **959** | **87** | **494** | **882** | |
| Retail other | **952** | **53** | **694** | **283** | |
| **FNB retail NPLs** | **9 893** | **2 862** | **3 593** | **2 387** | |
| WesBank VAF (SA) | **4 448** | **1 405** | | **1 290** | |
| Discovery card | **86** | **3** | | **48** | |
| **Total NPLs** | **29 761** | **4 270** | **3 593** | **3 725** | |

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

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

** *Effective prospectively with the adoption of IFRS 9.*

\# *Formerly called WesBank loans.*

| Total stage 3/ NPLs | Total stage 3/ NPLs % increase since 1 July 2018 | Operational stage 3/ NPLs % change since 1 July 2018 | Technical cures as a % of stage 3/ NPLs | Write-offs as a % of stage 3/ NPLs** | Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs |
|---|---|---|---|---|---|
| **8 638** | **9** | **8** | **29** | **–** | **6** |
| **2 272** | **>100** | **94** | **1** | **33** | **9** |
| **3 421** | **>100** | **33** | **7** | **49** | **13** |
| **2 422** | **29** | **(2)** | **4** | **20** | **36** |
| **1 982** | **89** | **24** | **3** | **35** | **14** |
| **18 735** | **40** | **18** | **15** | **19** | **13** |
| **7 143** | **4** | **5** | **20** | **–** | **18** |
| **137** | **(3)** | **(11)** | **2** | **–** | **35** |
| **41 349** | **23** | **15** | **10** | **9** | **9** |

| Total stage 3/ NPLs | Total stage 3/ NPLs % increase (on adoption of IFRS 9) | Operational stage 3/ NPLs % change (on adoption of IFRS 9) | Technical cures as a % of stage 3/ NPLs | Write-offs as a % of stage 3/ NPLs** | Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs |
|---|---|---|---|---|---|
| 7 934 | 56 | 14 | 28 | – | 7 |
| 1 018 | 7 | – | 6 | – | 28 |
| 1 531 | 15 | 10 | 12 | – | 35 |
| 1 874 | 4 | 38 | 4 | – | 44 |
| 1 048 | 6 | (1) | 1 | – | 25 |
| 13 405 | 32 | 13 | 19 | – | 18 |
| 6 877 | 1 | 1 | 18 | – | 21 |
| 141 | 8 | (3) | 10 | – | 21 |
| 33 514 | 24 | 20 | 11 | – | 12 |

# Credit highlights continued

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

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

** *Effective prospectively with the adoption of IFRS 9.*

# *Formerly called WesBank loans.*

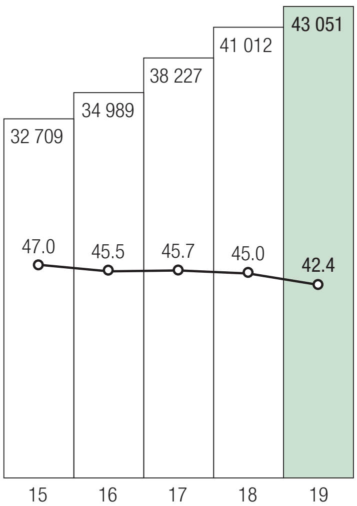
| | Total stage 3/ NPLs | Total stage 3/ NPLs % increase year-on-year | Operational stage 3/ NPLs % change year-on-year | Technical cures as a % of stage 3/ NPLs | Write-offs as a % of stage 3/ NPLs** | Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs |
|---|---|---|---|---|---|---|
| | 5 075 | 11 | 11 | | | 10 |
| | 952 | 17 | 16 | | | 30 |
| | 1 337 | 9 | (7) | | | 45 |
| | 1 800 | 34 | >100 | | | 61 |
| | 992 | 16 | 15 | | | 22 |
| | 10 156 | 15 | 15 | | | 27 |
| | | | | | | |
| | 6 818 | 18 | 23 | | | 38 |
| | | | | | | |
| | 130 | 16 | (11) | | | 23 |
| | | | | | | |
| | 26 947 | 23 | 26 | | | 20 |

# Non-interest revenue

## TOTAL NON-INTEREST REVENUE – UP 6%

*Operational non-interest revenue up 5%**

OPERATIONAL NIR AND DIVERSITY RATIO
NIR CAGR 7%




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

* *Excluding income from associate and joint ventures.*

## ANALYSIS OF OPERATIONAL NIR

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

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

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

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

The structural shift in the group's diversity ratio, despite ongoing growth in NIR, results from the positive cumulative endowment impact and a number of specific strategic actions outlined below.

**NII**

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

**NIR**

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

# Non-interest revenue continued

## NOTE 1 – FEE AND COMMISSION INCOME – UP 9%

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

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

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

### KEY DRIVERS

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

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

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

## NOTE 2 – INSURANCE INCOME – UP 5%

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

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

### KEY DRIVERS

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

# Non-interest revenue continued

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

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

**KEY DRIVERS**

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

## NOTE 4 – INVESTMENT INCOME – DOWN 68%

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

### KEY DRIVERS

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

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

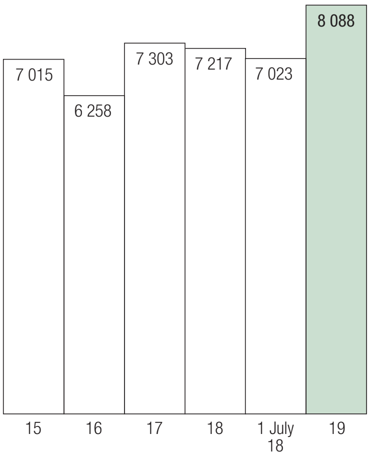
### KEY DRIVERS

- The most significant other non-interest revenue items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank, in particular, showing strong growth in the FML book.

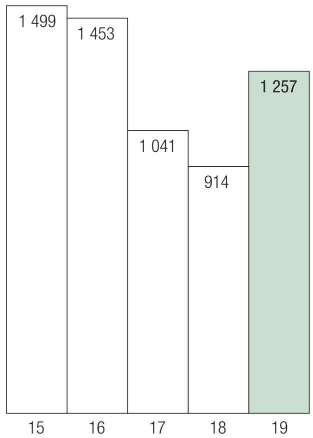
# Non-interest revenue continued

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES
*R million*




SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES
*R million*




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

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

| *R million* | **2019 IFRS 9** | 2018 IAS 39 | % change |
|---|---|---|---|
| **Private equity associates and joint ventures** | **966** | 677 | 43 |
| – Equity-accounted income | **969** | 733 | 32 |
| – Impairments | **(3)** | (56) | (95) |
| **Other operational associates and joint ventures** | **686** | 674 | 2 |
| – Toyota Financial Services (Pty) Ltd | **308** | 226 | 36 |
| – Volkswagen Financial Services (Pty) Ltd | **23** | 51 | (55) |
| – RMB Morgan Stanley (Pty) Ltd | **132** | 163 | (19) |
| – Other | **223** | 234 | (5) |
| **Share of profits from associates and joint ventures before tax** | **1 652** | 1 351 | 22 |
| Tax on profits from associates and joint ventures | **(395)** | (437) | (10) |
| **Share of profits from associates and joint ventures after tax** | **1 257** | 914 | 38 |

**KEY DRIVERS**

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

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

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

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

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

** *Refer to investment income analysis on page 83.*

# *Refer to non-interest revenue analysis on page 79.*

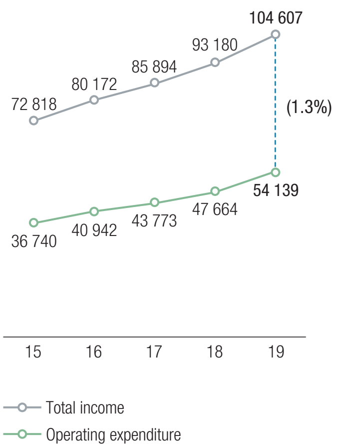
† *Included in NII, credit impairment charge and other NIR depending on the underlying nature of the item.*

# Operating expenses

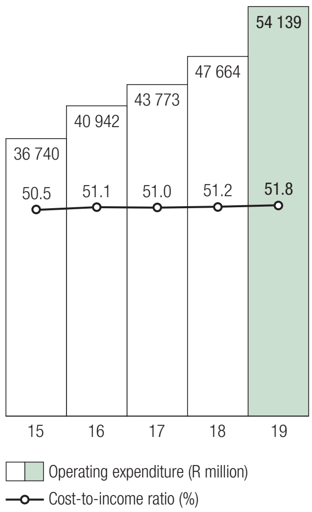
## OPERATING EXPENSES – UP 8% (UP 14% INCLUDING ALDERMORE)

OPERATING JAWS

*R million*




OPERATING EFFICIENCY




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

## OPERATING EXPENSES

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

# Operating expenses continued

### *IT spend*

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

FUNCTIONAL PRESENTATION OF IT SPEND

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

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

**KEY DRIVERS**

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

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

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

# 03

# balance sheet analysis and financial resource management

# Economic view of the balance sheet

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

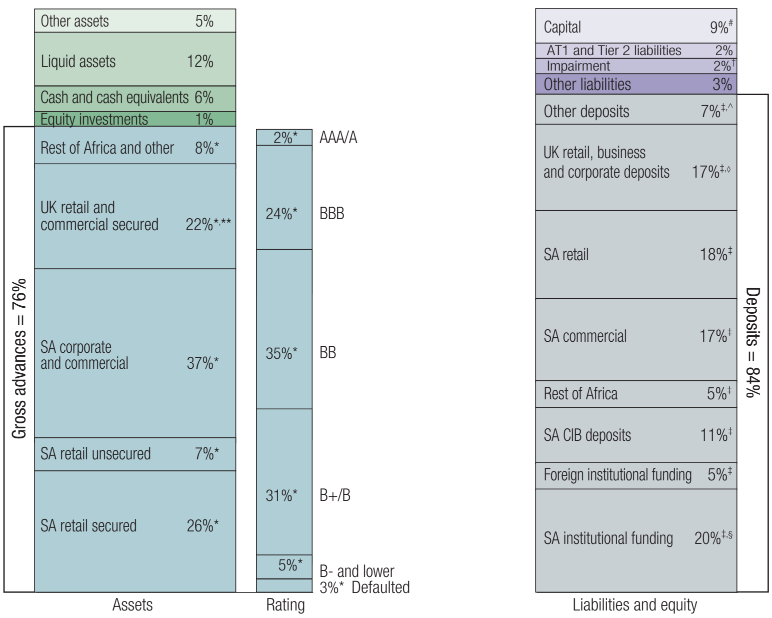
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 76% of total assets. The composition of the gross advances portfolio consists of SA retail secured (26%), SA retail unsecured (7%), SA corporate and commercial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

Cash and cash equivalents, and liquid assets represent 6% and 12%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The group has, however, continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the group's institutional funding was 36 months at 30 June 2019 (2018: 34 months).

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

ECONOMIC VIEW OF THE BALANCE SHEET
*%*




* *As a proportion of gross advances.*

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

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

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

‡ *As a proportion of deposits.*

^ *Consists of liabilities relating to conduits and securitisations.*

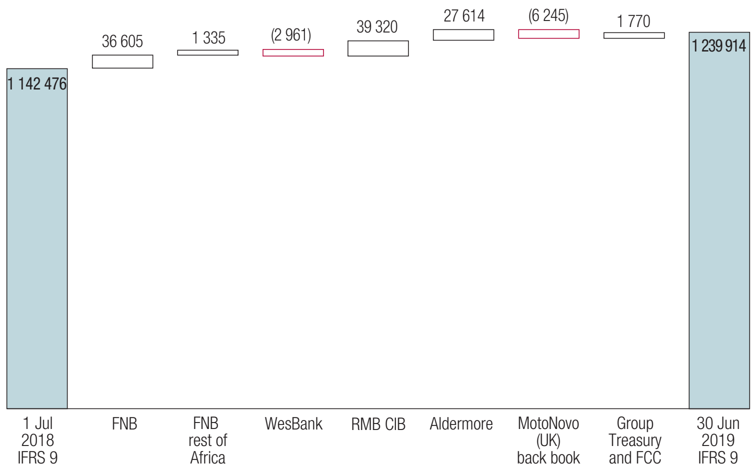
◊ *Deposits raised in Aldermore and Guernsey branch.*

§ *Includes CIB institutional funding.*

Note: *Non-recourse assets have been netted off against deposits.*
*Derivative, securities lending and short trading position assets and liabilities have been netted off.*

# Gross advances – up 9%

GROSS ADVANCES GROWTH BY BUSINESS
*R million*




ADVANCES

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

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

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

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

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

# Credit

## NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

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

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

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

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

# *Formerly called WesBank loans.*

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

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

^ *Managed by the Group Treasurer.*

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

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

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

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

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

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

# Credit continued

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

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

* *Include rest of Africa advances and HQLA.*

** *Restated to include HQLA.*

STRATEGY VIEW OF CORPORATE AND INVESTMENT BANKING ADVANCES

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

* *Managed by the Group Treasurer.*

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

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

## SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

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

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

# Credit continued

## NOTE 2: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLS

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

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

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

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

# *Formerly called WesBank loans.*

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

‡ *Managed by the Group Treasurer.*

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

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

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

# Credit continued

## SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

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

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

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

# Credit continued

## SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

| | As at 30 June 2019 | | |
|---|---|---|---|
| | IFRS 9 | | |
| *R million* | Stage 3/NPLs | Security held and expected recoveries | Specific impairment |
| **Retail** | **27 098** | **14 750** | **12 348** |
| **Retail – secured** | **16 859** | **12 351** | **4 508** |
| Residential mortgages | 8 638 | 6 967 | 1 671 |
| VAF | 8 221 | 5 384 | 2 837 |
| – WesBank (SA) | 7 143 | 4 726 | 2 417 |
| – MotoNovo (UK) | 1 078 | 658 | 420 |
| **Retail – unsecured** | **10 239** | **2 399** | **7 840** |
| Card | 2 409 | 540 | 1 869 |
| – FNB | 2 272 | 524 | 1 748 |
| – Discovery | 137 | 16 | 121 |
| Personal loans | 5 848 | 1 414 | 4 434 |
| – FNB | 3 421 | 710 | 2 711 |
| – DirectAxis loans* | 2 422 | 704 | 1 718 |
| – MotoNovo (UK) | 5 | – | 5 |
| Retail other | 1 982 | 445 | 1 537 |
| **Corporate and commercial** | **7 965** | **4 671** | **3 294** |
| FNB commercial | 4 556 | 2 253 | 2 303 |
| WesBank corporate | 524 | 345 | 179 |
| RMB investment banking** | 2 544 | 1 825 | 719 |
| RMB corporate banking** | 341 | 248 | 93 |
| HQLA corporate advances# | – | – | – |
| **Rest of Africa** | **3 964** | **1 612** | **2 352** |
| FNB† | 3 962 | 1 612 | 2 350 |
| RMB (corporate and investment banking) | 2 | – | 2 |
| **FCC (including Group Treasury)** | **–** | **(65)** | **65** |
| Securitisation notes | – | – | – |
| Other | – | (65) | 65 |
| **Total excluding Aldermore** | **39 027** | **20 968** | **18 059** |
| **Aldermore** | **2 322** | **1 886** | **436** |
| – Retail excluding MotoNovo | 1 413 | 1 244 | 169 |
| – MotoNovo (new book) | 10 | 3 | 7 |
| – Commercial | 899 | 639 | 260 |
| **Total including Aldermore** | **41 349** | **22 854** | **18 495** |

* *Formerly called WesBank loans.*

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

# *Managed by the Group Treasurer.*

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

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

# Credit continued

## NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

| *R million* | Total impairment charge Year ended 30 June 2019 IFRS 9 | 2018 IAS 39 | % change |
|---|---|---|---|
| **Retail** | **7 882** | 6 774 | 16 |
| **Retail – secured** | **2 911** | 2 920 | – |
| Residential mortgages | **232** | 149 | 56 |
| VAF | **2 679** | 2 771 | (3) |
| – WesBank (SA) | **1 903** | 1 944 | (2) |
| – MotoNovo (UK)*,** | **776** | 827 | (6) |
| **Retail – unsecured** | **4 971** | 3 854 | 29 |
| Card | **1 027** | 670 | 53 |
| – FNB | **937** | 599 | 56 |
| – Discovery | **90** | 71 | 27 |
| Personal loans | **2 659** | 2 013 | 32 |
| – FNB | **1 296** | 793 | 63 |
| – DirectAxis loans# | **1 386** | 1 171 | 18 |
| – MotoNovo (UK) | **(23)** | 49 | (>100) |
| Retail other | **1 285** | 1 171 | 10 |
| **Corporate and commercial** | **1 232** | 951 | 30 |
| FNB commercial | **750** | 670 | 12 |
| WesBank corporate | **82** | 48 | 71 |
| RMB investment banking† | **374** | 230 | 63 |
| RMB corporate banking† | **26** | 3 | >100 |
| HQLA corporate advances‡ | **–** | – | – |
| **Rest of Africa** | **890** | 1 028 | (13) |
| FNB^ | **878** | 1 018 | (14) |
| RMB (corporate and investment banking)† | **12** | 10 | 20 |
| **FCC (including Group Treasury)** | **66** | (232) | (>100) |
| Securitisation notes | **(3)** | – | – |
| Other | **69** | (232) | (>100) |
| **Total impairment charge excluding Aldermore** | **10 070** | 8 521 | 18 |
| **Aldermore◊** | **430** | 46 | >100 |
| – Retail excluding MotoNovo | **71** | 13 | >100 |
| – MotoNovo (new book)** | **69** | – | – |
| – Commercial | **290** | 33 | >100 |
| **Total impairment charge including Aldermore** | **10 500** | 8 567 | 23 |
| Of which: | | | |
| Portfolio impairments charge | **2 704** | 496 | >100 |
| Specific impairments charge | **7 796** | 8 071 | (3) |

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

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

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

# *Formerly called WesBank loans.*

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

‡ *Managed by the Group Treasurer.*

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

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

# Credit continued

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

| | Total portfolio impairments | | | |
|---|---|---|---|---|
| | As at 30 June | As at 1 July | As at 30 June 2019 | |
| | | | IFRS 9 | |
| *R million* | **2019 IFRS 9** | 2018 IFRS 9 | **Stage 1** | **Stage 2** |
| **Portfolio impairments** | | | | |
| **Retail** | **8 097** | 7 630 | **4 135** | **3 962** |
| **Retail – secured** | **3 476** | 3 354 | **1 340** | **2 136** |
| Residential mortgages | **870** | 647 | **360** | **510** |
| VAF | **2 606** | 2 707 | **980** | **1 626** |
| – WesBank (SA) | **1 939** | 1 917 | **632** | **1 307** |
| – MotoNovo (UK)* | **667** | 790 | **348** | **319** |
| **Retail – unsecured** | **4 621** | 4 276 | **2 795** | **1 826** |
| Card | **1 014** | 809 | **631** | **383** |
| – FNB | **902** | 699 | **555** | **347** |
| – Discovery | **112** | 110 | **76** | **36** |
| Personal loans | **2 419** | 2 284 | **1 440** | **979** |
| – FNB | **1 367** | 1 289 | **857** | **510** |
| – DirectAxis loans** | **1 019** | 893 | **558** | **461** |
| – MotoNovo (UK) | **33** | 102 | **25** | **8** |
| Retail other | **1 188** | 1 183 | **724** | **464** |
| **Corporate and commercial** | **4 777** | 4 636 | **2 104** | **2 673** |
| FNB commercial | **1 509** | 1 559 | **733** | **776** |
| WesBank corporate | **159** | 184 | **92** | **67** |
| RMB investment banking[#] | **2 514** | 2 007 | **1 048** | **1 466** |
| RMB corporate banking[#] | **595** | 886 | **231** | **364** |
| HQLA corporate advances | **–** | – | **–** | **–** |
| **Rest of Africa** | **1 611** | 1 415 | **807** | **804** |
| FNB[†] | **1 372** | 1 208 | **630** | **742** |
| RMB (corporate and investment banking) | **239** | 207 | **177** | **62** |
| **FCC (including Group Treasury)** | **650** | 649 | **498** | **152** |
| Securitisation notes | **22** | 25 | **22** | **–** |
| Other | **628** | 624 | **476** | **152** |
| **Total portfolio impairments excluding Aldermore** | **15 135** | 14 330 | **7 544** | **7 591** |
| **Aldermore** | **532** | 405 | **372** | **160** |
| – Retail excluding MotoNovo | **138** | 109 | **89** | **49** |
| – MotoNovo (new book)* | **72** | – | **70** | **2** |
| – Commercial | **322** | 296 | **213** | **109** |
| **Total portfolio impairments including Aldermore** | **15 667** | 14 735 | **7 916** | **7 751** |

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

** *Formerly called WesBank loans.*

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

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

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

# Credit continued

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

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

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

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

** *Formerly called WesBank loans.*

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

† *Managed by the Group Treasurer.*

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

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

# Credit continued

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

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

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

** *Formerly called WesBank loans.*

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

† *Managed by the Group Treasurer.*

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

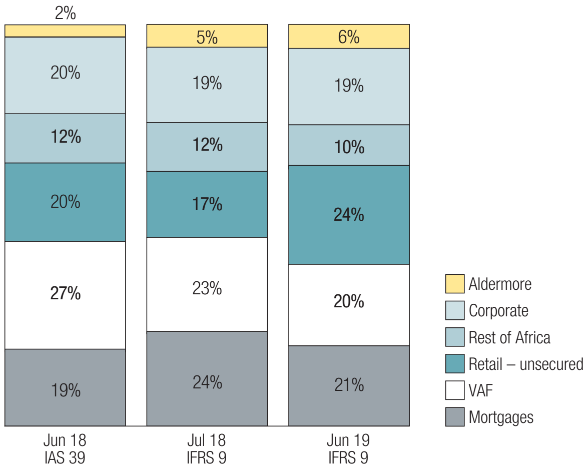
^ *Stage 3 impairments as at 1 July 2018 include R1 645 million ISP recognised on IFRS 9 transition.*

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

# Credit continued

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

NPL DISTRIBUTION




## RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

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

* *1 July.*

The following table provides an analysis of balance sheet impairments.

## TOTAL BALANCE SHEET IMPAIRMENTS

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

* *Includes Aldermore.*

## INCOME STATEMENT IMPAIRMENTS

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

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

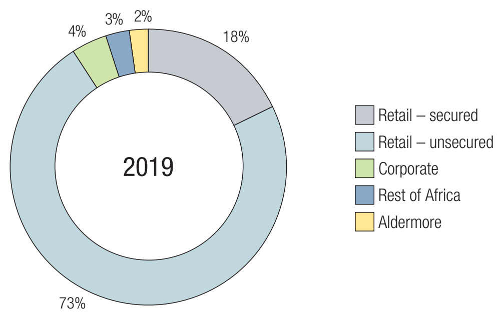
* *In anticipation of the adoption of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would have been recognised at fair value, was recognised at amortised cost. This has resulted in a shift between fair value and amortised cost performing book portfolio impairments.*

# Credit continued

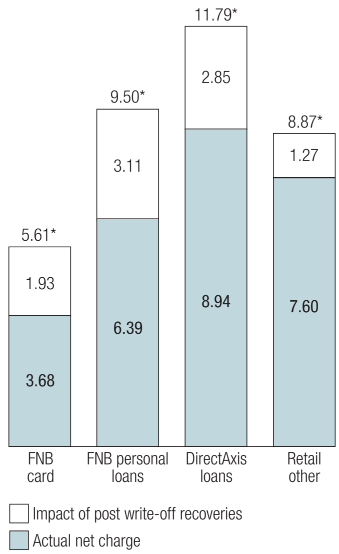
## IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R2 458 million (June 2018: R2 334 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES




RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES
*%*



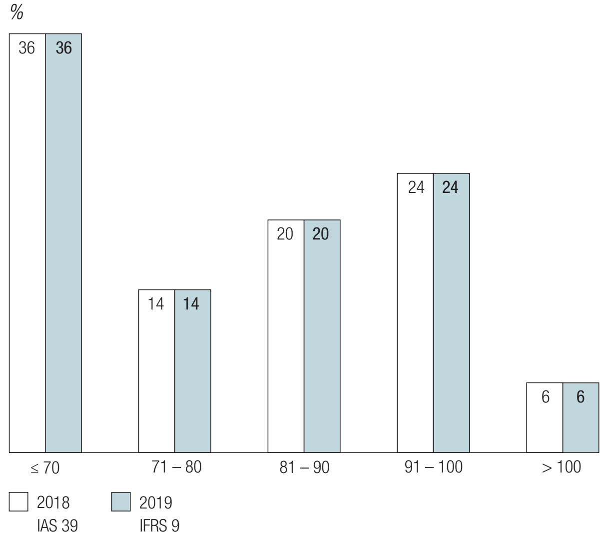

* *Gross of recoveries (%).*

## RISK ANALYSIS

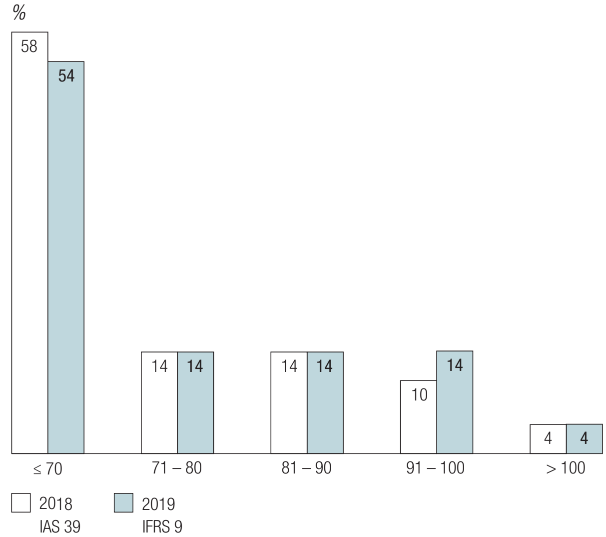
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

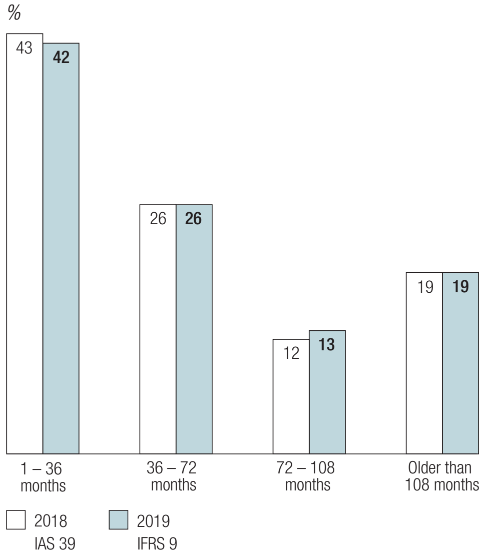
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE




FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE




FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION

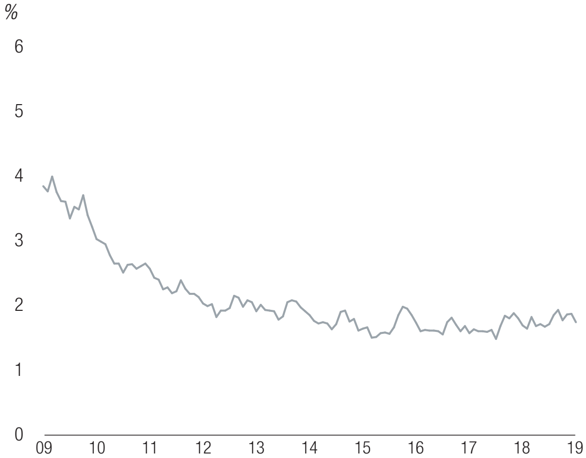


# Credit continued

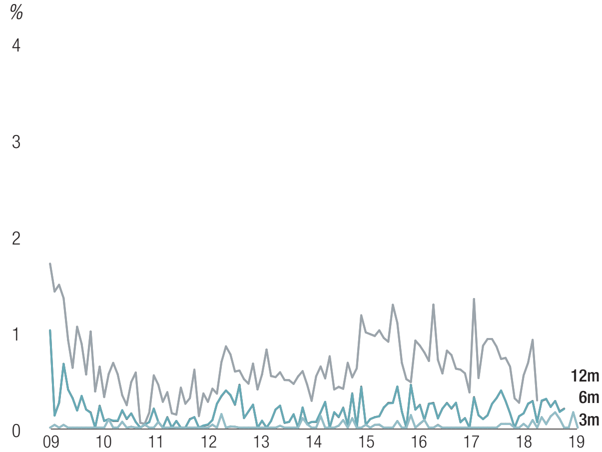
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances. Collections performance has been strong in the portfolio.

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

FNB HOMELOANS ARREARS

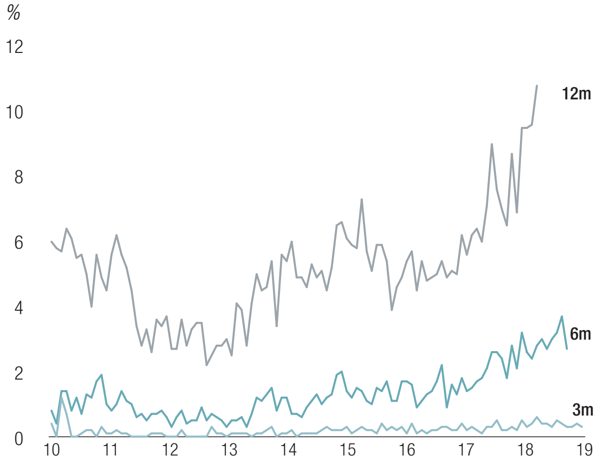



FNB HOMELOANS VINTAGE ANALYSIS



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

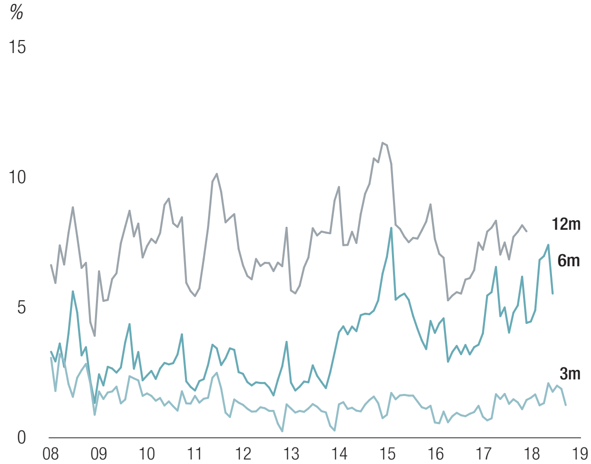
FNB CARD VINTAGE ANALYSIS




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

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

FNB PERSONAL LOANS VINTAGE ANALYSIS



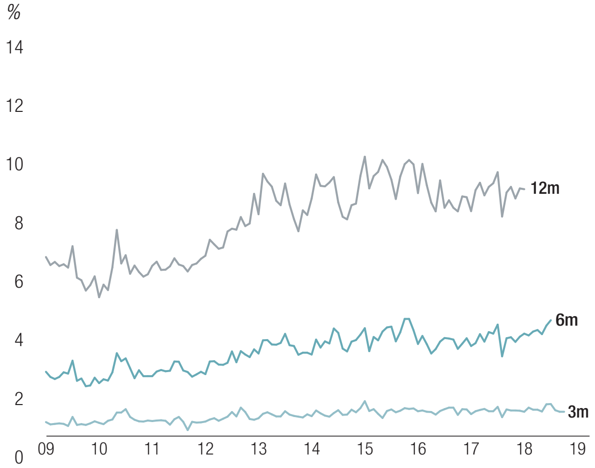

*Note: Personal loans vintage have been restated to normalise for "take a break" (in January customers do not need to make a payment). The vintage points were therefore restated to accommodate fewer payments due when the period includes a "take a break" month.*

# Credit continued

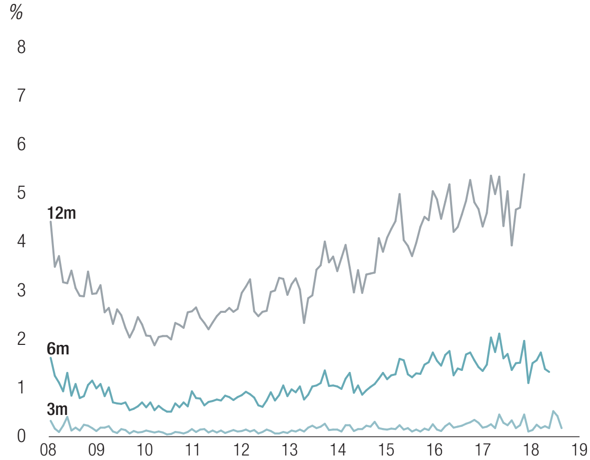
DirectAxis loans' vintages have remained stable on a TTC basis since December 2013 while the business continued to see positive growth in disbursements. This is due to active credit origination management within the portfolio.

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

DIRECTAXIS LOANS VINTAGE ANALYSIS

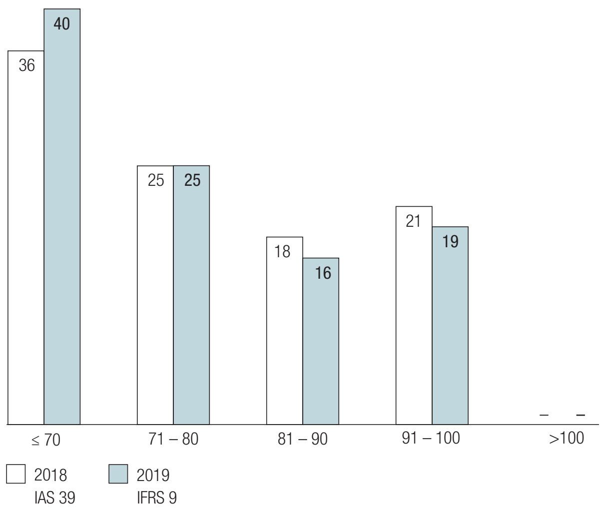



WESBANK RETAIL VAF VINTAGE ANALYSIS



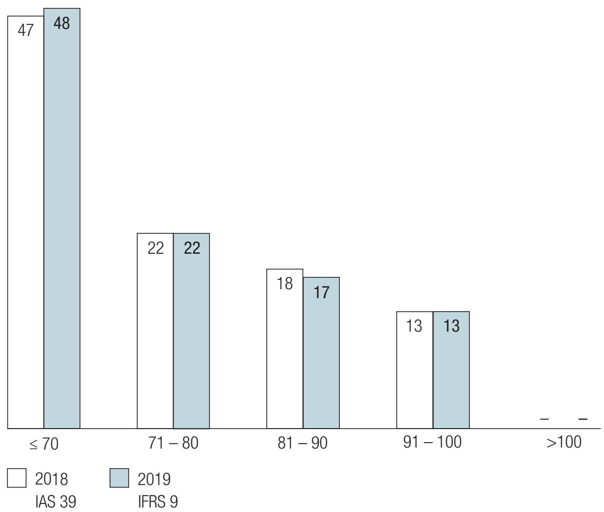
## ALDERMORE RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE

%



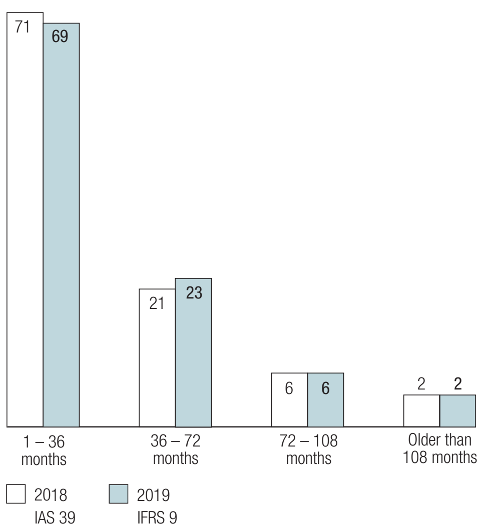

## ALDERMORE RESIDENTIAL MORTGAGES CURRENT BALANCE-TO-MARKET VALUE

%



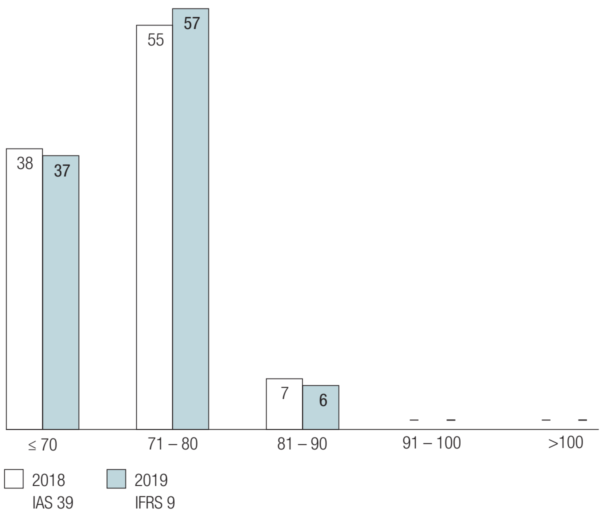

## ALDERMORE RESIDENTIAL MORTGAGES AGE DISTRIBUTION

%

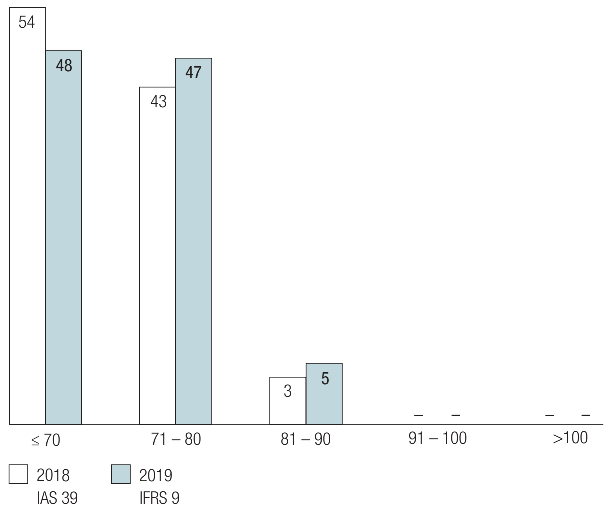


# Credit continued

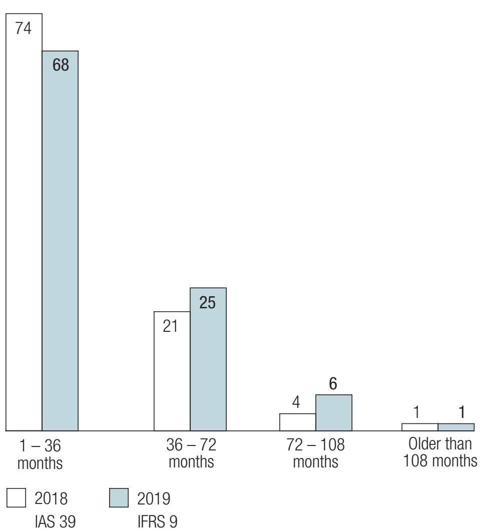
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%




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

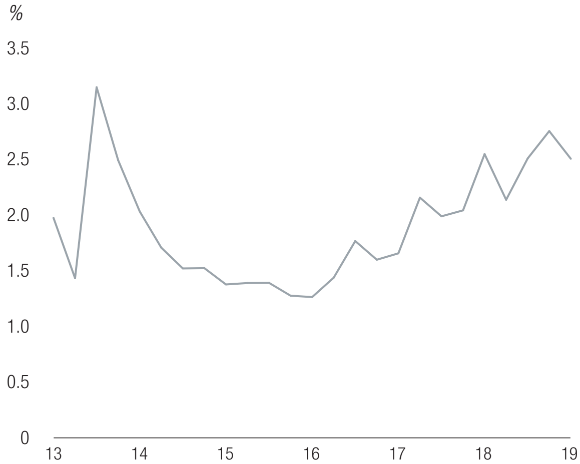



ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%



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

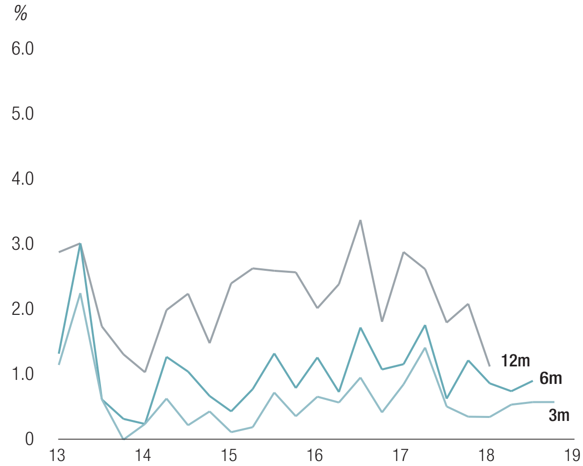
ALDERMORE RESIDENTIAL MORTGAGES ARREARS




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

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

ALDERMORE RESIDENTIAL MORTGAGES VINTAGE ANALYSIS



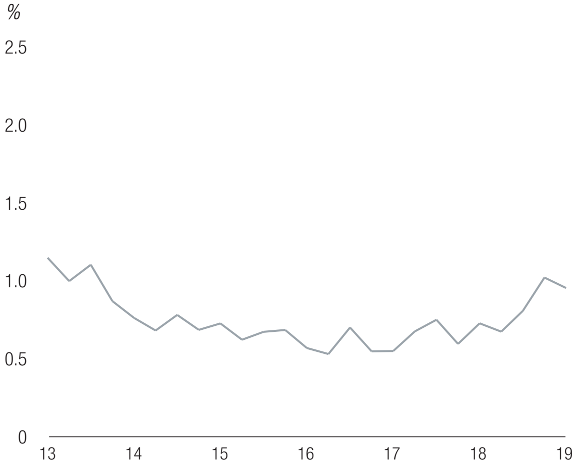
# Credit continued

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

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

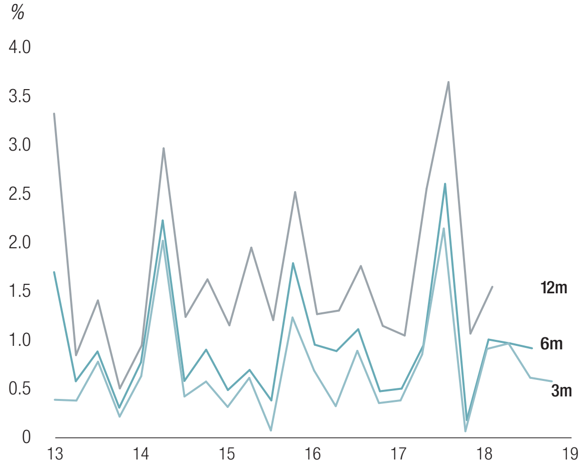
With the deployment of the new buy-to-let underwriting standards in January 2017 (for affordability) and September 2017 (for portfolio landlords) an increased level of conservatism has been applied to affordability assessments for this portfolio.

ALDERMORE BUY-TO-LET ARREARS



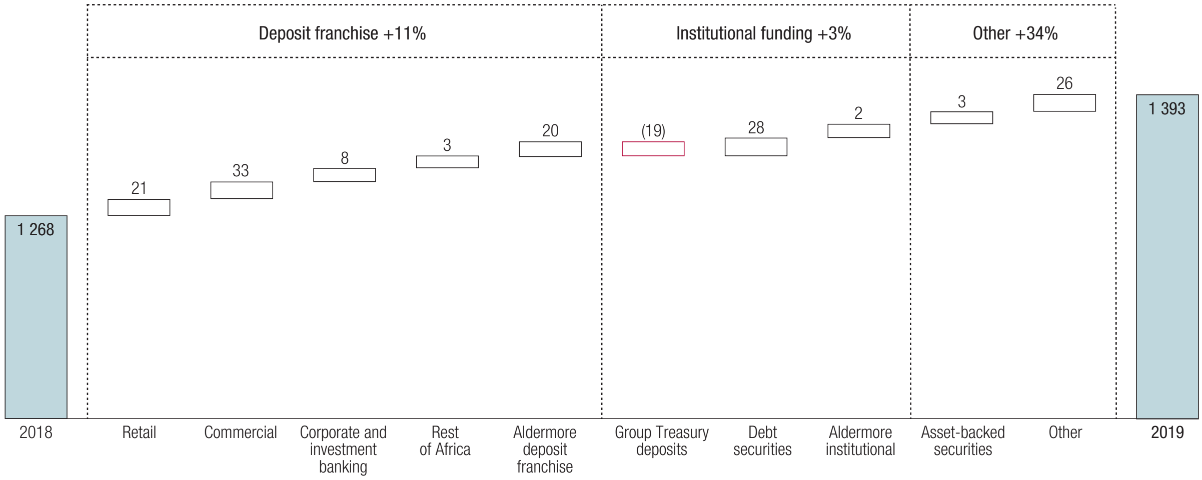

The following graph demonstrates that the relatively low volumes of arrears with diverse loan values for this portfolio result in some volatility in the vintages. Credit quality is strong and relatively stable.

ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



# Deposits – up 10%

FUNDING PORTFOLIO GROWTH BY SEGMENT
*R billion*




**KEY DRIVERS**

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

# Funding and liquidity

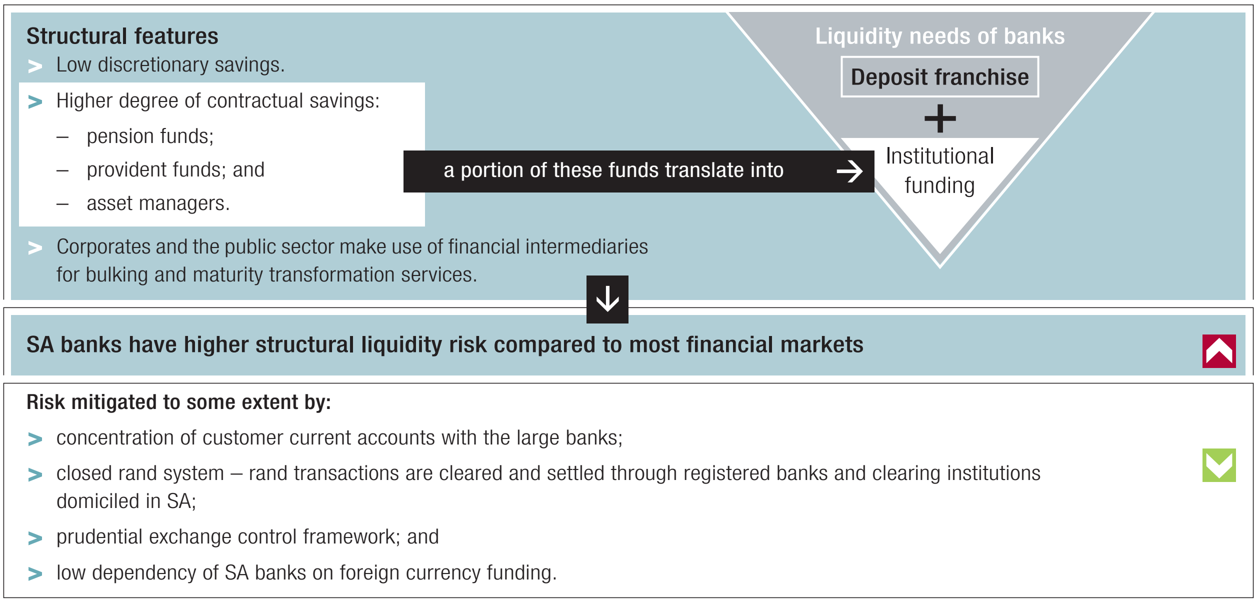
## INTRODUCTION AND OBJECTIVES

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

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

## FUNDING MANAGEMENT

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

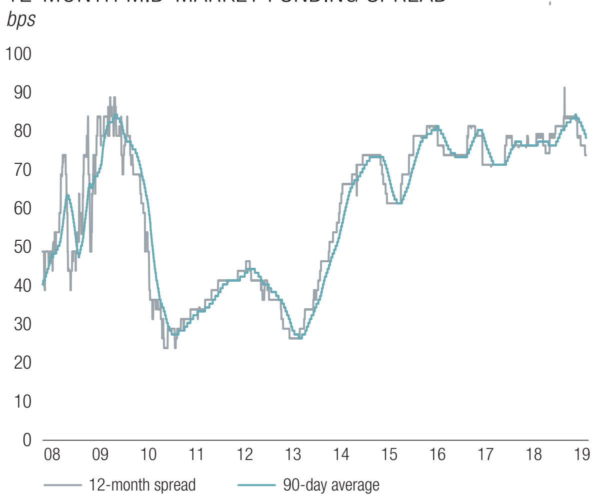



Considering the structural features of the South African market described above, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, which also enables it to meet Basel III liquidity requirements. Consequently, the group aims to fund the balance sheet in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

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

The following graph is indicative of the market cost of institutional funding, measured as the spread paid on the bank's 12-month funding instruments. Short-dated funding costs continue to remain elevated, but have moderated over the past six months.

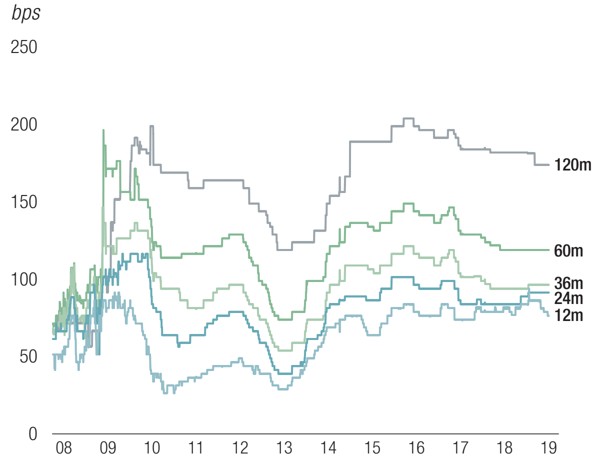
12-MONTH MID-MARKET FUNDING SPREAD




*Sources: Bloomberg (RMBP screen) and Reuters.*

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

LONG-TERM FUNDING SPREADS




*Sources: Bloomberg (RMBP screen) and Reuters.*

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

## *Funding measurement and activity*

FirstRand Bank, FirstRand's wholly-owned subsidiary and the primary debt-issuing entity in the group, generates a greater proportion of its funding from deposits in comparison to the South African aggregate, but its funding profile also reflects the structural features described previously.

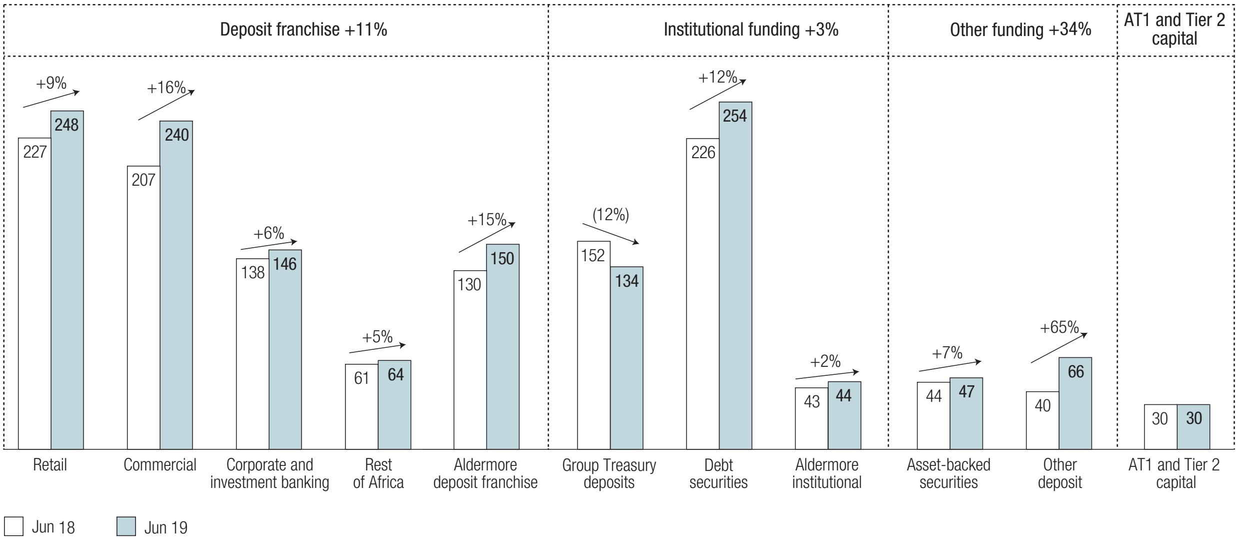
The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise is the most efficient and stable source of funding, representing 60% of total group funding liabilities at 30 June 2019 (June 2018: 59%).

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

# Funding and liquidity continued

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

FUNDING PORTFOLIO GROWTH
*R billion*



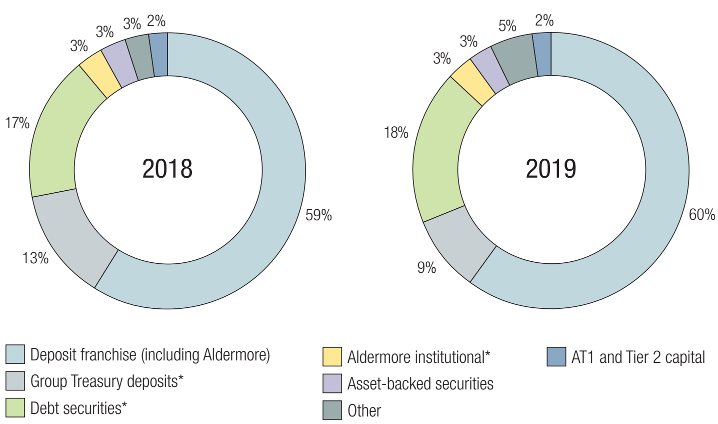

*Note 1: Percentage change is based on actual, not rounded, numbers shown in the bar graphs above.*

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

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

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

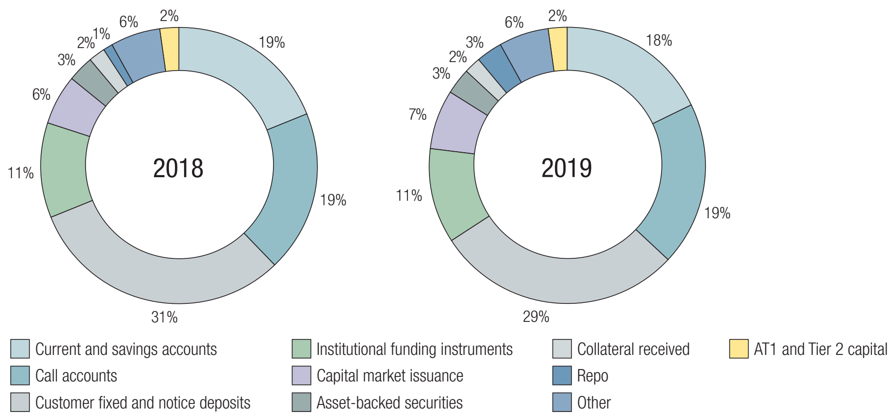
FUNDING MIX




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

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE



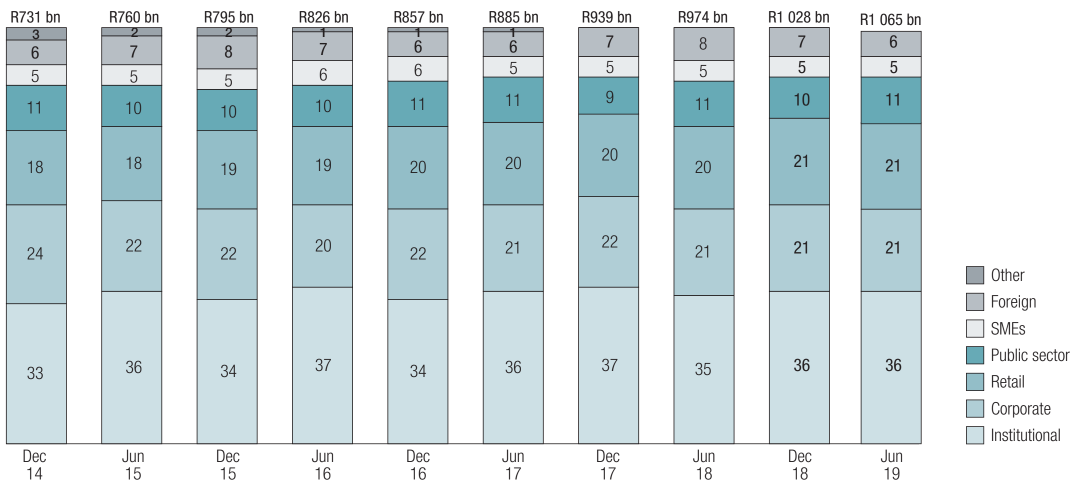

The group's strategy to grow its deposit and transactional banking franchise results in a significant proportion of contractually short-dated funding. As these deposits are anchored to clients' cyclical transactional and savings requirements and, given the balance granularity created by individual customers'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

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

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

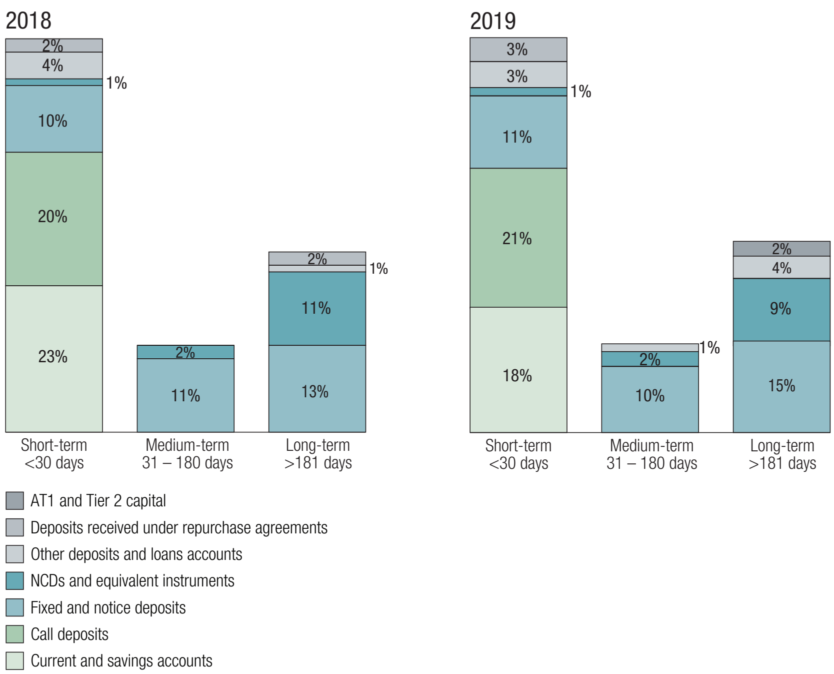
# Funding and liquidity continued

## FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*




* *Excludes foreign branches.*

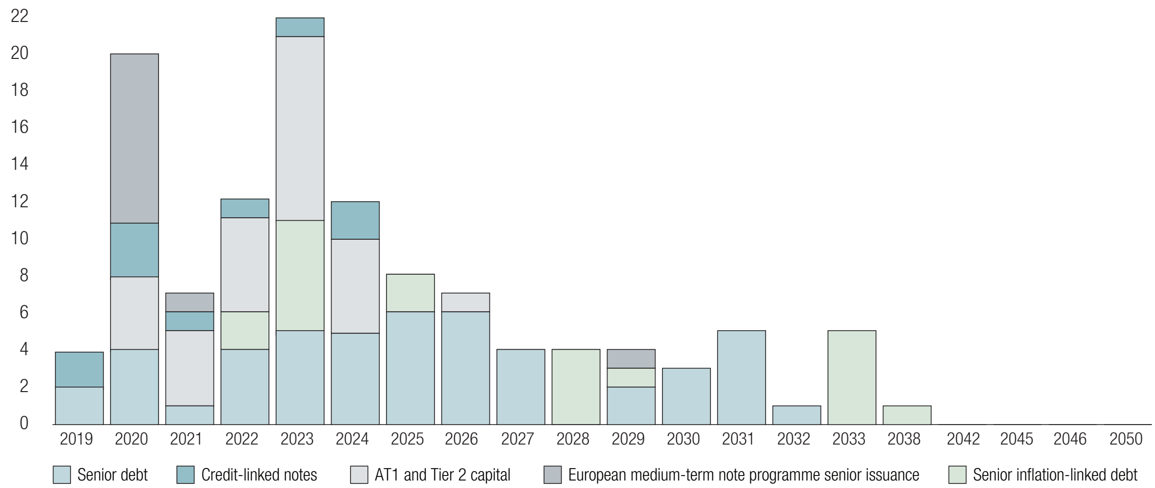
## GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF FIRSTRAND BANK*

*R billion*




* *Includes foreign branches.*

## *Funds transfer pricing*

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

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

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

# FOREIGN CURRENCY BALANCE SHEET

## *MotoNovo*

The acquisition of Aldermore alleviates some pressure on the group's foreign currency funding capacity. Now that MotoNovo has been integrated with Aldermore, it is supported by Aldermore's funding platform. All new business will be funded via a combination of on-balance sheet deposits, wholesale and structured funding. MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. It will, over time, be run down. Consequently, the funding capacity currently allocated to MotoNovo can ultimately be redeployed into other growth strategies.

## *Aldermore*

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

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

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

# Funding and liquidity continued

### *Risk management approach*

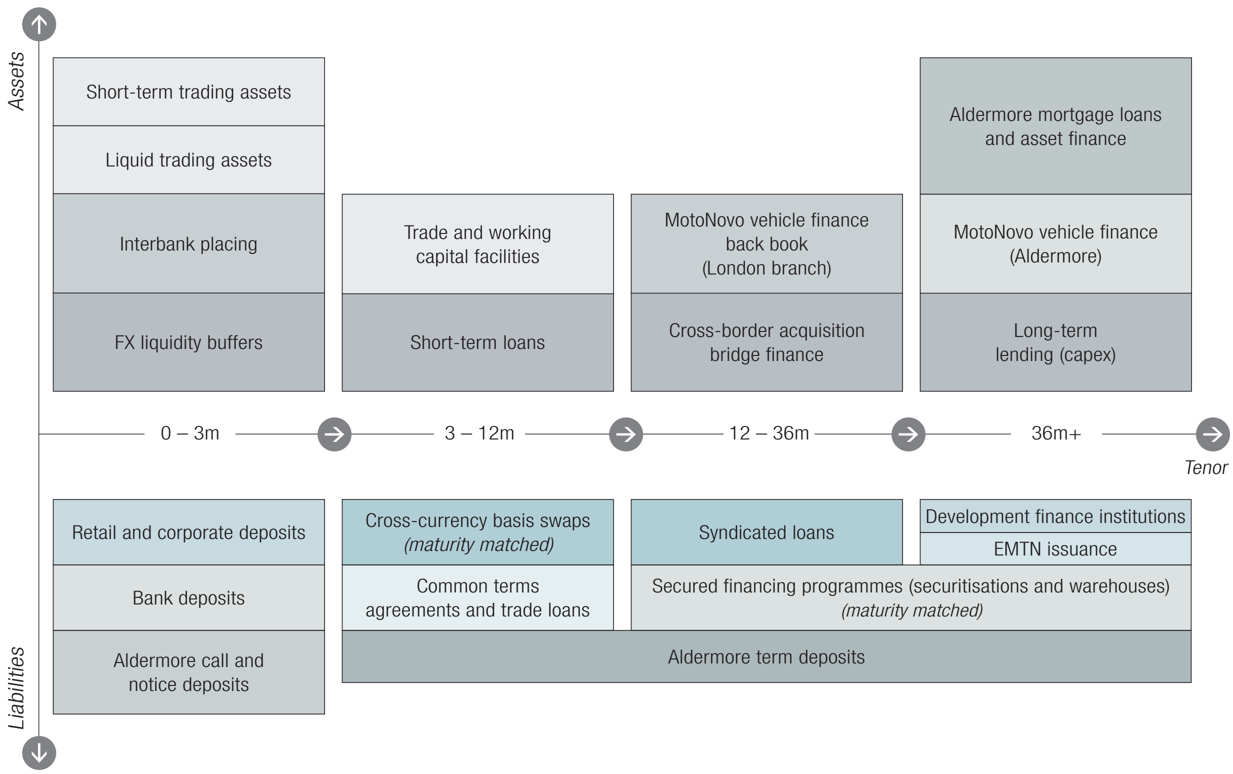
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 6/2010*, issued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

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

### *Philosophy on foreign currency external debt*

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



## LIQUIDITY RISK POSITION

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

### COMPOSITION OF LIQUID ASSETS

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

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

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

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

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

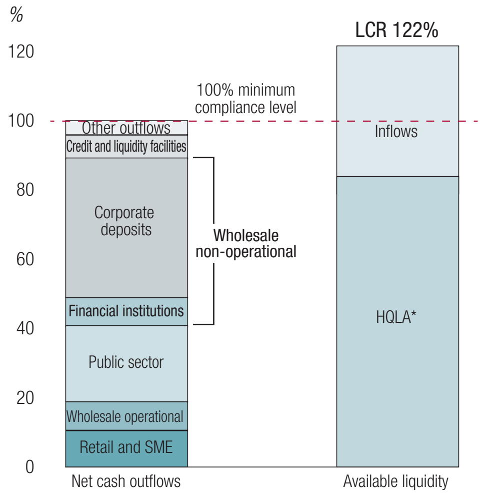
* *The consolidated LCR and NSFR for the group includes the bank's operations in South Africa, and all registered banks and foreign branches within the group. The bank's LCR and NSFR reflects its operations in South Africa only.*

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

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

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

### GROUP LCR




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

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

# Capital

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

- Prudential requirements, including any prescribed buffer.
- Rating agencies' considerations.
- Investor expectations.
- Peer comparison.
- Strategic and organic growth plans.
- Economic and regulatory capital requirements.
- Proposed regulatory, tax and accounting changes.
- Macro environment and stress test impacts.
- Issuance of capital instruments.

The capital planning process ensures that total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios, which include expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FirstRand's internal targets have been aligned to the Prudential Authority (PA) end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. No changes were made to the internal targets during the year. The group continues to actively manage its capital stack to ensure a more efficient capital structure, which is closely aligned with it's internal targets.

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

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

The group continues to focus on economic capital (EC) to ensure it remains solvent at a specified confidence level of 99.93% and deliver on its commitment to stakeholders within a one-year time horizon. EC is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. For the year under review, the group remained appropriately capitalised to meet its EC requirements.

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

## YEAR UNDER REVIEW

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

### CAPITAL ADEQUACY AND LEVERAGE POSITIONS

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

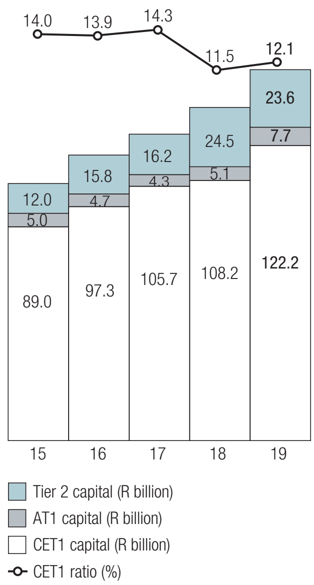
* *Excludes the bank-specific capital requirements, but includes the CCyB requirement.*

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

## *Capital*

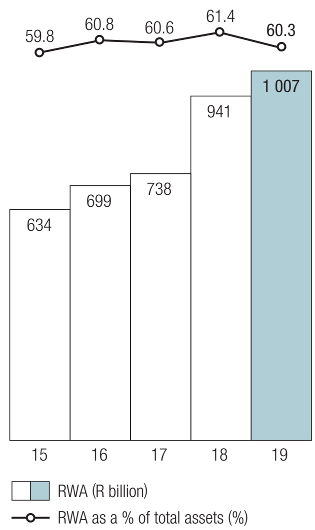
The graphs below show the historical overview of capital adequacy and RWA.

CAPITAL ADEQUACY*



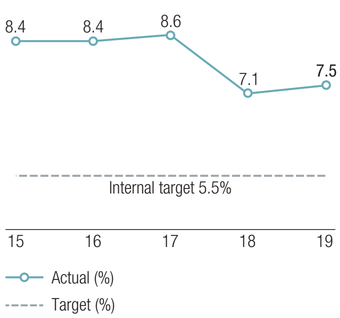

* *Includes unappropriated profits.*

RWA HISTORY




## *Leverage*

LEVERAGE*




* *Includes unappropriated profits.*

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

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

# Capital continued

## *Supply of capital*

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

COMPOSITION OF CAPITAL ANALYSIS*

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

* *Includes unappropriated profits of R8.8 billion.*

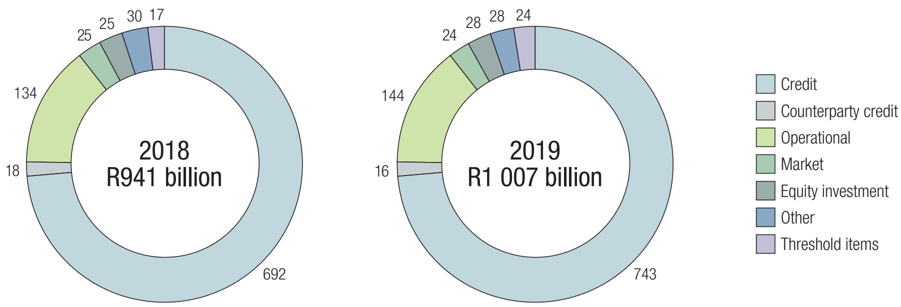
**KEY DRIVERS: 2019 vs 2018**

| | | |
|---|---|---|
| **CET1** | ▲ | > Ongoing internal capital generation through earnings coupled with a sustainable dividend payout.<br>> Once-off realisation relating to the Discovery transaction (±R2.3 billion) partly reduced by the Day 1 transitional impact of IFRS 9.<br>> Recognition of FirstRand Namibia minority capital (R1.5 billion) in CET1 capital, previously included in AT1 capital. |
| **AT1** | ▲ | > FRB AT1 issuance (R5.0 billion) during the year, partly offset by additional 10% haircut on NCNR preference shares not compliant with Basel III, and movement in third-party capital. |
| **Tier 2** | ▼ | > Redemption of remaining old-style Tier 2 instruments (R3.2 billion) during December 2018.<br>> Redemption of the $172.5 million Tier 2 instrument held by the International Finance Corporation in April 2019, and a R1.7 billion inaugural Basel III instrument during June 2019.<br>> Issuance of FRB26 and FRB27 (R2.6 billion) to manage rollover of the instruments redeemed in June 2019.<br>> Movement in third-party capital. |

## *Demand for capital*

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

RWA ANALYSIS
*R billion*




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

| KEY DRIVERS: 2019 vs 2018 | | |
|---|---|---|
| **Credit** | ▲ | > Organic growth, risk migration, rating changes and exchange rate movements. |
| **Counterparty credit** | ▼ | > Decrease in volumes and mark-to-market movements. |
| **Operational** | ▲ | > Recalibration of risk scenarios subject to the advanced measurement approach.<br>> Increase in gross income for entities on the standardised and basic indicator approaches. |
| **Market** | ▼ | > Decrease in volumes and mark-to-market movements. |
| **Equity investment** | ▲ | > New investments and fair value adjustments. |
| **Other assets** | ▼ | > Movements in accounts receivable, and property, plant and equipment. |
| **Threshold items** | ▲ | > Movement in deferred tax assets and investments in financial, banking and insurance entities (subject to 250% risk weighting). |

# Capital continued

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

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

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends/return of profits. During the year, no restrictions were experienced on the repayment of such dividends or profits to the group.

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

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

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

* *Includes unappropriated profits.*
** *Includes foreign branches.*
# *Trading as FNB Channel Islands.*
† *Transitioned to Basel III during the year under review.*
‡ *Transitioned to Basel II during the year under review.*

# Standardised disclosures

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

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

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

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

# Regulatory update

## BASEL III REFORMS

The Basel Committee on Banking Supervision (BCBS) finalised the Basel III reforms in December 2017, with a specific focus on reducing the variability of RWA. The BCBS has agreed on a five-year transitional period, beginning 1 January 2022. The 2017 reforms aim to address weaknesses identified during the global financial crisis, i.e. credibility of the risk-based capital framework, and introducing constraints on the estimates banks used within internal models for regulatory capital purposes. The PA further issued *Guidance Note 6 of 2018, Proposed implementation dates in respect of specified regulatory reforms*, which includes the proposed implementation dates of the outstanding Basel III regulatory reforms. The impact on the group capital position depends on the final implementation by the PA given a level of national discretion. The group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms.

The following reforms are effective 1 October 2019:

- Standardised approach for counterparty credit risk (SA-CCR).
- Capital requirement for banks' exposures to central counterparties.
- Capital requirements for equity investment in funds.

The proposed implementation dates for the revised securitisation framework and large exposures framework is April 2020.

## LCR

From 2019, South African banks are required to meet an LCR requirement of 100%. To fully comply with the LCR requirement, the group holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.

To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). For 2019, the PA has continued to provide a CLF for the industry. The PA's approach to the CLF and other related conditions for the period from 1 December 2018 to 30 November 2019 is detailed in *Guidance Note 4 of 2018*, *Continued provision of a committed liquidity facility by the South African Reserve Bank to banks (Guidance Note 4)*. *Guidance Note 5 of 2019*, *Continued provision of a committed liquidity facility by South African Reserve Bank to banks (Guidance Note 5)*, was released on 27 August 2019, and provides revised guidelines and conditions relating to the continued provision of the CLF, specifically covering the period from 1 December 2019 to 30 November 2020. The guidance note also reiterates the SARB's intention to phase out the CLF by 1 December 2021. The CLF available to banks will begin reducing from 1 December 2019 and will be withdrawn after 1 December 2021. The PA will, in consultation with banks, investigate possible alternatives to the CLF. There can be no certainty that an alternative liquidity facility will be agreed upon or instituted.

## NSFR

The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF), and came into effect from 1 January 2018.

*Directive 8 of 2017, Matters related to the net stable funding ratio* (which replaced *Directive 4 of 2016*), set out the elements of national discretion exercised by the PA in relation to the calibration of the NSFR framework for South Africa. The PA, after due consideration and noting that rand funding is contained in the financial system, concluded it appropriate to apply a 35% ASF factor to deposits from financial institutions with a residual maturity of less than six months. In line with several other international regulators, the PA also provided clarity on the alignment of the LCR and NSFR, applying a 5% RSF factor to the assets net of its haircut eligible for CLF purposes. These changes are anchored in the assessment of the true liquidity risk and greatly assist the South African banking sector in meeting the NSFR requirements.

The abovementioned directives continue to remain in effect.

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

# Performance measurement

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

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

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

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

NIACC AND ROE

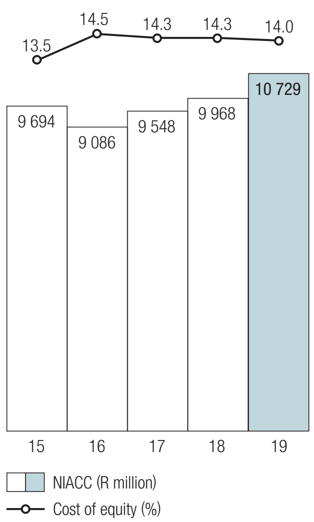
| | Year ended 30 June | | |
|---|---|---|---|
| *R million* | **2019 IFRS 9** | 2018 IAS 39 | % change |
| Normalised earnings attributable to ordinary shareholders | **27 894** | 26 411 | 6 |
| Capital charge* | **(17 165)** | (16 443) | 4 |
| NIACC** | **10 729** | 9 968 | 8 |
| Average ordinary shareholders'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

* *Capital charge based on cost of equity.*

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

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

EVOLUTION OF NIACC AND COST OF EQUITY




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

## SHAREHOLDER VALUE CREATION

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

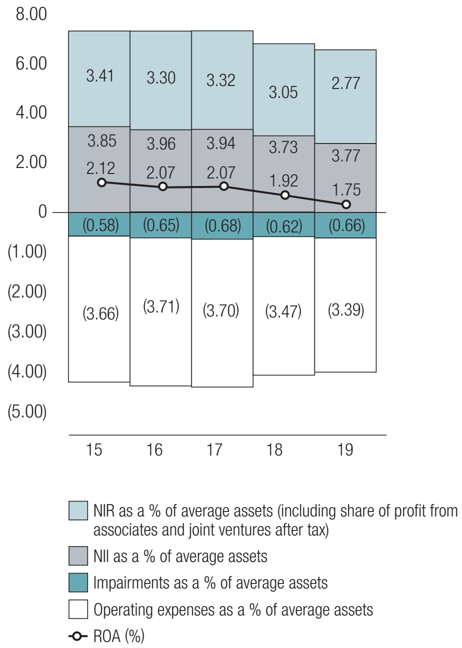
The table below shows the decomposition of the ROE into the ROA and gearing. The group ROA and gearing have structurally changed following the Aldermore acquisition. Gearing was also impacted by the implementation of IFRS 9.

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

* *Gearing = average total assets/average equity.*

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

ROA ANALYSIS




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

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

# Performance measurement continued

## BUSINESS PERFORMANCE

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

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

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

### ROE AND NORMALISED EARNINGS PER BUSINESS

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

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

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

\# *The comparatives were restated for segmentation changes.*

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

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

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

### BUSINESS ROAs

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

* *Comparatives were restated for segmentation changes.*

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

\# *Includes Ashburton Investments, Group Treasury and the MotoNovo back book.*

# Credit ratings

The ratings of South Africa-based banks are constrained by the country's sovereign rating. This is due to the direct and indirect impact of sovereign distress on domestic banks' operations. The following tables summarise the credit ratings of the South African sovereign, FirstRand Bank Limited and FirstRand Limited at 4 September 2019.

## SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

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

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

## FIRSTRAND BANK LIMITED RATINGS

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

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

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

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

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

## FIRSTRAND LIMITED RATINGS

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

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

*Source: S&P Global Ratings.*

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

# 04

IFRS
information

# Presentation

## BASIS OF PRESENTATION

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

FirstRand prepares its summary consolidated financial statements in accordance with:

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

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

## ACCOUNTING POLICIES

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

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

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

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

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

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

## AUDITORS' REPORT

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

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

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

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

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

## NORMALISED RESULTS

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

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

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

## DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

### *Consolidated private equity subsidiaries*

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

### *FirstRand shares held for client trading activities*

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

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

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

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

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

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

# Presentation continued

## *Margin-related items included in fair value income*

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

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

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

## *IAS 19 Remeasurement of plan assets*

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

## *Realisation on the sale of private equity subsidiaries*

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

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

## *Cash-settled share-based payments and the economic hedge*

The group entered into a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes.

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

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

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

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

## *Headline earnings adjustments*

All adjustments required by *Circular 04/2018 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 157.

# Independent auditors' report on summary consolidated financial statements

## TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

### *Opinion*

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

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

### *Summary consolidated financial statements*

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

### *The audited consolidated financial statements and our report thereon*

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

### *Directors' responsibility for the summary consolidated financial statements*

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

### *Auditors' responsibility*

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

Deloitte & Touche

**Deloitte & Touche**
Registered Auditor
Per Partner: Darren Shipp

Woodlands Office Park
Johannesburg
4 September 2019

PricewaterhouseCoopers Inc.

**PricewaterhouseCoopers Inc.**
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Johannesburg
4 September 2019

# Summary consolidated income statement – IFRS (audited)

*for the year ended 30 June*

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

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

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

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

*for the year ended 30 June*

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

# Summary consolidated statement of financial position – IFRS (audited)

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

# Summary consolidated statement of cash flows – IFRS (audited)

*for the year ended 30 June*

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

* *Interest payments relating to Tier 2 (R154 million) and other liabilities (R238 million) have been reclassified from financing activities and included in interest payments under cash generated from operating activities to align with how the group is classifying interest payments in the cash flow statement.*

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

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

*for the year ended 30 June*

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

* *Other reserves include the FVOCI reserve.*

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

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

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

# Statement of headline earnings – IFRS (audited)

*for the year ended 30 June*

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

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

# Reconciliation from headline to normalised earnings

*for the year ended 30 June*

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

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

** *Include FirstRand shares held for client trading activities.*

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

# Reconciliation of normalised to IFRS summary consolidated income statement

*for the year ended 30 June 2019 IFRS 9*

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

* *FirstRand shares held for client trading activities.*

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

# Reconciliation of normalised to IFRS summary consolidated income statement

*for the year ended 30 June 2018 IAS 39*

| *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** | | | | |
| Other equity instrument holders | (466) | – | – | – |
| Non-controlling interests | (1 130) | – | – | – |
| **Ordinary equityholders** | 26 411 | – | (18) | – |
| Headline and normalised earnings adjustments | – | – | 18 | – |
| **Normalised earnings attributable to ordinary equityholders of the group** | 26 411 | – | – | – |

* *FirstRand shares held for client trading activities.*

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

# Reconciliation of normalised to IFRS summary consolidated statement of financial position

*as at 30 June 2019*

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

* *FirstRand shares held for client trading activities.*

# Reconciliation of normalised to IFRS summary consolidated statement of financial position

*as at 30 June 2018*

| | IAS 39 | | |
|---|---|---|---|
| *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 |
| Deposits | 1 267 448 | – | 1 267 448 |
| Employee liabilities | 11 534 | – | 11 534 |
| Other liabilities | 6 989 | – | 6 989 |
| Policyholder liabilities | 4 593 | – | 4 593 |
| Tier 2 liabilities | 28 439 | – | 28 439 |
| Deferred income tax liability | 1 477 | – | 1 477 |
| **Total liabilities** | 1 401 491 | – | 1 401 491 |
| **Equity** | | | |
| Ordinary shares | 56 | – | 56 |
| Share premium | 8 056 | (62) | 7 994 |
| Reserves | 112 934 | 41 | 112 975 |
| **Capital and reserves attributable to equityholders of the group** | 121 046 | (21) | 121 025 |
| Other equity instruments | 5 769 | – | 5 769 |
| Non-controlling interests | 4 004 | – | 4 004 |
| **Total equity** | 130 819 | (21) | 130 798 |
| **Total equities and liabilities** | 1 532 310 | (21) | 1 532 289 |

* *FirstRand shares held for client trading activities.*

# Advances (audited)

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

## ANALYSIS OF ADVANCES PER CLASS

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

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

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

# Impairment of advances (audited)

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

## RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

*Fair value*

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

# Impairment of advances (audited) continued

## RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

*Amortised cost*

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

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

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

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

# Impairment of advances (audited) continued

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

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

# Fair value measurements (audited)

## VALUATION METHODOLOGY

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

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

### *Non-recurring fair value measurements*

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

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

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

### *Financial instruments*

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

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

### *Financial instruments not measured at fair value*

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

## FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

### *Measurement of assets and liabilities at level 2*

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

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

# Fair value measurements (audited) continued

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

# Fair value measurements (audited) continued

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

### *Measurement of assets and liabilities at level 3*

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

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

# Fair value measurements (audited) continued

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

| INSTRUMENT | VALUATION TECHNIQUE | DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS | SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS |
|---|---|---|---|
| **LOANS AND ADVANCES TO CUSTOMERS continued** | | | |
| **Advances under repurchase agreements** | Discounted cash flows | The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong way risk is incorporated by factoring in the correlation between the FX rate and the default risk of the counterparty as well as the default risk of the sovereign entity. | Credit input and market risk correlation factors |
| **INVESTMENT SECURITIES** | | | |
| **Equities listed in an inactive market** | Discounted cash flows | For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate. | Unobservable P/E ratios |
| **Unlisted bonds or bonds listed in an inactive market** | Discounted cash flows | Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate. | Credit inputs |
| **Unlisted equities** | P/E model and discounted cash flows | For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place. | Growth rates and P/E ratios |

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

| INSTRUMENT | VALUATION TECHNIQUE | DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS | SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS |
|---|---|---|---|
| **INVESTMENT SECURITIES continued** | | | |
| **Investments in funds and unit trusts** | Third-party valuations | In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the 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.<br>Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations to. | Third-party valuations used, minority and marketability adjustments |
| **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.<br>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 |

# Fair value measurements (audited) continued

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

### *Non-recurring fair value measurements*

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

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

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

### *Fair value hierarchy*

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

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

# Fair value measurements (audited) continued

## FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

| | 2018 IAS 39 | | | |
|---|---|---|---|---|
| *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 |
| **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 |

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

### *Transfers between fair value hierarchy levels*

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

| | 2019 IFRS 9 | | |
|---|---|---|---|
| *R million* | **Transfers in** | **Transfers out** | **Reasons for significant transfer in** |
| **Level 1** | **–** | **–** | There were no transfers into level 1. |
| **Level 2** | **128** | **(151)** | During the year, the inputs into the yield curves used to fair value derivative trades became observable warranting a transfer from level 3 to level 2 for these instruments. |
| **Level 3** | **151** | **(128)** | Derivatives linked to the Botswana pula were valued on an internally created curve, whose inputs are no longer observable. In addition, certain inputs used to calculate the fair value of a portfolio of investment securities became unobservable. These changes in input resulted in a transfer out of level 2 to level 3. |
| **Total transfers** | **279** | **(279)** | |

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

# Fair value measurements (audited) continued

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

### *Changes in level 3 instruments with recurring fair value measurements*

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

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

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

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

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

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

The table below presents the total gains/losses relating to remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments, FVOCI debt instruments (IFRS 9) and available-for-sale financial assets (IAS 39), all gains or losses are recognised in non-interest revenue.

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

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

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

# Fair value measurements (audited) continued

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

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

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

# Fair value measurements (audited) continued

## FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

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

| | 2018 IAS 39 | | | | |
|---|---|---|---|---|---|
| *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 |

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

# Contingencies and commitments (audited)

*as at 30 June*

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

# Events after the reporting period (audited)

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

# Summary segment report (audited)

*for the year ended 30 June*

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

* *Total liabilities are net of interdivisional balances.*

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

* *Total liabilities are net of interdivisional balances.*

# 05

## supplementary information

# Headline earnings additional disclosure

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

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

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

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

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

\# *Profit on realisation is disclosed post-tax and non-controlling interests.*

## ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PRODUCTS

| | Year ended 30 June | | |
|---|---|---|---|
| *R million* | 2019 IFRS 9 | 2018 IAS 39 | % change |
| Carrying value of investment properties | **689** | 754 | (9) |
| Fair value of investment properties | **689** | 754 | (9) |

# Number of ordinary shares in issue

*for the year ended 30 June*

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

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

# Key market indicators and share statistics

*for the year ended 30 June*

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

# Company information

## DIRECTORS

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

*at 30 June 2019*

## LISTED EQUITY INSTRUMENTS

### Johannesburg Stock Exchange (JSE)

**Ordinary shares**

| Issuer | Share code | ISIN code |
|---|---|---|
| FirstRand Limited | FSR | ZAE000066304 |

**Non-cumulative non-redeemable B preference shares**

| Issuer | Share code | ISIN code |
|---|---|---|
| FirstRand Limited | FSRP | ZAE000060141 |

### Namibian Stock Exchange (NSX)

**Ordinary shares**

| Issuer | Share code | ISIN code |
|---|---|---|
| FirstRand Limited | FST | ZAE000066304 |
| FirstRand Namibia Limited | FNB | NA0003475176 |

### Botswana Stock Exchange (BSE)

**Ordinary shares**

| Issuer | Share code | ISIN code |
|---|---|---|
| First National Bank of Botswana Limited | FNBB | BW0000000066 |

## LISTED DEBT INSTRUMENTS

### Issuer: FirstRand Bank Limited

*JSE*

*Domestic medium-term note programme*

| Bond code | ISIN code | Bond code | ISIN code | Bond code | ISIN code |
|---|---|---|---|---|---|
| **Subordinated debt** | | | | | |
| FRB13 | ZAG000116286 | FRB18 | ZAG000135229 | FRB23 | ZAG000146754 |
| FRB14 | ZAG000116294 | FRB19 | ZAG000135310 | FRB24 | ZAG000155102 |
| FRB15 | ZAG000124199 | FRB20 | ZAG000135385 | FRB25 | ZAG000157512 |
| FRB16 | ZAG000127622 | FRB21 | ZAG000140856 | FRB26 | ZAG000159955 |
| FRB17 | ZAG000127630 | FRB22 | ZAG000141219 | FRB27 | ZAG000159963 |
| **Senior unsecured** | | | | | |
| FRBZ01 | ZAG000049255 | FRJ25 | ZAG000124256 | FRX25 | ZAG000152828 |
| FRBZ02 | ZAG000072711 | FRJ26 | ZAG000156969 | FRX26 | ZAG000112160 |
| FRBZ03 | ZAG000080029 | FRJ27 | ZAG000141912 | FRX27 | ZAG000142506 |
| FRJ20 | ZAG000109596 | FRJ29 | ZAG000156951 | FRX28 | ZAG000152836 |
| FRJ21 | ZAG000115858 | FRX19 | ZAG000073685 | FRX30 | ZAG000124264 |
| FRJ22 | ZAG000142498 | FRX20 | ZAG000109604 | FRX31 | ZAG000084195 |
| FRJ23 | ZAG000149436 | FRX23 | ZAG000104969 | FRX32 | ZAG000142514 |
| FRJ24 | ZAG000156977 | FRX24 | ZAG000073693 | FRX45 | ZAG000076480 |
| **Inflation-linked bonds** | | | | | |
| FRBI22 | ZAG000079666 | FRBI29 | ZAG000145608 | FRI33 | ZAG000141706 |
| FRBI23 | ZAG000076498 | FRBI33 | ZAG000079245 | FRI38 | ZAG000141862 |
| FRBI25 | ZAG000109588 | FRBI46 | ZAG000135302 | | |
| FRBI28 | ZAG000079237 | FRBI50 | ZAG000141649 | | |

*Structured note and preference share programme*

| Bond code | ISIN code | Bond code | ISIN code | Bond code | ISIN code |
|---|---|---|---|---|---|
| **Credit-linked notes** | | | | | |
| FRC66 | ZAG000088485 | FRC69 | ZAG000088766 | FRC71 | ZAG000088923 |

*Note programme*

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

# Listed financial instruments of the group continued

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

## *Other*

| Bond code | ISIN code | Bond code | ISIN code |
|---|---|---|---|
| **Other** | | | |
| FRK01 | ZAE000193959 | FRPT01 | ZAE000205480 |

## *London Stock Exchange (LSE)*

### *European medium-term note programme*

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

## Issuer: First National Bank of Namibia Limited

### *JSE*

| ISIN code |
| --- |
| ZAG000142803 |
| ZAG000142902 |

### *NSX*

*Domestic medium-term note programme*

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

## Issuer: Aldermore Group plc

### *LSE*

| ISIN code |
| --- |
| **Tier 2** |
| XS1507529144 |

### *Irish Stock Exchange*

| ISIN code |
| --- |
| **Contingent convertible securities** |
| XS1150025549 |

## Issuer: First National Bank of Botswana Limited

### *BSE*

*Domestic medium-term note programme*

| Bond code | ISIN code |
| --- | --- |
| **Subordinated debt** | |
| FNBB007 | BW 000 000 1668 |
| FNBB008 | BW 000 000 1700 |

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

# Definitions

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

# Abbreviations

| | |
|---|---|
| ALM | Asset and liability management |
| APE | Annual premium equivalent |
| ASF | Available stable funding |
| AT1 | Additional Tier 1 |
| AUA | Assets under administration |
| AUE | Assets under execution |
| AUM | Assets under management |
| BCBS | Basel Committee on Banking Supervision |
| BEE | Black economic empowerment |
| BIS | Bank for International Settlements |
| BSE | Botswana Stock Exchange |
| BTL | Buy-to-let |
| C&TB | Corporate and transactional banking |
| CAGR | Compound annual growth rate |
| Capex | Capital expenditure |
| CAR | Capital adequacy ratio |
| CB | RMB corporate banking |
| CCyB | Countercyclical buffer |
| CET1 | Common Equity Tier 1 |
| CIB | Corporate and investment banking |
| CIS | Collective investment scheme |
| CLF | Committed liquidity facility |
| DA | DirectAxis |
| DIA | Date of initial application |
| DIS | Deposit insurance scheme |
| D-SIB | Domestic systemically important bank |
| DWT | Dividend withholding tax |
| ECL | Expected credit loss |
| ELI | Employee liability insurance |
| EMTN | European medium-term note |
| EPS | Earnings per share |
| FLAC | First loss-absorbing capacity |
| FLI | Forward-looking information |
| FML | Full maintenance leasing |
| FRB | FirstRand Bank Limited |
| FREMA | FirstRand EMA Holdings (Pty) Ltd |
| FRIHL | FirstRand Investment Holdings (Pty) Ltd |
| FRN | Floating rate notes |
| FSB | Financial Services Board |
| FSLAB | Financial Sector Laws Amendment Bill |
| FSR | FirstRand Limited |
| FVOCI | Fair value through other comprehensive income |
| FVTPL | Fair value through profit or loss |
| FX | Foreign exchange |
| HQLA | High-quality liquid assets |
| IB | Investment banking |
| IB&A | Investment banking and advisory |
| IFRS-IC | IFRS Interpretation Committee |

| | |
|---|---|
| IM | Investment management |
| INV | Investing |
| ISP | Interest in suspense |
| JSE | Johannesburg Stock Exchange |
| JV | Joint venture |
| LCR | Liquidity coverage ratio |
| LGD | Loss given default |
| LISP | Linked investment service provider |
| LSE | London Stock Exchange |
| LTV | Loan to value |
| M&S | Markets and structuring |
| MCA | Market Conduct Authority |
| Moody’s | Moody’s Investors Service |
| MTM | Mark-to-market |
| NCAA | National Credit Amendment Act |
| NCD | Negotiable certificate of deposit |
| NCNR | Non-cumulative non-redeemable |
| NIACC | Net income after cost of capital |
| NII | Net interest income |
| NIR | Non-interest revenue |
| NPLs | Non-performing loans |
| NSFR | Net stable funding ratio |
| NSX | Namibian Stock Exchange |
| PA | Prudential Authority |
| PD | Probability of default |
| P/E | Price/earnings |
| PN | Promissory note |
| RA | Resolution Authority |
| RMBS | Residential mortgage-backed securities |
| ROA | Return on assets |
| ROE | Return on equity |
| RSF | Required stable funding |
| RWA | Risk weighted assets |
| S&P | S&P Global Ratings |
| SAICA | South African Institute of Chartered Accountants |
| SARB | South African Reserve Bank |
| SICR | Significant increase in credit risk |
| SME | Small and medium enterprises |
| SPPI | Solely payments of principal and interest |
| SRB | Special Resolution Bill |
| TLAC | Total loss-absorbing capacity |
| TRS | Total return swap |
| TTC | Through-the-cycle |
| UK | United Kingdom |
| VAF | Vehicle asset finance |
| VAPS | Value-added products and services |
| WIM | Wealth and investment management |

# Abbreviations of financial reporting standards

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

## INTERNATIONAL ACCOUNTING STANDARDS

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

## IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

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

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