'19

analysis of financial results

for the six months ended 31 December

about this report

This report covers the unaudited condensed consolidated financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2019. Some of the information relating to the statement of financial position as at 1 July 2019 was restated following the adoption of new and revised IFRS. Refer to pages 165 to 176 for further details.

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 condensed 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 146 and 147. Detailed reconciliations of normalised to IFRS results are provided on pages 156 to 164. Commentary is based on normalised results, unless indicated otherwise.

Jaco van Wyk, CA(SA), supervised the preparation of the condensed 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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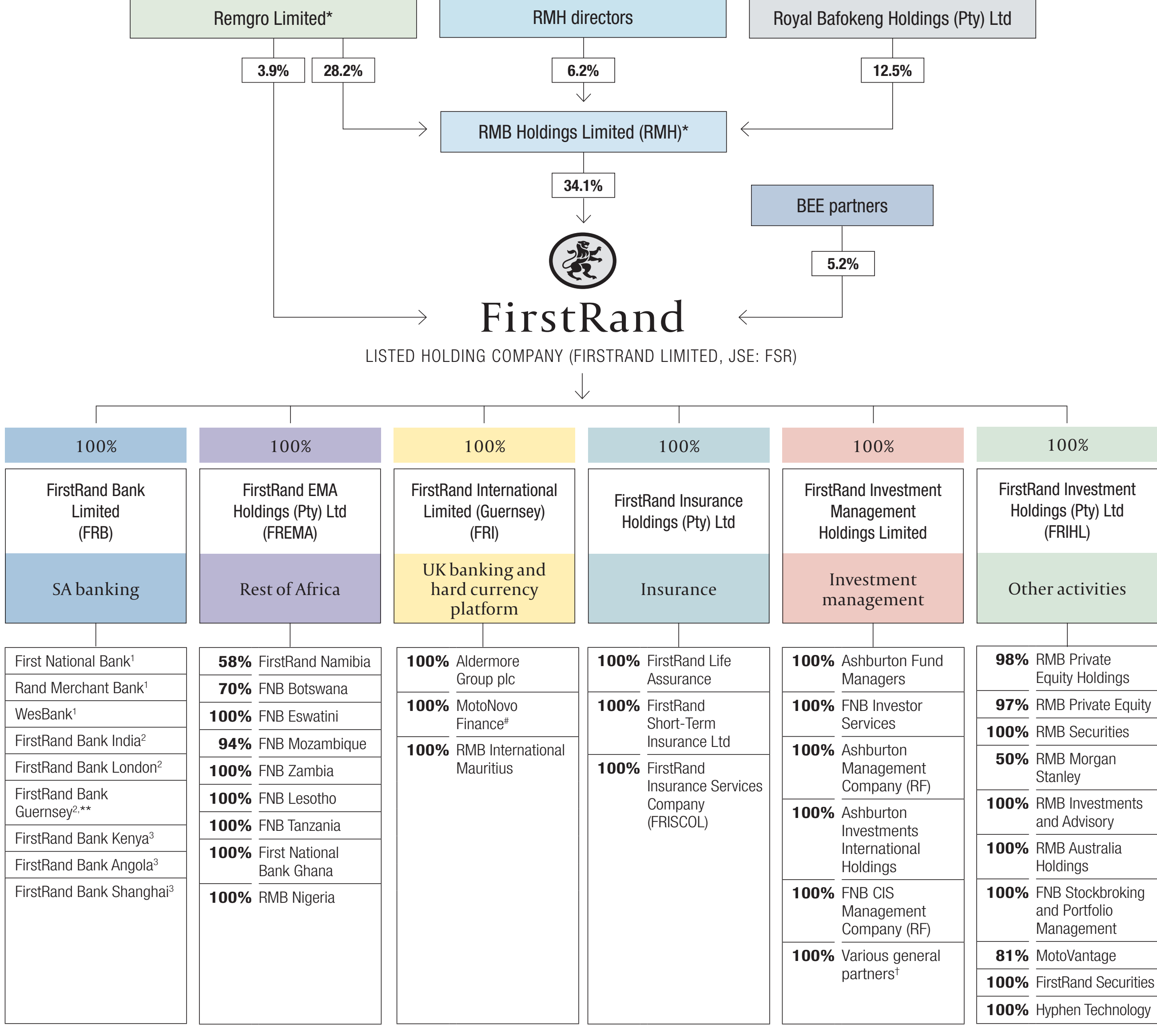
01

overview of results

Simplified group and shareholding structure



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

DirectAxis is a business unit of FirstRand Bank Limited.

* *On 19 November 2019, Remgro Limited and RMH announced their intention to unbundle and distribute their shareholdings in FirstRand Limited to Remgro and RMH shareholders, respectively.*

** *Trading as FNB Channel Islands.*

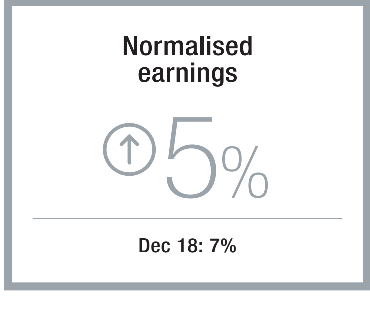
[#] *Wholly-owned subsidiary of Aldermore Group plc.*

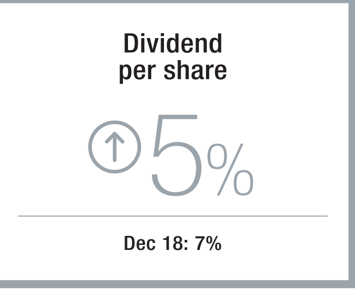
[†] *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

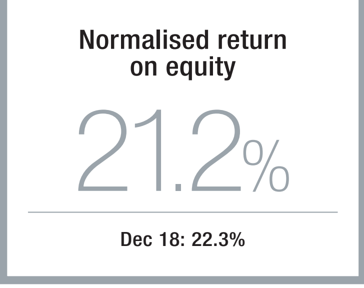
Structure shows effective consolidated shareholding

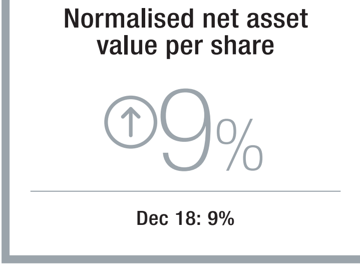
For segmental analysis purposes entities included in FRIHL, FREMA, FRI, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing business (i.e. FNB, RMB, WesBank or FCC). The group's securitisations and conduits are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

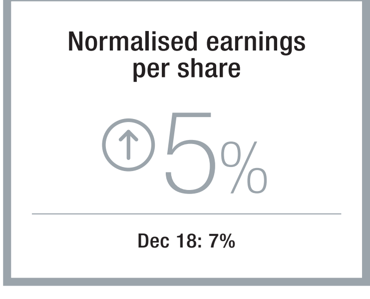
FIRSTRAND'S PORTFOLIO of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products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

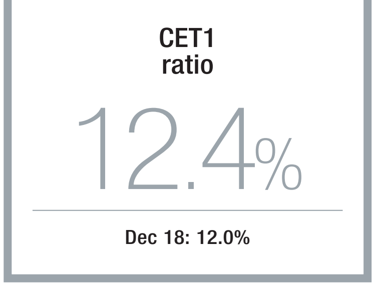






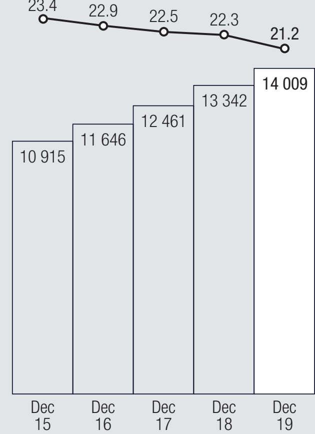




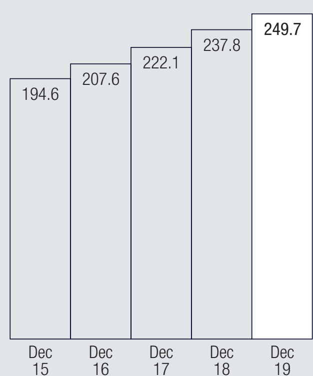


Track record

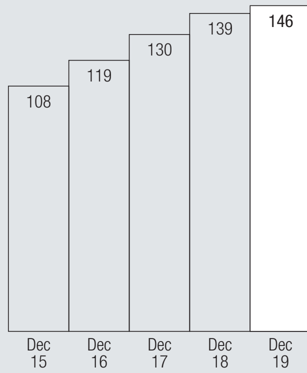
NORMALISED EARNINGS *(R million)* AND ROE *(%)*
CAGR 6%



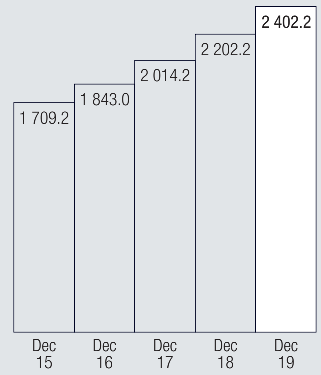
DILUTED NORMALISED EARNINGS PER SHARE *(cents)*
CAGR 6%



DIVIDEND PER SHARE *(cents)*
CAGR 8%



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



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

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 156 to 164.

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Earnings performance				
Normalised earnings per share (cents)				
– Basic	**249.7**	237.8	5	497.3
– Diluted	**249.7**	237.8	5	497.3
Headline earnings per share (cents)				
– Basic	**249.4**	237.9	5	497.2
– Diluted	**249.4**	237.9	5	497.2
Earnings per share (cents) – IFRS*				
– Basic	**249.3**	280.5	(11)	538.6
– Diluted	**249.3**	280.5	(11)	538.6
Attributable earnings – IFRS (refer page 148)*	**13 982**	15 732	(11)	30 211
Headline earnings	**13 987**	13 344	5	27 887
Normalised earnings	**14 009**	13 342	5	27 894
Normalised net asset value	**134 751**	123 530	9	129 650
Normalised net asset value per share (cents)	**2 402.2**	2 202.2	9	2 311.3
Average normalised net asset value	**132 201**	119 546	11	122 606
Market capitalisation	**352 170**	367 758	(4)	384 530
Ordinary dividend per share (cents)	**146**	139	5	291
Dividend cover (times)	**1.71**	1.71		1.71
NCNR B preference dividend – paid (cents per share)**	**384.2**	378.3	2	760.0
Ratios and key statistics				
ROE (%)	**21.2**	22.3		22.8
ROA (%)	**1.66**	1.71		1.75
Price earnings ratio (times)	**12.6**	13.8		13.8
Price-to-book ratio (times)	**2.6**	3.0		3.0
Diversity ratio (%)	**41.5**	42.1		42.2
Credit impairment charge	**5 934**	5 021	18	10 500
Credit loss ratio (%)	**0.95**	0.86		0.88
Stage 3/NPLs as a % of advances	**3.58**	3.20		3.33
Total impairment coverage ratio (%)	**79.0**	84.4		82.6
Specific coverage ratio (%)	**44.0**	46.3		44.7
Performing book coverage ratio (%)	**1.30**	1.26		1.31
Credit loss ratio (%) – excluding Aldermore	**1.05**	0.96		0.99
Stage 3/NPLs as % of advances – excluding Aldermore	**4.09**	3.57		3.72
Total impairment coverage ratio (%) – excluding Aldermore	**80.8**	86.3		85.1
Specific coverage ratio (%) – excluding Aldermore	**45.4**	47.7		46.3
Performing book coverage ratio (%) – excluding Aldermore	**1.51**	1.43		1.50
Cost-to-income ratio (%)	**52.1**	52.3		51.6
Effective tax rate (%)	**23.1**	24.2		23.7
Share price (closing – rand)	**62.80**	65.56	(4)	68.55
Number of employees	**49 867**	47 334	5	48 780

* *Prior period attributable earnings and earnings per share include the after-tax profit on sale of R2.3 billion on the Discovery card transaction, which is excluded from headline and normalised earnings.*

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

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Balance sheet				
Normalised total assets	**1 716 385**	1 589 462	8	1 669 039
Advances (net of credit impairment)	**1 223 764**	1 172 544	4	1 205 752
Average gross loan-to-deposit ratio (%)	**88.3**	90.1		89.5
Deposits	**1 438 588**	1 338 621	7	1 393 104
Capital adequacy – IFRS*				
Capital adequacy ratio (%)	**15.6**	14.8		15.2
Tier 1 ratio (%)	**13.2**	12.6		12.9
Common Equity Tier 1 ratio (%)	**12.4**	12.0		12.1
Leverage – IFRS*				
Leverage ratio (%)	**7.7**	7.4		7.5
Liquidity – IFRS				
Liquidity coverage ratio (%)	**148**	122		122
Net stable funding ratio (%)	**119**	112		118

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

Condensed consolidated income statement – normalised

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Net interest income before impairment of advances	**31 893**	29 444*	8	60 299
Impairment charge	**(5 934)**	(5 021)	18	(10 500)
Net interest income after impairment of advances	**25 959**	24 423	6	49 799
Total non-interest revenue	**22 583**	21 447	5	44 068
– Operational non-interest revenue	**22 056**	20 966	5	42 811
– Fee and commission income	**16 067**	15 661*	3	30 731*
– Insurance income	**2 207**	1 929*	14	4 128
– Markets, client and other fair value income	**2 166**	1 837	18	4 735
– Investment income	**84**	307	(73)	619
– Other non-interest revenue	**1 532**	1 232	24	2 598
– Share of profit of associates and joint ventures after tax	**527**	481	10	1 257
Income from operations	**48 452**	45 870	6	93 867
Operating expenses	**(28 358)**	(26 615)*	7	(53 899)*
Income before tax	**20 184**	19 255	5	39 968
Indirect tax	**(734)**	(795)	(8)	(1 280)
Profit before tax	**19 450**	18 460	5	38 688
Income tax expense	**(4 491)**	(4 475)	–	(9 152)*
Profit for the period	**14 959**	13 985	7	29 536
Other equity instrument holders	**(498)**	(206)*	>100	(760)*
Non-controlling interests	**(452)**	(437)	3	(882)
Normalised earnings attributable to ordinary equityholders of the group	**14 009**	13 342	5	27 894

* *Restated following the adoption of IAS 12 amendments, the reclassification of coupon payments on AT1 instruments, reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 165 to 176.*

Condensed consolidated statement of other comprehensive income – normalised

R million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Profit for the period	**14 959**	13 985*	7	29 536*
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(264)**	77	(>100)	498
(Losses)/gains arising during the period	**(189)**	500	(>100)	829
Reclassification adjustments for amounts included in profit or loss	**(177)**	(393)	(55)	(137)
Deferred income tax	**102**	(30)	(>100)	(194)
FVOCI debt reserve	**6**	(13)	(>100)	(4)
Losses arising during the period	**(1)**	(21)	(95)	(2)
Reclassification adjustments for amounts included in profit or loss	**–**	(1)	(100)	(4)
Deferred income tax	**7**	9	(22)	2
Exchange differences on translating foreign operations	**(8)**	353	(>100)	(444)
(Losses)/gains arising during the period	**(4)**	353	(>100)	(428)
Deferred income tax	**(4)**	–	–	(16)
Share of other comprehensive (loss)/income of associates and joint ventures after tax and non-controlling interests	**(19)**	29	(>100)	45
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**1**	–	–	(2)
Gains/(losses) arising during the period	**1**	–	–	(2)
Remeasurements on defined benefit post-employment plans	**8**	19	(58)	(132)
Gains/(losses) arising during the period	**12**	25	(52)	(172)
Deferred income tax	**(4)**	(6)	(33)	40
Other comprehensive (loss)/income for the period	**(276)**	465	(>100)	(39)
Total comprehensive income for the period	**14 683**	14 450	2	29 497
Attributable to				
Ordinary equityholders	**13 731**	13 801	–	27 848
Other equity instrument holders	**498**	206*	>100	760*
Equityholders of the group	**14 229**	14 007	2	28 608
Non-controlling interests	**454**	443	2	889
Total comprehensive income for the period	**14 683**	14 450	2	29 497

** Restated for coupon payments on AT1 instruments and the adoption of IAS 12 amendments. Refer to pages 165 to 176.*

Condensed consolidated statement of financial position – normalised

R million	As at 31 December 2019	As at 31 December 2018	As at 30 June 2019
ASSETS			
Cash and cash equivalents	**106 537**	87 450	102 518
Derivative financial instruments	**50 625**	35 725	47 104
Commodities	**19 369**	17 815	21 176
Investment securities	**260 164**	224 147	241 753
Advances	**1 223 764**	1 172 544	1 205 752
– Advances to customers	**1 162 613**	1 111 824	1 142 845
– Marketable advances	**61 151**	60 720	62 907
Accounts receivable	**8 973**	10 346	8 578
Current tax asset	**471**	1 096	267
Reinsurance assets	**231**	130	196
Investments in associates	**7 012**	5 626	6 369
Investments in joint ventures	**2 016**	1 766	1 719
Property and equipment*	**21 893**	17 815	17 800
Intangible assets	**10 493**	10 744	10 491
Investment properties	**689**	814	689
Defined benefit post-employment asset	**6**	36	6
Deferred income tax asset	**4 142**	3 408	4 621
Total assets	**1 716 385**	1 589 462	1 669 039
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**3 445**	6 056	5 374
Derivative financial instruments	**55 501**	41 949	52 597
Creditors, accruals and provisions	**19 102**	19 870**	21 922
Current tax liability	**203**	773	1 643
Deposits	**1 438 588**	1 338 621	1 393 104
Employee liabilities	**9 440**	9 034	13 042
Other liabilities*	**8 411**	5 758	5 974
Policyholder liabilities	**5 692**	4 764	5 263
Tier 2 liabilities	**24 381**	25 750**	24 191
Deferred income tax liability	**1 287**	1 318	1 359
Total liabilities	**1 566 050**	1 453 893	1 524 469
Equity			
Ordinary shares	**56**	56	56
Share premium	**8 056**	8 056	8 056
Reserves	**126 639**	115 418	121 538
Capital and reserves attributable to ordinary equityholders of the group	**134 751**	123 530	129 650
Other equity instruments	**11 495**	8 034**	10 734
Non-controlling interests	**4 089**	4 005	4 186
Total equity	**150 335**	135 569	144 570
Total equity and liabilities	**1 716 385**	1 589 462	1 669 039

* *The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information is prepared on an IAS 17 basis. Refer to pages 165 to 167 and 175 for more information.*

** *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments. Refer to pages 165 to 176.*

Flow of funds analysis – normalised

R million	December 2019 vs June 2019 **6-month movement**	December 2018 vs 1 July 2018 6-month movement	June 2019 vs 1 July 2018 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**5 765**	10 333	19 334
Working capital movement	**(5 188)**	(4 227)	4 843
Short trading positions and derivative financial instruments	**(2 546)**	(6 174)	(7 587)
Deposits and long-term liabilities	**45 674**	67 688	120 612
Total	**43 705**	67 620	137 202
Application of funds			
Advances	**(18 012)**	(59 146)	(92 354)
Investments	**(3 263)**	(4 642)	(8 342)
Cash and cash equivalents	**(4 019)**	8 574	(6 494)
Investment securities (e.g. liquid asset portfolio)	**(18 411)**	(12 406)	(30 012)
Total	**(43 705)**	(67 620)	(137 202)

Condensed consolidated statement of changes in equity – normalised

for the six months ended 31 December

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 2018	56	8 056	**8 112**	(74)	343
Net proceeds of issue of share capital	–	–	**–**	–	–
AT1 capital issued during the period	–	–	**–**	–	–
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 period	–	–	**–**	19	77
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2018	56	8 056	**8 112**	(55)	420
Balance as at 1 July 2019	56	8 056	**8 112**	(206)	841
Adjustment for adoption of IFRS 16	–	–	**–**	–	–
Restated balance as at 1 July 2019	56	8 056	**8 112**	(206)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
AT1 capital issued during the period	–	–	**–**	–	–
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 period	–	–	**–**	8	(264)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2019	56	8 056	**8 112**	(198)	577

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 31 December 2019 include R4 519 million non-cumulative, non-redeemable preference shares, R5 726 million AT1 instruments and R1 250 million contingent convertible securities.*

[#] *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments, and the adoption of IAS 12 amendments. Refer to pages 165 to 176.*

[†] *Headline and normalised earnings adjustments are reflected in the movement in other reserves.*

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equityholders	Other equity instruments**	Non-controlling interests	Total equity
4	2 832	686	103 658	107 449	5 769	3 906	125 236
–	–	–	–	–	–	(15)	(15)
–	–	–	–	–	2 265#	–	2 265
1	–	(42)	2 357†	2 316	–	17†	2 333
–	–	–	(8 134)	(8 134)	–	(346)	(8 480)
–	–	–	–	–	(206)#	–	(206)
–	–	(125)	125	–	–	–	–
–	–	–	(14)	(14)	–	–	(14)
–	346	17	13 342	13 801	206#	443	14 450
–	–	–	–	–	–	–	–
5	3 178	536	111 334	115 418	8 034	4 005	135 569
1	2 386	707	117 809	121 538	10 734	4 186	144 570
–	(20)	–	5	(15)	–	–	(15)
1	2 366	707	117 814	121 523	10 734	4 186	144 555
–	–	–	–	–	–	–	–
–	–	–	–	–	761	–	761
–	–	23	(106)†	(83)	–	(5)†	(88)
–	–	–	(8 526)	(8 526)	–	(541)	(9 067)
–	–	–	–	–	(498)	–	(498)
–	–	–	–	–	–	–	–
–	–	–	(5)	(5)	–	(5)	(10)
–	(9)	(13)	14 009	13 731	498	454	14 683
(1)	–	–	–	(1)	–	–	(1)
–	2 357	717	123 186	126 639	11 495	4 089	150 335

For the six months to December 2019, FirstRand produced normalised earnings growth of 5% and a normalised ROE of 21.2%. This is a commendable performance given the speed of deterioration experienced in the domestic operating environment during this period, and testament to the strength of the portfolio and the quality of the strategies executed by FNB, RMB, and WesBank in South Africa and the broader region. Aldermore continues to perform well and contributed again to growth and returns.

As a large systemic financial services group FirstRand is not immune to the serious macroeconomic challenges facing South Africa, and the damaging impact of ever declining GDP growth is becoming evident in all of the group's customer segments in South Africa.

ALAN PULLINGER
CEO

GROUP STRATEGY

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.

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.

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. Increased competition is targeting 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 build competitive advantage and scale over time. In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

OPERATING ENVIRONMENT

The macroeconomic environments in many of the jurisdictions in which the group operates remained challenging in the period under review.

In the sub-Saharan Africa region, macroeconomic conditions were relatively stable although some of the markets in which the group operates faced specific challenges.

In the UK, the protracted Brexit uncertainty was reduced at the end of 2019 following the Conservative Party win in the general election. Unemployment remains low and household incomes relatively stable, providing some support to consumer demand and house prices.

The operating environment in South Africa in the six months under review played out more negatively than the group's initial expectations.

GDP weakened materially over the period with the economy contracting 0.8% and 1.6% in the third and fourth quarters respectively. The recessionary environment has placed corporate and household income growth under pressure, reflected in decade-low nominal GDP growth outcomes, rising unemployment and falling real wage growth. This scenario was further impacted by an unanticipated escalation in loadshedding towards the end of the year. The direct negative impact of this macro scenario on consumers, small businesses and corporates is already evident.

OVERVIEW OF RESULTS

FirstRand's portfolio of businesses produced normalised earnings growth of 5% for the six months to 31 December 2019. The group continued to maintain its balance sheet strength and protect its return profile, producing a normalised ROE of 21.2%.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2019**	**% composition**	2018	% composition	% change	2019	% composition
FNB	**9 167**	**65**	8 742	65	5	17 745	64
– FNB South Africa	**8 799**		8 388			17 178	
– FNB rest of Africa	**368**		354			567	
RMB	**3 456**	**24**	3 274	25	6	6 975	25
WesBank	**966**	**7**	957	7	1	1 808	6
Aldermore*	**797**	**6**	1 037	8	(23)	1 658	6
– Aldermore excluding MotoNovo	**917**		1 037			1 722	
– MotoNovo (new book)	**(120)**		–			(64)	
FCC	**89**	**1**	(460)	(3)	(>100)	305	1
– MotoNovo	**380**		271			634	
– FCC (includes Group Treasury) and other**,#	**(291)**		(731)			(329)	
Other equity instrument holders	**(466)**	**(3)**	(208)	(2)	>100	(597)	(2)
Normalised earnings	**14 009**	**100**	13 342	100	5	27 894	100

* *After the dividend on the contingent convertible securities of R32 million (June 2019: R163 million).*

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

Includes FirstRand Limited (company).

FNB's domestic franchise produced a solid performance underpinned by non-interest revenue (NIR) growth, driven by ongoing customer gains and increased transactional volumes, and net interest income (NII) growth, particularly from deposit generation. However, some of these drivers have slowed relative to the previous six-month period to June 2019, in line with the weakening economic conditions.

RMB's diversified portfolio performance was resilient, with normalised earnings increasing 6% to R3.5 billion, notwithstanding that investing activities were down 46% period-on-period due to the non-repeat of private equity realisations. The client activities franchise delivered another strong performance.

WesBank's performance remained subdued in a market still characterised by competitive pricing pressures and low vehicle sales. The business continued to focus on cost management and protecting its origination franchise and return profile.

Aldermore produced a solid operational performance underpinned by growth in origination across all portfolios. Absolute period-on-period growth in earnings was, however, impacted by new origination strain in MotoNovo and a £4.4 million mark-to-market loss on loan portfolio hedging compared to a £6.4 million profit in the comparative period.

At a total group level, whilst NII growth has softened slightly, it remained resilient, increasing 8% period-on-period and, although advances growth slowed to 4%, growth in deposits increased 7%.

RMB achieved NII growth of 12%, benefiting from period-on-period average advances growth, specifically from cross-border activities, and higher levels of working capital utilisation. This growth is expected to moderate in the second half of the financial year.

FNB's NII growth moderated slightly to 9% period-on-period but still benefited from advances growth of 8%, and deposit growth of 10%, particularly from the premium and commercial segments. WesBank's NII reflected a tough operating environment, with advances increasing marginally (+0.5%).

Group NIR growth slowed to 5% period-on-period, mainly reflecting relatively lower fee and commission income growth, and the non-repeat of private equity realisations in the comparative six months to December 2018 (investment income was down 73% period-on-period).

FNB's fee and commission income grew 5%, mainly due to increased volumes across its digital and electronic channels, however, as expected, the rate of growth in volumes is slowing due to customers' constrained disposable incomes, competitive pressures and certain fee concessions.

The strong increase in insurance income of 14% offset these pressures to some degree, benefiting from premium growth of 20% in core life products and 77% in underwritten life policies, despite a slowdown in growth of credit life policies. This resulted in a 17% increase in the in-force annual premium equivalent (APE) period-on-period. WesBank's insurance income grew 11% reflecting an improved performance from MotoVantage.

The group's fair value income, mainly driven by RMB's markets business, again showed strong growth of 18%.

Cost growth remained above inflation, increasing 7%. This reflects a focus on efficiencies, particularly given current topline pressures, and was achieved against a backdrop of above-inflation staff wage increases and ongoing investment in:

- insurance and asset management growth strategies;
- platforms to extract further efficiencies; and
- the build-out of the group's footprint in the rest of Africa.

The group's cost-to-income ratio decreased marginally from 52.3% to 52.1%.

The group's credit performance, which is marginally weaker than expected, should be seen in the following context:

- The macroeconomic environment deteriorated more rapidly than anticipated, particularly in late 2019 and the velocity of this deterioration could not be immediately captured by FNB's origination scorecards and collections processes. Business is actively addressing these issues, however these interventions are only likely to have an impact in the next financial year.
- Historical advances growth has, as expected, resulted in new business strain.

The impact of the above was not experienced equally across all segments and product lines. It was more pronounced in FNB's unsecured retail advances and, to a lesser degree, in commercial. Both of these portfolios are particularly sensitive to slowing nominal GDP growth and the impact of loadshedding.

Despite these issues, the overall credit impairment charge remains within the group's guided through-the-cycle (TTC) range at 105 bps (95 bps including Aldermore), resulting in an 18% increase in the charge.

IFRS 9 also continues to impact the credit charge in that provision levels are upfronted for new origination and, similarly, higher levels are maintained for arrears.

The maturing of the write-off period during the six months to December 2019 resulted in a negative impact on the impairment charge, where the lengthening of the write-off point in the six months to December 2018 provided a one-off relief.

IFRS 9 also has a significant impact on some balance sheet credit metrics (e.g. non-performing loans (NPLs) and coverage). Certain IFRS 9-specific changes, as indicated below, will start normalising in the current financial year.

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 retail unsecured;
- a more stringent definition for customer rehabilitation (technical cures); and
- 12 consecutive full instalment payments to cure.

These IFRS 9-related changes, particularly the lengthening of the write-off period, accounted for 27% of the growth in NPLs. The underlying credit performance is captured under the operational NPL definition.

As indicated previously, certain of the IFRS 9-related adjustments would start normalising in the current reporting period, e.g. curing. The maturing of the curing definition and reinstating cure for debt-review accounts, resulted in a migration of ±R700 million of unsecured NPLs to stage 2 during the reporting period, with no change to related coverage ratios.

Taking into account the above context, total NPLs have increased 17% or R6 447 million since December 2018, with operational NPLs increasing 15% (excluding Aldermore), as shown in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	4 008	15	11
Aldermore	915	52	2
Restructured debt review	(633)	(16)	(2)
Definition of rehabilitation (technical cures)	397	10	1
Lengthening of write-off period	1 760	91	5
Total NPLs	**6 447**	**17**	**17**

The increase in operational NPLs (excluding Aldermore) reflects:

- ongoing strong book growth in certain retail unsecured portfolios, and residential mortgages, primarily in the premium segment;
- macro pressures in some sectors affecting WesBank corporate;
- migration of certain highly collateralised or guaranteed counters in the RMB corporate and investment banking (CIB) portfolio; and
- drought-related impacts in FNB commercial's agricultural portfolio.

This increase is was driven by new business strain and the impact of the deteriorating macro environment.

A detailed explanation of the c. R910 million increase in the credit charge is unpacked below.

- FNB card impairments increased c. R270 million (+77%) on the back of 21% growth in advances. Operational NPLs in card increased materially (+84%), still reflecting the ongoing impact of the previously disclosed specific origination issues in the financial year to June 2019, whereby FNB saw strong book growth from new-to-bank and new-to-product origination strategies. This was further exacerbated by the worse than expected macro environment. These originated cohorts will continue to drive NPL formation over the medium term. The group expects ongoing elevated NPLs in card during the rest of the 2020 financial year.
- The FNB personal loans charge increased c. R300 million (+47%). Whilst book growth remained robust, up 21% period-on-period, it has moderated since June 2019 (+7%) on the back of risk cuts. Advances growth continues to be driven by the premium segment. The increase in operational NPLs tracked book growth, which together with the pressures in collections resulted in an elevated credit charge. This trend may continue into the second half of the year.
- The DirectAxis (DA) impairment charge reflected a modest increase of R34 million (+5%) benefiting from a focus on repeat business in lower-risk segments and risk cutbacks in previous periods.
- The residential mortgages credit loss ratio increased to 22 bps on the back of an increase of 12% in NPLs. This reflects the continued normalisation of the credit cycle and expected origination strain.
- WesBank's vehicle asset finance (VAF) charge increased 2%, reflecting reduced appetite in higher-risk origination, resulting in NPL growth of 3%.

- FNB commercial NPLs increased 47%, impacted by growth in the highly collateralised agricultural portfolios against which proactive provisions were raised in prior years, as well as an increase in core transactional NPLs given previous levels of book growth. The impairment charge increased to 111 bps, reflecting a change in mix of NPLs with a higher proportion of transactional NPLs during the current period. The current impairment charge remains within expectations.
- The RMB CIB portfolio reported a 15% increase in NPLs period-on-period, specifically impacted by the migration of certain highly collateralised and guaranteed distressed counters. The resilient performance of the overall portfolio benefited from proactive provisioning in prior years, resulting in a modest charge of 7 bps during the period. The portfolio is, however, reflecting higher levels of corporate stress in South Africa.
- The 3% improvement in the credit performance in FNB's rest of Africa portfolio benefited from proactive provisioning in the prior financial year and the adoption of IFRS 9. NPLs reduced 15%, reflecting specific write-offs and some recoveries. However, ongoing tough macros remain in some of the jurisdictions in which the group operates (primarily Namibia, Mozambique and Zambia).
- Aldermore's NPLs increased 51% (46% excluding MotoNovo) in pound terms, driven by the expected normalisation across its retail portfolios off historically low levels and ongoing book growth in buy-to-let and owner-occupied residential mortgages over the last two financial years. In addition, NPLs were impacted by the migration of certain high-value asset finance counters during the last 12 months. Aldermore's impairment charge, excluding the MotoNovo new book, was 22 bps (46 bps including MotoNovo new book), in line with expectations.
- MotoNovo's combined impairment charge showed an increase of 8% in pound terms. New origination has focused on lower-risk buckets and, as a result, the impairment charge remained flat period-on-period.

Overall balance sheet portfolio provisions increased 7%.

The group's performing book coverage ratio improved period-on-period, although reflecting a marginal decrease of one basis point since June 2019. At 130 bps, the performing book coverage remains comfortably above the current period impairment charge.

OPERATING REVIEWS

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. FNB produced 5% growth in pre-tax profits to R13.2 billion and an ROE of 39.9%. The cost-to-income ratio improved marginally to 49.9%.

FNB's strategy in its domestic market is underpinned by:

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

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Eswatini), combined with recently established (subscale) businesses, such as Mozambique, Zambia, Lesotho, Ghana and Tanzania.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**9 167**	8 742	5	17 745
Normalised profit before tax	**13 221**	12 581	5	25 528
– South Africa	**12 221**	11 650	5	23 847
– Rest of Africa*	**1 000**	931	7	1 681
Total assets	**494 987**	461 615	7	476 634
Total liabilities	**486 805**	455 113	7	459 371
Stage 3/NPLs as a % of advances	**6.20**	5.59		5.89
Credit loss ratio (%)	**1.82**	1.50		1.52
ROE (%)	**39.9**	42.4		41.5
ROA (%)	**3.74**	3.80		3.80
Cost-to-income ratio (%)	**49.9**	50.6		50.5
Advances margin (%)	**4.35**	4.29		4.27

* *Includes WesBank's rest of Africa operations.*

SEGMENT RESULTS

R million	Six months ended 31 December 2019	2018	% change	Year ended 30 June 2019
Normalised PBT				
Retail	**7 481**	7 289	3	14 942
Commercial	**4 740**	4 361	9	8 905
Rest of Africa	**1 000**	931	7	1 681
Total FNB	**13 221**	12 581	5	25 528

KEY RATIOS FOR SOUTH AFRICA VS REST OF AFRICA

%	FNB SA	Rest of Africa
PBT growth	**5**	**7**
Cost increase	**7**	**6**
Advances growth	**9**	**–**
Deposit growth	**10**	**5**
Stage 3/NPLs as a % of advances	**6.14**	**6.65**
Credit loss ratio	**1.86**	**1.54**
Cost-to-income ratio	**47.9**	**65.1**
Operating jaws	**1.8**	**(0.7)**

Overall, FNB's South African business experienced a slowdown in some of its key growth drivers as the prevailing macroeconomic environment placed further pressure on customers, growing pre-tax profits 5% period-on-period. The rest of Africa portfolio's performance continued to improve, growing pre-tax profits 7% period-on-period, although profitability continues to be impacted by in-country macros and ongoing investment in the build-out of the subscale subsidiaries. Namibia, Botswana and Ghana saw some advances growth however this was offset by the impact of tough macros, cautious lending and risk cuts in the rest of the subsidiaries.

FNB's total NII held up well, increasing 9%, driven by both advances (+8%) and deposit (+10%) growth. FNB's focus on customer acquisition and cross-sell into its core transactional customer base continues to be the main underpin to advances growth in the premium and commercial segments.

Deposit gathering in both premium (+16%) and commercial (+10%) remains above system growth and is due to historic customer acquisition, 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	**11**	**26.2**	**9**	**24.8**
– Consumer	**2**	**1.8**	**2**	**0.8**
– Premium	**16**	**24.4**	**10**	**23.3**
– DirectAxis	**n/a**	**–**	**4**	**0.7**
Commercial	**10**	**22.1**	**10**	**9.9**
FNB rest of Africa	**5**	**2.0**	**–**	**0.3**
Total FNB	**10**	**50.3**	**8**	**35.0**

The mix of FNB's advances growth reflects its targeted, segment-specific origination strategies and remains focused on lending to main-banked customers, creating reinforcement to the transactional relationship. FNB continues to focus on the displacement of other providers of credit in its main-banked customer base. Mortgages (+6%) grew above nominal house price inflation, driven by new customer acquisition and up-sell strategies in the upper premium segment. Growth in personal loans continued but is moderating given risk cuts, as demonstrated below.

PERSONAL LOANS GROWTH

	Rolling 6-month advances growth rate	
Six months ending	Premium	Consumer
30 June 2018	**33%**	**1%**
31 December 2018	**22%**	**10%**
30 June 2019	**22%**	**7%**
31 December 2019	**6%**	**–**

Overall card advances growth was 21% period-on-period, but is trending down compared to the preceding six-month period, reflecting risk cuts. This resulted in a 5% decrease in consumer card advances, although growth in premium remained strong (+28%), driven by:

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

DA grew advances 4% despite increased competition in the market, and continues to focus on lower risk segments and repeat business.

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

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

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Consumer advances				
Residential mortgages	**26 097**	25 448	3	25 947
Card	**4 468**	4 707	(5)	4 638
Personal loans	**8 235**	7 732	7	8 275
Retail other	**2 727**	2 816	(3)	2 714
Premium advances				
Residential mortgages	**197 882**	185 036	7	191 217
Card	**25 630**	20 092	28	23 477
Personal loans	**15 981**	12 340	30	15 082
Retail other	**15 487**	14 166	9	15 194
DA advances	**16 580**	15 884	4	16 012
Commercial advances	**107 402**	97 546	10	105 131

FNB's NIR growth also held up well (+7%) in the period under review. There was ongoing growth in volumes across all segments. Premium saw particularly strong growth in card transactional volumes, lending NIR and digital volumes. However, NIR in both consumer and premium was negatively impacted by fee concessions, slowing volume growth and pricing pressures due to increased competition.

CHANNEL VOLUMES

Thousands of transactions	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
ATM/ADT	**121 677**	124 538	(2)	245 433
Internet banking	**93 585**	102 756	(9)	197 957
Banking app	**151 262**	111 687	35	237 873
Mobile (excluding prepaid)	**22 170**	21 845	1	42 050
Point-of-sale merchants	**332 664**	291 172	14	578 634
Card swipes	**482 225**	441 154	9	872 989

Total customer growth was 1% period-on-period, mainly driven by customer acquisition in premium and commercial. Attrition of transactional accounts in the consumer segment continued, mainly due to conservative credit risk appetite, ongoing upward migration to premium and competitive activity.

CUSTOMERS

Customer segment	Growth in customer numbers %
Consumer	**(3)**
Premium	**15**
Commercial	**8**

Cost growth continues to trend above inflation at 7%, but is in line with expectations, given the level of ongoing investment in platform technology, insurance, wealth and investment management (WIM) and rest of Africa growth strategies, and above-inflation wage settlements. Despite these pressures, FNB achieved positive jaws and the overall cost-to-income ratio improved to 49.9%.

FNB's NPLs increased 20% period-on-period, impacted by:

- continued normalisation in residential mortgages;
- higher NPLs in personal loans and card;
- higher commercial NPLs driven mainly by drought in the agricultural book, as well as increased transactional NPLs given previous client and book growth; and
- the lengthening of the write-off period and longer curing points;

Rest of Africa's NPLs improved 15%, benefiting from write-offs and improving collections.

FNB's insurance revenue growth of 14% benefited from strong growth in standalone products, partly offset by lower growth in credit life given slowing advances growth.

NEW BUSINESS APE

	Six months ended 31 December			Six months ended 30 June	% change June 2019 to
R million	**2019**	2018	% change	2019	December 2019
Funeral	**362**	354	2	367	(1)
Core life	**135**	112	21	143	(6)
Underwritten	**212**	142	49	139	53
Commercial	**18**	–	>100	22	(18)
Standalone products	**727**	608	20	671	8
Credit life	**329**	396	(17)	386	(15)
Total	**1 056**	1 004	5	1 057	–

In-force APE for standalone products increased 17% driven by growth in underwritten products. Credit life in-force APE was up 6%.

FNB's wealth and investment strategy continues to gain traction. Assets under management (AUM) increased 14% for the period, benefiting from improved net flows and positive investment performance. WIM utilises Ashburton's fixed and stable income funds as building blocks for its portfolios. Four of the Horizon funds returned double-digit growth over the last 12 months, alongside first- and second-quartile performance against peers. Good performance was also seen in offshore portfolios, with the Global Leaders Equity and the Global Equity Income portfolios, delivering returns in excess of 23% in 2019. Assets under advice saw net inflows of R7 billion, an increase of 11% for the period. The investment in platform distribution is starting to gain traction with good digital distribution of wills, online share trading and Horizon unit trusts resulting in 38% growth in the account base to 428 729 accounts.

WIM ASSETS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
FNB Horizon Series AUM	**3 382**	3 307	2	3 370
Assets under advice	**71 125**	64 077	11	67 859
Assets under administration	**19 327**	16 317	18	17 879
Trust assets under administration	**38 296**	37 893	1	38 327
Assets under management	**49 924**	43 765	14	51 064
Assets under execution	**59 344**	57 367	3	59 237

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 CIB value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**3 456**	3 274	6	6 975
Normalised profit before tax	**4 901**	4 641	6	9 859
– South Africa	**3 763**	3 761	–	7 943
– Rest of Africa*	**1 138**	880	29	1 916
Total assets	**530 181**	520 201	2	523 976
Total liabilities	**522 607**	512 136	2	512 341
Stage 3/NPLs as a % of advances	**1.14**	0.94		0.82
Credit loss ratio (%)	**0.07**	0.14		0.12
ROE (%)	**20.0**	20.2		21.0
ROA (%)	**1.29**	1.33		1.40
Cost-to-income ratio (%)	**47.7**	46.5		47.0

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

The performance of RMB's diversified portfolio was resilient, with pre-tax profits increasing 6% to R4.9 billion, notwithstanding investing activities being down 46% for the period due to lower realisations.

The client activities franchise delivered another strong performance, increasing 9% period-on-period. This was primarily driven by a 22% increase in markets and structuring, and healthy overall client annuity income growth which was underpinned by disciplined balance sheet deployment. The business continues to maintain adequate credit coverage, despite gradual book migration. RMB's cost growth of 9% was primarily driven by ongoing core platform modernisation, particularly for the rest of Africa strategy and markets activities.

The rest of Africa portfolio remains key to RMB's growth strategy, producing pre-tax profits of R1.1 billion, up 29% on the prior period and contributing 23% of RMB's overall pre-tax profits. This performance was driven by flow trading activities, particularly in Nigeria. RMB continues to execute on its client-led strategy on the continent by leveraging platforms, expertise and diversified product offerings.

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Investment banking and advisory	**2 489**	2 246	11	5 156
Corporate and transactional banking	**1 110**	1 033	7	2 008
Markets and structuring	**1 037**	852	22	2 001
Investing	**255**	471	(46)	1 161
Investment management	**36**	35	3	53
Other	**(26)**	4	(>100)	(520)
Total RMB	**4 901**	4 641	6	9 859

Investment banking and advisory delivered strong profit growth of 11%, in an environment characterised by a constrained economic cycle, subdued corporate credit demand and low investor confidence. This performance was underpinned by disciplined origination to ensure a balance of risk and return. Whilst advisory and equity capital market activities showed a decline, notable debt capital market deals were concluded in the current period.

Corporate and transactional banking delivered solid results, up 7% period-on-period against a backdrop of global macroeconomic pressures. Trade and working capital results were underpinned by higher utilisation of facilities and good fee income, coupled with increased transactional banking client volumes. In contrast, the performance of the foreign exchange business was dampened by a decline in volumes.

Markets and structuring delivered a strong performance, up 22% period-on-period. Foreign exchange activities were bolstered by a robust performance in Nigeria which leveraged off the flows in the London-Africa corridor. The structuring and credit trading portfolios continued to deliver good growth, offset by a softer performance from domestic foreign exchange and rates.

Investing performance declined in the current period on the back of the non-repeat of private equity realisations. Equity-accounted earnings remained robust with positive contributions made by new investments. The quality and diversification of the portfolio is reflected in its unrealised value of R3.8 billion (December 2018: R3.7 billion). The business remains in an investment cycle.

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

WesBank

WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank's strategy is focused 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

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**966**	957	1	1 808
Normalised profit before tax	**1 373**	1 361	1	2 580
Total assets	**141 262**	139 567	1	138 254
Total liabilities	**139 060**	137 854	1	135 146
Stage 3/NPLs as a % of advances	**5.73**	5.57		5.72
Credit loss ratio (%)	**1.27**	1.25		1.46
ROE (%)	**18.4**	19.3		17.8
ROA (%)	**1.35**	1.31		1.24
Cost-to-income ratio (%)	**49.0**	47.9		47.4
Net interest margin (%)	**3.35**	3.30		3.32

WesBank's normalised profit before tax increased 1% to R1.4 billion and the business delivered an ROE of 18.4% and an ROA of 1.35%. 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 (lower than 2011 levels); 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.

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

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised PBT				
Retail VAF**	**1 203**	1 171	3	2 113
Corporate and commercial	**170**	190	(11)	467
Total WesBank	**1 373**	1 361	1	2 580

* *Refer to additional segmental disclosure on page 46.*

** *Includes MotoVantage.*

WesBank's credit loss ratio at 1.27% showed a marginal deterioration (December 2018: 1.25%). The corporate VAF business experienced further deterioration in credit quality resulting from ongoing stress in a number of sectors. Retail VAF NPLs also increased due to elevated consumer stress and protracted work-out timelines as customers opted for a repossession process via court order. Behavioural terms continue to extend due to consumer pressure and comparatively longer contractual periods.

The risk cuts in both portfolios resulted in advances showing a marginal increase of 0.5% period-on-period. 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 – increased 7%. Fleet rental revenues increased 20% due to growth in the full maintenance leasing (FML) book. Good growth in WesBank's insurance revenue was driven by a strong performance by MotoVantage, which provides value-added products and services (VAPS), in a market which has experienced a consistent decline in the sale of new cars. The business gained larger market share through better dealer relationships and a focus on telesales capabilities.

WesBank continues to control operational expenditure and invest in digital process improvements and its growing FML fleet. Fleet depreciation increased 24% (R73 million).

Whilst the cost-to-income ratio has deteriorated due to topline pressure, overall cost growth was contained at 5%. Excluding growth in FML-related expenditure, costs increased 1%.

UK operations

This section provides an overview of the group's UK operations, which consist of Aldermore and MotoNovo. The operational performance of the underlying businesses was solid, however, overall pre-tax profits were impacted by the £4.4 million fair value hedge mark-to-market loss (December 2018: £6.4 million gain).

	Six months ended 31 December		
£ million	**2019**	2018	% change
MotoNovo standalone (including front and back books)	**20.8**	20.6	1
Aldermore excluding MotoNovo	**67.2**	74.7	(10)
– Operational performance	**71.6**	68.3	5
– Fair value hedge portfolio	**(4.4)**	6.4	(>100)
Total UK operations	**88.0**	95.3	(8)

The underlying operational performances of the Aldermore group and MotoNovo (standalone) are separately outlined below.

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 legal entity, MotoNovo Finance Limited, was created under the Aldermore Group, where all new business since May 2019 has been originated. The performance commentary is for the Aldermore Group excluding MotoNovo (front book), unless specifically stated otherwise.

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

	Aldermore group (including MotoNovo front book)			
	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Normalised earnings	**797**	1 037	(23)	1 658
Normalised profit before tax	**1 096**	1 369	(20)	2 389
Total assets	**261 938**	204 084	28	225 323
Total liabilities	**240 947**	189 338	27	205 626
Stage 3/NPLs as a % of advances	**1.20**	1.02		1.21
Credit loss ratio (%)	**0.46**	0.23		0.24
Stage 3/NPLs as a % of advances (Aldermore excluding MotoNovo)	**1.30**	1.02		1.25
Credit loss ratio (%) (Aldermore excluding MotoNovo)	**0.22**	0.23		0.21
ROE (%) (Aldermore excluding MotoNovo)*	**12.6**	16.0		13.1
ROA (%) (Aldermore excluding MotoNovo)	**0.81**	1.05		0.84
Cost-to-income ratio (%)	**56.0**	47.3		52.1
Advances margin (%)	**3.23**	3.43		3.28

£ million	Aldermore group (including MotoNovo front book)			
	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Normalised earnings	**43**	57	(25)	90
Normalised profit before tax	**59**	75	20	130
Total assets	**14 219**	11 140	28	12 530
Total liabilities	**13 079**	10 335	27	11 435
Stage 3/NPLs as a % of advances	**1.20**	1.02		1.21
Credit loss ratio (%)	**0.46**	0.23		0.24
Stage 3/NPLs as a % of advances (Aldermore excluding MotoNovo)	**1.30**	1.02		1.25
Credit loss ratio (%) (Aldermore excluding MotoNovo)	**0.22**	0.23		0.20
ROE (%) (Aldermore excluding MotoNovo)*	**12.4**	15.8		12.9
ROA (%) (Aldermore excluding MotoNovo)	**0.79**	1.04		0.83
Cost-to-income ratio (%)	**56.0**	47.3		52.1
Advances margin (%)	**3.18**	3.43		3.24

* *Given the upfront capital injection and start-up losses of MotoNovo, the ROE references Aldermore Bank.*

Aldermore Group delivered a solid operational performance, despite increasing competitive pressures and ongoing economic and political uncertainty. Although normalised profit before tax declined 20%, if adjusted for the impact of the £4.4 million loss due to market driven movements on the loan portfolio hedge, operational profit before tax increased 5%.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

£ million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Normalised PBT				
Asset finance	**21.8**	25.2	(13)	50.4
Invoice finance	**7.8**	6.5	20	14.5
SME commercial mortgages	**21.8**	20.6	6	38.0
Buy-to-let mortgages	**60.0**	58.7	2	125.3
Residential mortgages	**20.0**	18.4	9	33.8
Central functions*	**(59.8)**	(61.1)	(2)	(129.0)
Aldermore Bank operational PBT	**71.6**	68.3	5	133.0
Fair value hedge portfolio	**(4.4)**	6.4	(>100)	3.8
Aldermore Bank PBT	**67.2**	74.7	(10)	136.8
MotoNovo (new book)	**(7.8)**	–	–	(6.5)
Total Aldermore	**59.4**	74.7	(20)	130.3

* *Adjusted for the fair value hedge portfolio loss of £4.4 million in December 2019 and £6.4 million loss in December 2018*

The growth in business finance advances was primarily driven by SME commercial mortgages (+14%) and invoice finance (+20%), with a healthy contribution from asset finance (+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 due to a focus on specialist customers, and residential mortgages which grew 28% on the back of targeted customer propositions and better retention of existing clients. Despite increasing competition, Aldermore has maintained market share and the business continues to develop simpler automated solutions for customers and brokers.

Aldermore's credit loss ratio remained resilient at 22 bps (46 bps including MotoNovo), the retail portfolio was lower than expected with the asset finance portfolio driven by a small number of specific individual provisions raised in asset finance.

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.

Standalone operational performance of MotoNovo

The normalised pre-tax profit of the standalone MotoNovo business (the back book in FCC/Group Treasury (GTSY) for the full period and the new book originated in the Aldermore Group since May 2019) reflected a stabilised performance, with normalised pre-tax profit increasing 1% to £20.7 million period-on-period. This performance reflects:

- that new business origination levels increased 40% on the prior period, highlighting the synergies achieved from funding off the Aldermore Bank platform;
- lower net interest margins due to increased competitive pressures and a change in mix more biased to larger dealer relationships, at lower margins;
- a reduction of 36% in NIR, driven by:
  - a change in the current financial year to a “fee-free” model for the findandfundmycar.com platform; and
  - a 32% reduction in insurance revenues written following the implementation of the General Data Protection Regulations (GDPR) rules in the UK in May 2018; and
- containment of expenses, with costs flat period-on-period.

Pleasingly, the MotoNovo VAF impairment charge remained flat in pound terms, benefiting from scorecard tightening, new business origination focused on lower-risk segments and improved operational efficiencies in collections.

Ashburton Investments

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 remained flat at R98 billion period-on-period. Whilst there were good flows into the fixed-income range due to the market cycle and the strong investment performance in this range, this was offset by the realisation of the Westport African Property Development Fund, outflows in the offshore multi-asset range as well as structured products. These products are in the process of being restructured to further align to client needs in current markets.

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

The table below provides a segmental breakdown of the group's normalised earnings.

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	2019	% composition	2018	% composition	% change	2019	% composition
Retail	**6 978**	**50**	6 693	50	4	13 431	48
– FNB*	**5 754**		5 602			11 325	
– WesBank	**844**		820			1 472	
– MotoNovo back book	**380**		271			634	
Commercial	**3 535**	**25**	3 277	24	8	6 756	24
– FNB	**3 413**		3 140			6 420	
– WesBank	**122**		137			336	
Corporate and investment banking	**3 456**	**24**	3 274	25	6	6 975	25
– RMB	**3 456**		3 274		6	6 975	
Aldermore**	**797**	**6**	1 037	8	(23)	1 658	6
– Aldermore Bank	**917**		1 037			1 722	
– MotoNovo Finance (new book)	**(120)**		–			(64)	
Other	**(757)**	**(5)**	(939)	(7)	(19)	(926)	(3)
– FCC (including Group Treasury) and consolidation adjustments	**(291)**		(731)			(329)	
– Other equity instruments	**(466)**		(208)			(597)	
Normalised earnings	**14 009**	**100**	13 342	100	5	27 894	100

* *Includes FNB rest of Africa.*

** *After the dividend on the contingent convertible securities of R32 million (June 2019: R163 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 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. Group Treasury's mandate is aligned with the portfolio's growth, return and volatility targets to deliver shareholder value. This ensures the required level of discipline is applied in the allocation and pricing of financial resources. The group continues to monitor and proactively manage a fast-changing regulatory environment, competitive landscape and ongoing macroeconomic challenges.

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 geography, 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. Aldermore is in the process of rolling out the group's financial resource management principles with the objective to optimise capital and funding resources for growth in economic profits and sustainable returns.

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

During the period under review, the group revised its targets to incorporate:

- the deteriorating macros; and
- the higher minimum capital requirement following the increase in the counter-cyclical buffer for UK exposures.

Capital ratios at 31 December are summarised below.

		Group		Bank*	
		As at 31 December			
%	Internal targets	2019	2018	2019	2018
Capital**					
CET1	11.0 – 12.0	**12.4**	12.0	**13.7**	13.1
Tier 1	>12.0	**13.2**	12.6	**14.4**	13.6
Total	>14.25	**15.6**	14.8	**17.1**	16.9

* *Includes the bank's foreign branches.*

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

The group's Common Equity Tier 1 (CET1) ratio strengthened period-on-period, and was driven by:

- net earnings generation, partly offset by muted RWA growth, which is a function of the low-growth environment;
- limited credit risk migration; and
- successful financial resource management optimisation strategies.

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

Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital are 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 and align its Additional Tier 1 (AT1) and Tier 2 instruments with the group's internal targets. Given the strong capital position and low asset growth, capital issuance during the period under review was largely focused on managing the rollover profile and rebalancing the capital stack. Issuances included:

- AT1 of R3.5 billion; and
- Tier 2 of R2.6 billion.

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 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, overlays above liquidity requirements are determined based on stress testing and scenario analysis of the cash inflows and outflows.

Liquidity ratios for the group and bank at December are summarised below.

	Group*		Bank*	
	As at 31 December			
%	2019	2018	2019	2018
LCR				
Regulatory minimum	**100**	90	**100**	90
Actual**	**148**	122	**166**	130
Average available HQLA (R billion)	**277**	216	**250**	200
NSFR				
Regulatory minimum	**100**	100	**100**	100
Actual**	**119**	112	**117**	110

* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

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

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

The South African Reserve Bank (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. 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. flac instruments, which are loss-absorbing financial instruments that 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. PwC, appointed by the World Bank and the SARB, has circulated a survey to analyse various aspects relevant to flac instruments. The survey is expected to be completed during the first quarter of 2020.

Regulatory update – draft financial conglomerate standards

The Financial Sector Regulation Act empowers the Prudential Authority (PA) to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates.

On 4 March 2020, the PA published draft financial conglomerate standards for a second round of informal consultation. The amendments to the standards have been based on comments received during the July 2018 consultation process, as well as developments in the regulatory approach to financial institutions. The next round of comments are due in April 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted and consulted on.

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 materially trend outside of the group's current scenarios.

PROSPECTS

Looking forward to the second half of the year, the group is of the view that the South African macroeconomic environment will continue to deteriorate, probably at a faster rate than in the first half. GDP is expected to contract further, firstly driven by the impact of the global COVID-19 outbreak which will result in lower exports and supply chain disruptions, and secondly by weaker wage growth which translates into weaker consumer spending. Potential job losses could further exacerbate this scenario, which is a real risk if corporates continue to right-size given GDP contraction, and SMEs feel the effect of ongoing energy disruption issues. The broader regional picture is likely to be similar to the second half, although the COVID-19 outbreak could impact certain jurisdictions.

The UK is expected to show incremental growth in GDP, together with a strong labour market and an improving trend in house prices. The risk of a hard Brexit could however change this picture.

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

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

DISCOVERY CARD

In the prior period, FirstRand received the final consideration for the Discovery card transaction with a resultant after-tax profit for the group of R2.3 billion. This resulted in attributable earnings increasing 23% in the comparative period, however, this does not repeat in the period under review, resulting in an 11% reduction. Given the non-operational nature of the profit it remains excluded from headline and normalised earnings. At 31 December 2019, FCC included Discovery card advances with a gross value of R3.4 billion, which is still to be fully transferred at carrying value.

EVENTS AFTER REPORTING PERIOD

Acquisition of Ghana Home Loans (GHL)

Subsequent to 31 December 2019, both regulators, the SARB's PA and the Bank of Ghana, approved the acquisition of 100% interest in GHL Bank plc in Ghana, for c. R450 million. The effective date is still to be determined based on meeting the last outstanding conditions.

The group regards Ghana as an attractive market with long-term potential and it is currently pursuing an organic growth strategy. The acquisition of GHL provides First National Bank Ghana with the foundation for a broader retail strategy going forward.

GHL has more than ten years' experience in the Ghanaian mortgage industry with an estimated market share of >50% in the domestic mortgage market.

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Resignations		
JJ Durand	Alternate non-executive director	28 November 2019
Retirements		
NN Gwagwa	Independent non-executive director	28 November 2019
EG Matenge-Sebesho	Independent non-executive director	28 November 2019
Appointment		
Z Roscherr	Independent non-executive director	1 April 2020

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 146.00 cents per ordinary share out of income reserves for the six months ended 31 December 2019.

Dividends

Ordinary shares

	Six months ended 31 December	
Cents per share	**2019**	2018
Interim (declared 9 March 2020)	**146.0**	139.0

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

Last day to trade cum-dividend	Tuesday 31 March 2020
Shares commence trading ex-dividend	Wednesday 1 April 2020
Record date	Friday 3 April 2020
Payment date	Monday 6 April 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 April 2020, and Friday, 3 April 2020, 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 interim dividend after deducting 20% tax will be 116.800000 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:	
27 February 2018 – 27 August 2018	**378.3**
28 August 2018 – 25 February 2019	**381.7**
26 February 2019 – 26 August 2019	**384.2**
27 August 2019 – 24 February 2020	**374.7**

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

9 March 2020

Segment report

for the six months ended 31 December 2019

	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	2 440	1 351	1 979	1 641	3 620	3 697	**11 108**	5 844
Impairment charge	(243)	(618)	(963)	(698)	(1 661)	(733)	**(3 255)**	(589)
Net interest income after impairment of advances	2 197	733	1 016	943	1 959	2 964	**7 853**	5 255
Non-interest revenue	302	1 183	550	631	1 181	7 083	**9 749**	4 681
Income from operations	2 499	1 916	1 566	1 574	3 140	10 047	**17 602**	9 936
Operating expenses	(975)	(1 170)	(654)	(771)	(1 425)	(6 299)	**(9 869)**	(5 171)
Net income from operations	1 524	746	912	803	1 715	3 748	**7 733**	4 765
Share of profit of associates and joint ventures after tax	–	–	–	37	37	(6)	**31**	2
Income before tax	1 524	746	912	840	1 752	3 742	**7 764**	4 767
Indirect tax	(10)	(15)	(9)	(23)	(32)	(226)	**(283)**	(27)
Profit before tax	1 514	731	903	817	1 720	3 516	**7 481**	4 740
Income tax expense	(424)	(205)	(253)	(228)	(481)	(985)	**(2 095)**	(1 327)
Profit for the period	1 090	526	650	589	1 239	2 531	**5 386**	3 413
Attributable to								
Ordinary equityholders	1 090	526	650	589	1 239	2 531	**5 386**	3 413
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the period	1 090	526	650	589	1 239	2 531	**5 386**	3 413
Attributable earnings to ordinary equityholders	1 090	526	650	589	1 239	2 531	**5 386**	3 413
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 090	526	650	589	1 239	2 531	**5 386**	3 413
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	1 090	526	650	589	1 239	2 531	**5 386**	3 413

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

* *Refer to additional segmental disclosure on page 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

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 143.*

	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
	2 145	19 097	2 621	21 718	3 047	1 459	4 506	3 368	2 301	31 893	(291)	31 602
	(422)	(4 266)	(859)	(5 125)	(90)	(28)	(118)	(480)	(211)	(5 934)	–	(5 934)
	1 723	14 831	1 762	16 593	2 957	1 431	4 388	2 888	2 090	25 959	(291)	25 668
	2 135	16 565	1 663	18 228	3 415	1 358	4 773	436	(1 381)	22 056	117	22 173
	3 858	31 396	3 425	34 821	6 372	2 789	9 161	3 324	709	48 015	(174)	47 841
	(2 787)	(17 827)	(2 185)	(20 012)	(2 993)	(1 671)	(4 664)	(2 133)	(1 549)	(28 358)	131	(28 227)
	1 071	13 569	1 240	14 809	3 379	1 118	4 497	1 191	(840)	19 657	(43)	19 614
	2	35	176	211	509	–	509	5	(198)	527	4	531
	1 073	13 604	1 416	15 020	3 888	1 118	5 006	1 196	(1 038)	20 184	(39)	20 145
	(73)	(383)	(43)	(426)	(97)	(8)	(105)	(100)	(103)	(734)	–	(734)
	1 000	13 221	1 373	14 594	3 791	1 110	4 901	1 096	(1 141)	19 450	(39)	19 411
	(317)	(3 739)	(385)	(4 124)	(1 061)	(311)	(1 372)	(267)	1 272	(4 491)	13	(4 478)
	683	9 482	988	10 470	2 730	799	3 529	829	131	14 959	(26)	14 933
	368	9 167	966	10 133	2 706	750	3 456	797	(377)	14 009	(27)	13 982
	–	–	–	–	–	–	–	32	466	498	–	498
	315	315	22	337	24	49	73	–	42	452	1	453
	683	9 482	988	10 470	2 730	799	3 529	829	131	14 959	(26)	14 933
	368	9 167	966	10 133	2 706	750	3 456	797	(377)	14 009	(27)	13 982
	–	–	–	–	–	–	–	–	–	–	5	5
	368	9 167	966	10 133	2 706	750	3 456	797	(377)	14 009	(22)	13 987
	–	–	–	–	–	–	–	–	–	–	76	76
	–	–	–	–	–	–	–	–	–	–	(8)	(8)
	–	–	–	–	–	–	–	–	–	–	(46)	(46)
	–	–	–	–	–	–	–	–	–	–	–	–
	368	9 167	966	10 133	2 706	750	3 456	797	(377)	14 009	–	14 009

Segment report continued

for the six months ended 31 December 2019

	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 (%)	35.6	46.2	25.9	33.4	29.5	58.5	**47.2**	49.1
Diversity ratio (%)	11.0	46.7	21.7	28.9	25.2	65.7	**46.8**	44.5
Credit loss ratio (%)	0.22	4.25	8.10	8.57	8.29	8.12	**2.11**	1.11
Stage 3/NPLs as a percentage of advances (%)	4.06	8.83	17.03	12.58	15.22	11.30	**6.39**	5.39
Consolidated income statement includes:								
Depreciation	(5)	(3)	(2)	(16)	(18)	(1 056)	**(1 082)**	(70)
Amortisation	–	(7)	–	(8)	(8)	(40)	**(55)**	–
Net impairment charges	–	–	–	–	–	–	**–**	–
Consolidated statement of financial position includes:								
Advances (before impairments)	223 979	30 098	24 216	16 580	40 796	18 214	**313 087**	107 402
– Normal advances (AC and FV)	223 979	30 098	24 216	16 580	40 796	18 214	**313 087**	107 402
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	9 086	2 659	4 123	2 085	6 208	2 059	**20 012**	5 787
Investment in associated company	–	–	–	348	348	385	**733**	–
Investment in joint ventures	–	–	–	–	–	–	**–**	7
Total deposits (including non-recourse deposits)	526	4 109	4	–	4	260 598	**265 237**	254 563
Total assets	221 406	27 240	19 585	15 734	35 319	45 098	**329 063**	107 031
Total liabilities†	221 158	27 550	19 848	16 962	36 810	37 614	**323 132**	105 547
Capital expenditure	6	20	1	26	27	1 343	**1 396**	140

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

* *Refer to additional segmental disclosure on page 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

\# *FCC represents group-wide functions.*

† *Total liabilities are net of interdivisional balances.*

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**
65.1	**49.9**	**49.0**	**49.8**	42.9	59.3	**47.7**	**56.0**	>100	**52.1**	–	**52.0**
49.9	**46.5**	**41.2**	**45.9**	56.3	48.2	**54.0**	**11.6**	(>100)	**41.5**	–	**41.8**
1.54	**1.82**	**1.27**	**1.70**	0.06	0.09	**0.07**	**0.46**	0.46	**0.95**	–	**0.95**
6.65	**6.20**	**5.73**	**6.09**	1.07	1.45	**1.14**	**1.20**	1.42	**3.58**	–	**3.58**
(253)	**(1 405)**	**(408)**	**(1 813)**	(63)	(9)	**(72)**	**(79)**	(7)	**(1 971)**	(17)	**(1 988)**
(3)	**(58)**	**(23)**	**(81)**	(53)	(2)	**(55)**	**(35)**	(226)	**(397)**	–	**(397)**
–	**–**	**(4)**	**(4)**	–	(7)	**(7)**	**–**	(1)	**(12)**	1	**(11)**
54 819	**475 308**	**136 560**	**611 868**	276 941	63 751	**340 692**	**222 717**	84 049	**1 259 326**	–	**1 259 326**
54 819	**475 308**	**126 410**	**601 718**	276 941	63 751	**340 692**	**206 878**	57 829	**1 207 117**	–	**1 207 117**
–	**–**	**10 150**	**10 150**	–	–	**–**	**15 839**	26 220	**52 209**	–	**52 209**
3 648	**29 447**	**7 824**	**37 271**	2 970	922	**3 892**	**2 677**	1 195	**45 035**	–	**45 035**
14	**747**	**2 421**	**3 168**	3 678	–	**3 678**	**97**	69	**7 012**	–	**7 012**
–	**7**	**6**	**13**	2 020	–	**2 020**	**–**	(17)	**2 016**	54	**2 070**
43 469	**563 269**	**56**	**563 325**	96 670	143 952	**240 622**	**234 012**	400 629	**1 438 588**	–	**1 438 588**
58 893	**494 987**	**141 262**	**636 249**	463 935	66 246	**530 181**	**261 938**	288 017	**1 716 385**	(28)	**1 716 357**
58 126	**486 805**	**139 060**	**625 865**	456 561	66 046	**522 607**	**240 947**	176 631	**1 566 050**	–	**1 566 050**
375	**1 911**	**1 829**	**3 740**	130	5	**135**	**33**	7	**3 915**	–	**3 915**

Segment report continued

for the six months ended 31 December 2018

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	2 272	1 162	1 691	1 514	3 205	3 563	**10 202**	5 247
Impairment charge	(93)	(349)	(655)	(664)	(1 319)	(683)	**(2 444)**	(376)
Net interest income after impairment of advances	2 179	813	1 036	850	1 886	2 880	**7 758**	4 871
Non-interest revenue	306	893	460	624	1 084	6 937	**9 220**	4 240
Income from operations	2 485	1 706	1 496	1 474	2 970	9 817	**16 978**	9 111
Operating expenses	(961)	(935)	(571)	(744)	(1 315)	(6 164)	**(9 375)**	(4 726)
Net income from operations	1 524	771	925	730	1 655	3 653	**7 603**	4 385
Share of profit of associates and joint ventures after tax	–	–	–	42	42	16	**58**	2
Income before tax	1 524	771	925	772	1 697	3 669	**7 661**	4 387
Indirect tax	(7)	(15)	(9)	(40)	(49)	(301)	**(372)**	(26)
Profit before tax	1 517	756	916	732	1 648	3 368	**7 289**	4 361
Income tax expense	(425)	(212)	(256)	(205)	(461)	(943)	**(2 041)**	(1 221)
Profit for the period	1 092	544	660	527	1 187	2 425	**5 248**	3 140
Attributable to								
Ordinary equityholders	1 092	544	660	527	1 187	2 425	**5 248**	3 140
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the period	1 092	544	660	527	1 187	2 425	**5 248**	3 140
Attributable earnings to ordinary equityholders	1 092	544	660	527	1 187	2 425	**5 248**	3 140
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 092	544	660	527	1 187	2 425	**5 248**	3 140
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	1 092	544	660	527	1 187	2 425	**5 248**	3 140

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

* *Refer to additional segmental disclosure on page 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

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 143.*

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**
2 039	**17 488**	**2 629**	**20 117**	2 689	1 342	**4 031**	**2 925**	2 371	**29 444**	720	**30 164**
(434)	**(3 254)**	**(856)**	**(4 110)**	(214)	(19)	**(233)**	**(192)**	(486)	**(5 021)**	–	**(5 021)**
1 605	**14 234**	**1 773**	**16 007**	2 475	1 323	**3 798**	**2 733**	1 885	**24 423**	720	**25 143**
2 029	**15 489**	**1 560**	**17 049**	3 508	1 344	**4 852**	**196**	(1 131)	**20 966**	2 433	**23 399**
3 634	**29 723**	**3 333**	**33 056**	5 983	2 667	**8 650**	**2 929**	754	**45 389**	3 153	**48 542**
(2 631)	**(16 732)**	**(2 083)**	**(18 815)**	(2 676)	(1 627)	**(4 303)**	**(1 479)**	(2 018)	**(26 615)**	(82)	**(26 697)**
1 003	**12 991**	**1 250**	**14 241**	3 307	1 040	**4 347**	**1 450**	(1 264)	**18 774**	3 071	**21 845**
1	**61**	**156**	**217**	379	–	**379**	**4**	(119)	**481**	6	**487**
1 004	**13 052**	**1 406**	**14 458**	3 686	1 040	**4 726**	**1 454**	(1 383)	**19 255**	3 077	**22 332**
(73)	**(471)**	**(45)**	**(516)**	(78)	(7)	**(85)**	**(85)**	(109)	**(795)**	–	**(795)**
931	**12 581**	**1 361**	**13 942**	3 608	1 033	**4 641**	**1 369**	(1 492)	**18 460**	3 077	**21 537**
(293)	**(3 555)**	**(381)**	**(3 936)**	(1 010)	(290)	**(1 300)**	**(334)**	1 095	**(4 475)**	(687)	**(5 162)**
638	**9 026**	**980**	**10 006**	2 598	743	**3 341**	**1 035**	(397)	**13 985**	2 390	**16 375**
354	**8 742**	**957**	**9 699**	2 582	692	**3 274**	**1 037**	(668)	**13 342**	2 390	**15 732**
–	**–**	**–**	**–**	–	–	**–**	**(2)**	208	**206**	–	**206**
284	**284**	**23**	**307**	16	51	**67**	**–**	63	**437**	–	**437**
638	**9 026**	**980**	**10 006**	2 598	743	**3 341**	**1 035**	(397)	**13 985**	2 390	**16 375**
354	**8 742**	**957**	**9 699**	2 582	692	**3 274**	**1 037**	(668)	**13 342**	2 390	**15 732**
–	**–**	**–**	**–**	–	–	**–**	**–**	–	**–**	(2 388)	**(2 388)**
354	**8 742**	**957**	**9 699**	2 582	692	**3 274**	**1 037**	(668)	**13 342**	2	**13 344**
–	**–**	**–**	**–**	–	–	**–**	**–**	–	**–**	64	**64**
–	**–**	**–**	**–**	–	–	**–**	**–**	–	**–**	(14)	**(14)**
–	**–**	**–**	**–**	–	–	**–**	**–**	–	**–**	(52)	**(52)**
–	**–**	**–**	**–**	–	–	**–**	**–**	–	**–**	–	**–**
354	**8 742**	**957**	**9 699**	2 582	692	**3 274**	**1 037**	(668)	**13 342**	–	**13 342**

Segment report continued

for the six months ended 31 December 2018

	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 (%)	37.3	45.5	26.5	34.1	30.4	58.6	**48.1**	49.8
Diversity ratio (%)	11.9	43.5	21.4	30.6	26.0	66.1	**47.6**	44.7
Credit loss ratio (%)	0.09	2.93	7.03	8.60	7.74	8.31	**1.73**	0.78
Stage 3/NPLs as a percentage of advances (%)	3.84	6.82	12.34	15.60	13.78	9.81	**5.69**	4.02
Consolidated income statement includes:								
Depreciation	(3)	(2)	(1)	(25)	(26)	(787)	**(818)**	(24)
Amortisation	–	(6)	–	(20)	(20)	(61)	**(87)**	–
Net impairment charges	–	–	–	–	–	(51)	**(51)**	1
Consolidated statement of financial position includes:								
Advances (before impairments)	210 484	24 799	20 072	15 884	35 956	16 982	**288 221**	97 546
– Normal advances (AC and FV)	210 484	24 799	20 072	15 884	35 956	16 982	**288 221**	97 546
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	8 081	1 691	2 476	2 478	4 954	1 666	**16 392**	3 925
Investment in associated companies	–	–	–	355	355	254	**609**	19
Investment in joint ventures	–	–	–	–	–	–	**–**	2
Total deposits (including non-recourse deposits)	565	1 445	9	–	9	237 057	**239 076**	232 442
Total assets	208 174	22 752	16 747	15 021	31 768	41 644	**304 338**	98 824
Total liabilities†	207 881	22 918	16 977	16 663	33 640	34 623	**299 062**	97 558
Capital expenditure	9	17	2	68	70	696	**792**	44

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

* *Refer to additional segmental disclosure on page 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

FCC represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

	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
64.7	50.6	47.9	50.3	40.7	60.6	46.5	47.3	>100	52.3	–	49.4
49.9	47.1	39.5	46.2	59.1	50.0	56.5	6.4	(>100)	42.1	–	44.2
1.60	1.50	1.25	1.44	0.15	0.06	0.14	0.23	0.96	0.86	–	0.86
7.88	5.59	5.57	5.59	0.93	1.01	0.94	1.02	1.29	3.20	–	3.20
(162)	(1 004)	(291)	(1 295)	(61)	(6)	(67)	14	(67)	(1 415)	–	(1 415)
(9)	(96)	(5)	(101)	(21)	(2)	(23)	31	(288)	(381)	–	(381)
–	(50)	2	(48)	–	(8)	(8)	–	–	(56)	–	(56)
54 548	440 315	135 910	576 225	288 414	68 839	357 253	172 815	98 821	1 205 114	–	1 205 114
54 548	440 315	126 158	566 473	288 414	68 839	357 253	165 098	64 309	1 153 133	–	1 153 133
–	–	9 752	9 752	–	–	–	7 717	34 512	51 981	–	51 981
4 296	24 613	7 570	32 183	2 678	694	3 372	1 762	1 271	38 588	–	38 588
10	638	2 079	2 717	2 748	–	2 748	94	67	5 626	–	5 626
–	2	6	8	1 774	–	1 774	–	(16)	1 766	52	1 818
41 439	512 957	72	513 029	97 465	137 426	234 891	184 440	406 261	1 338 621	–	1 338 621
58 453	461 615	139 567	601 182	445 782	74 419	520 201	204 084	263 995	1 589 462	31	1 589 493
58 493	455 113	137 854	592 967	437 894	74 242	512 136	189 338	159 452	1 453 893	–	1 453 893
78	914	826	1 740	157	14	171	15	–	1 926	–	1 926

Segment report continued

for the year ended 30 June 2019

	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	4 487	2 347	3 677	3 095	6 772	7 389	**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	1 410	2 381	1 709	4 090	6 104	**15 859**	10 025
Non-interest revenue	580	1 926	993	1 295	2 288	13 862	**18 656**	8 446
Income from operations	4 835	3 336	3 374	3 004	6 378	19 966	**34 515**	18 471
Operating expenses	(1 877)	(1 934)	(1 149)	(1 489)	(2 638)	(12 604)	**(19 053)**	(9 519)
Net income from operations	2 958	1 402	2 225	1 515	3 740	7 362	**15 462**	8 952
Share of profit of associates and joint ventures after tax	–	–	–	79	79	34	**113**	5
Income before tax	2 958	1 402	2 225	1 594	3 819	7 396	**15 575**	8 957
Indirect tax	(13)	(29)	(18)	(83)	(101)	(490)	**(633)**	(52)
Profit before tax	2 945	1 373	2 207	1 511	3 718	6 906	**14 942**	8 905
Income tax expense	(825)	(384)	(618)	(424)	(1 042)	(1 933)	**(4 184)**	(2 485)
Profit for the year	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420
Attributable to								
Ordinary equityholders	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the year	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420
Attributable earnings to ordinary equityholders	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	2 120	989	1 589	1 087	2 676	4 973	**10 758**	6 420

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

* *Refer to additional segmental disclosure on page 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

\# *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 143.*

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
4 096	35 866	5 215	41 081	5 609	2 714	8 323	5 830	5 065	60 299	158	60 457
(878)	(6 764)	(1 985)	(8 749)	(373)	(39)	(412)	(430)	(909)	(10 500)	–	(10 500)
3 218	29 102	3 230	32 332	5 236	2 675	7 911	5 400	4 156	49 799	158	49 957
3 887	30 989	3 129	34 118	7 621	2 621	10 242	406	(1 955)	42 811	2 997	45 808
7 105	60 091	6 359	66 450	12 857	5 296	18 153	5 806	2 201	92 610	3 155	95 765
(5 283)	(33 855)	(4 123)	(37 978)	(5 972)	(3 274)	(9 246)	(3 255)	(3 420)	(53 899)	(144)	(54 043)
1 822	26 236	2 236	28 472	6 885	2 022	8 907	2 551	(1 219)	38 711	3 011	41 722
4	122	352	474	1 113	–	1 113	9	(339)	1 257	(27)	1 230
1 826	26 358	2 588	28 946	7 998	2 022	10 020	2 560	(1 558)	39 968	2 984	42 952
(145)	(830)	(8)	(838)	(147)	(14)	(161)	(171)	(110)	(1 280)	–	(1 280)
1 681	25 528	2 580	28 108	7 851	2 008	9 859	2 389	(1 668)	38 688	2 984	41 672
(578)	(7 247)	(722)	(7 969)	(2 193)	(563)	(2 756)	(568)	2 141	(9 152)	(667)	(9 819)
1 103	18 281	1 858	20 139	5 658	1 445	7 103	1 821	473	29 536	2 317	31 853
567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	2 317	30 211
–	–	–	–	–	–	–	163	597	760	–	760
536	536	50	586	37	91	128	–	168	882	–	882
1 103	18 281	1 858	20 139	5 658	1 445	7 103	1 821	473	29 536	2 317	31 853
567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	2 317	30 211
–	–	–	–	–	–	–	–	–	–	(2 324)	(2 324)
567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	(7)	27 887
–	–	–	–	–	–	–	–	–	–	80	80
–	–	–	–	–	–	–	–	–	–	(1)	(1)
–	–	–	–	–	–	–	–	–	–	(97)	(97)
–	–	–	–	–	–	–	–	–	–	25	25
567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	–	27 894

Segment report continued

for the year ended 30 June 2019

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	37.0	45.3	24.6	33.3	28.9	59.2	**47.9**	49.5
Diversity ratio (%)	11.4	45.1	21.3	30.7	25.9	65.3	**47.2**	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 company	–	–	–	311	311	391	**702**	–
Investment in joint ventures	–	–	–	–	–	–	**–**	5
Total deposits (including non-recourse deposits)	533	2 393	10	–	10	245 399	**248 335**	240 224
Total assets	214 743	25 548	19 308	14 801	34 109	40 203	**314 603**	104 479
Total liabilities†	213 954	25 475	18 733	16 275	35 008	26 764	**301 201**	100 562
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 46.*

** *Refer to additional segmental disclosure on pages 47 and 48.*

\# *FCC represents group-wide functions.*

† *Total liabilities are net of interdivisional balances.*

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**
66.1	**50.5**	**47.4**	**50.2**	41.6	61.4	**47.0**	**52.1**	>100	**51.6**	–	**50.3**
48.7	**46.5**	**40.0**	**45.7**	60.9	49.1	**57.7**	**6.6**	(82.8)	**42.2**	–	**43.8**
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**
57 608	**459 371**	**135 146**	**594 517**	449 127	63 214	**512 341**	**205 626**	211 985	**1 524 469**	–	**1 524 469**
196	**2 348**	**1 377**	**3 725**	364	17	**381**	**41**	–	**4 147**	–	**4 147**

Additional segmental disclosure – WesBank

R million	Six months ended 31 December 2019 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	**2 337**	**284**	**2 621**
Impairment of advances	**(792)**	**(67)**	**(859)**
Normalised profit before tax	**1 203**	**170**	**1 373**
Normalised earnings	**844**	**122**	**966**
Advances	**106 705**	**29 855**	**136 560**
Stage 3/NPLs	**7 287**	**537**	**7 824**
Advances margin (%)	**3.69**	**2.13**	**3.35**
Stage 3/NPLs as a % of advances	**6.83**	**1.80**	**5.73**
Credit loss ratio (%)	**1.49**	**0.46**	**1.27**

R million	Six months ended 31 December 2018 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	2 344	285	2 629
Impairment of advances	(778)	(78)	(856)
Normalised profit before tax	1 171	190	1 361
Normalised earnings	820	137	957
Advances	105 684	30 226	135 910
Stage 3/NPLs	7 099	471	7 570
Advances margin (%)	3.61	2.21	3.30
Stage 3/NPLs as a % of advances	6.72	1.56	5.57
Credit loss ratio (%)	1.48	0.50	1.25

R million	Year ended 30 June 2019 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

Additional segmental disclosure – Aldermore

R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore excluding MotoNovo	MotoNovo Finance	Total Aldermore
	Six months ended 31 December 2019								
NII before impairment of advances	723	217	468	1 206	430	(40)	3 004	364	3 368
Impairment of advances	(192)	(16)	(3)	(3)	4	–	(210)	(270)	(480)
Normalised profit before tax	403	143	403	1 109	369	(1 186)*	1 241	(145)	1 096
Normalised earnings	403	143	403	1 109	369	(1 510)*	917	(120)	797
Advances	37 719	7 087	20 177	96 212	37 263	–	198 458	24 259	222 717
Stage 3/NPLs	577	146	276	794	790	–	2 583	94	2 677
Advances margin (%)	3.85	5.99	4.81	2.56	2.48	–	3.11	4.67	3.23
Stage 3/NPLs as a % of advances	1.53	2.06	1.37	0.83	2.12	–	1.30	0.39	1.20
Credit loss ratio (%)	1.03	0.45	0.03	0.01	(0.02)	–	0.22	3.50	0.46

* *Normalised profit before tax includes £4.4 million loss on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore excluding MotoNovo	MotoNovo Finance	Total Aldermore
	Six months ended 31 December 2018								
NII before impairment of advances	704	178	444	1 196	396	7	2 925	–	2 925
Impairment of advances	(119)	(9)	(24)	(30)	(10)	–	(192)	–	(192)
Normalised profit before tax	461	119	378	1 075	337	(1 001)*	1 369	–	1 369
Normalised earnings	461	119	378	1 075	337	(1 333)*	1 037	–	1 037
Advances	35 317	5 890	17 542	85 044	29 022	–	172 815	–	172 815
Stage 3/NPLs	350	134	231	490	557	–	1 762	–	1 762
Advances margin (%)	4.07	6.59	5.03	2.87	2.82	–	3.43	–	3.43
Stage 3/NPLs as a % of advances	0.99	2.28	1.32	0.58	1.92	–	1.02	–	1.02
Credit loss ratio (%)	0.69	0.33	0.27	0.07	0.07	–	0.23	–	0.23

* *Normalised profit before tax includes £6.4 million profit on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore excluding MotoNovo	MotoNovo Finance	Total Aldermore
	Year ended 30 June 2019								
NII before impairment of advances	1 444	384	825	2 569	751	(164)	5 809	21	5 830
Impairment of advances	(247)	(27)	(16)	(62)	(9)	–	(361)	(69)	(430)
Normalised profit before tax	924	266	696	2 278	620	(2 293)*	2 491	(102)	2 389
Normalised earnings	924	266	696	2 278	620	(3 062)*	1 722	(64)	1 658
Advances	36 718	7 285	18 415	90 921	31 512	–	184 851	6 639	191 490
Stage 3/NPLs	549	104	246	669	744	–	2 312	10	2 322
Advances margin (%)	4.11	6.31	4.58	2.99	2.57	–	3.33	0.63	3.28
Stage 3/NPLs as a % of advances	1.49	1.43	1.33	0.74	2.36	–	1.25	0.15	1.21
Credit loss ratio (%)	0.70	0.44	0.09	0.07	0.03	–	0.21	2.08	0.24

* *Normalised profit before tax includes £3.8 million profit on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

Additional segmental disclosure – Aldermore continued

£ million	Six months ended 31 December 2019								
	Asset finance	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let mortgages**	**Residential mortgages**	**Central functions**	**Aldermore excluding MotoNovo**	**MotoNovo Finance**	**Total Aldermore**
NII before impairment of advances	**39**	**12**	**25**	**65**	**23**	**(2)**	**162**	**20**	**182**
Impairment of advances	**(10)**	**(1)**	**–**	**–**	**–**	**–**	**(11)**	**(15)**	**(26)**
Normalised profit before tax	**22**	**8**	**22**	**60**	**20**	**(65)***	**67**	**(8)**	**59**
Normalised earnings	**22**	**8**	**22**	**60**	**20**	**(83)***	**49**	**(6)**	**43**
Advances	**2 048**	**385**	**1 095**	**5 223**	**2 023**	**–**	**10 774**	**1 317**	**12 091**
Stage 3/NPLs	**31**	**8**	**15**	**43**	**43**	**–**	**140**	**5**	**145**
Advances margin (%)	**3.80**	**5.90**	**4.74**	**2.52**	**2.45**	**–**	**3.06**	**4.63**	**3.18**
Stage 3/NPLs as a % of advances	**1.53**	**2.06**	**1.37**	**0.83**	**2.12**	**–**	**1.30**	**0.39**	**1.20**
Credit loss ratio (%)	**1.02**	**0.44**	**0.03**	**0.01**	**(0.02)**	**–**	**0.22**	**3.46**	**0.46**

* *Normalised profit before tax includes £4.4 million loss on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

£ million	Six months ended 31 December 2018								
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore excluding MotoNovo	MotoNovo Finance	Total Aldermore
NII before impairment of advances	38	10	24	65	22	–	159	–	159
Impairment of advances	(7)	–	(1)	(2)	(1)	–	(11)	–	(11)
Normalised profit before tax	25	7	21	59	18	(55)*	75	–	75
Normalised earnings	25	7	21	59	18	(73)*	57	–	57
Advances	1 928	321	957	4 642	1 584	–	9 432	–	9 432
Stage 3/NPLs	19	7	13	27	30	–	96	–	96
Advances margin (%)	4.07	6.59	5.03	2.87	2.82	–	3.43	–	3.43
Stage 3/NPLs as a % of advances	0.99	2.28	1.32	0.58	1.92	–	1.02	–	1.02
Credit loss ratio (%)	0.69	0.33	0.27	0.07	0.07	–	0.23	–	0.23

* *Normalised profit before tax includes £6.4 million profit on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

£ million	Year ended 30 June 2019								
	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore excluding MotoNovo	MotoNovo Finance	Total Aldermore
NII before impairment of advances	79	21	45	140	41	(9)	317	1	318
Impairment of advances	(14)	(1)	(1)	(3)	–	–	(19)	(4)	(23)
Normalised profit before tax	50	15	38	125	34	(125)*	137	(7)	130
Normalised earnings	50	15	38	125	34	(167)*	95	(5)	90
Advances	2 042	405	1 024	5 056	1 752	–	10 279	370	10 649
Stage 3/NPLs	31	6	14	37	40	–	128	1	129
Advances margin (%)	4.05	6.21	4.51	2.95	2.53	–	3.29	0.61	3.24
Stage 3/NPLs as a % of advances	1.49	1.43	1.33	0.74	2.36	–	1.25	0.15	1.21
Credit loss ratio (%)	0.69	0.43	0.09	0.07	0.03	–	0.20	2.03	0.24

* *Normalised profit before tax includes £3.8 million profit on the fair value hedge portfolio. Normalised earnings includes the tax expense reflected in central functions.*

Additional segmental disclosure – MotoNovo standalone*

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
NII before impairment of advances	**1 552**	1 483	5	2 991
Impairment of advances	**(474)**	(447)	6	(822)
Normalised profit before tax	**383**	377	2	779
Normalised earnings	**260**	271	(4)	570
Advances	**66 687**	60 366	10	61 778
Stage 3/NPLs	**1 150**	1 129	2	1 093
Advances margin (%)	**4.49**	5.10		4.86
Stage 3/NPLs as a % of advances (%)	**1.72**	1.87		1.77
Credit loss ratio (%)	**1.48**	1.47		1.33

£ million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
NII before impairment of advances	**84**	81	4	163
Impairment of advances	**(26)**	(24)	8	(45)
Normalised profit before tax	**21**	21	–	42
Normalised earnings	**14**	15	(7)	31
Advances	**3 620**	3 295	10	3 436
Stage 3/NPLs	**62**	62	–	61
Advances margin (%)	**4.47**	5.10		4.78
Stage 3/NPLs as a % of advances (%)	**1.72**	1.87		1.77
Credit loss ratio (%)	**1.45**	1.46		1.32

* *MotoNovo Standalone represents the back book in FCC/GTSY and new business originated in Aldermore. Includes personal loan book which is being run down.*

Note: Pound numbers above are rounded to the nearest million.

Additional disclosure – insurance activities

FNB

NUMBER OF POLICIES

Thousands	Six months ended 31 December			Year ended 30 June
	2019	2018	% change	2019
Credit life	**2 412**	2 386	1	2 417
Funeral	**1 267**	1 171	8	1 258
Core life	**359**	340	6	339
Underwritten	**116**	76	53	92
Commercial	**12**	–	>100	8
Total	**4 166**	3 973	5	4 114

IN-FORCE APE

R million	Six months ended 31 December			Year ended 30 June
	2019	2018	% change	2019
Credit life	**1 742**	1 646	6	1 776
Funeral	**1 962**	1 682	17	1 851
Core life	**430**	330	30	394
Underwritten	**412**	257	60	315
Commercial	**30**	–	>100	18
Total	**4 576**	3 915	17	4 354

VALUE OF NEW BUSINESS*

R million	Six months ended 31 December			Year ended 30 June
	2019	2018	% change	2019
Credit life	**461**	528	(13)	1 058
Funeral	**301**	285	6	578
Core life	**70**	62	13	136
Underwritten	**175**	131	34	257
Total	**1 007**	1 006	–	2 029

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

EMBEDDED VALUE (PRE-DIVIDENDS)*

Thousands	Six months ended 31 December			Year ended 30 June
	2019	2018	% change	2019
Total	**5 573**	4 733	18	5 914

* *FNB Life is preparing to comply with Advisory Practice Note (APN) 107 embedded value disclosure for the year end. This note encourages consistency and transparency of embedded value reporting across the industry. This is expected to result in restatements.*

SALES CHANNELS (STANDALONE LIFE)

	Six months ended 31 December		Year ended 30 June
% of sales	**2019**	2018	2019
Face-to-face	**69**	72	70
Call centres	**26**	25	26
Digital	**5**	3	4
Total	**100**	100	100

WESBANK

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

	MotoVantage (VAPS)			Motor (credit life)		
	Six months ended 31 December			Six months ended 31 December		
	2019	2018	% change	**2019**	2018	% change
Number of policies (thousands)	**955**	970	(2)	**82**	110	(25)
Gross written premium (R million)	**899**	778	16	**64**	64	–

VAPS SALES CHANNELS

	Six months ended 31 December		Year ended 30 June
% of sales	**2019**	2018	2019
Point of sale	**61**	64	64
Telesales	**29**	25	26
Other	**10**	11	10
Total	**100**	100	100

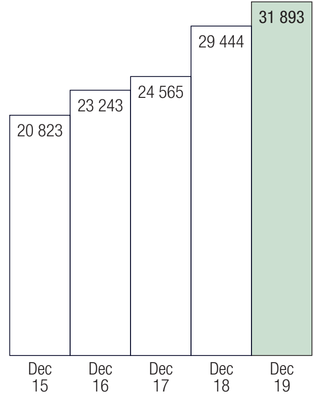
02

income statement analysis

Net interest income (before impairment of advances)

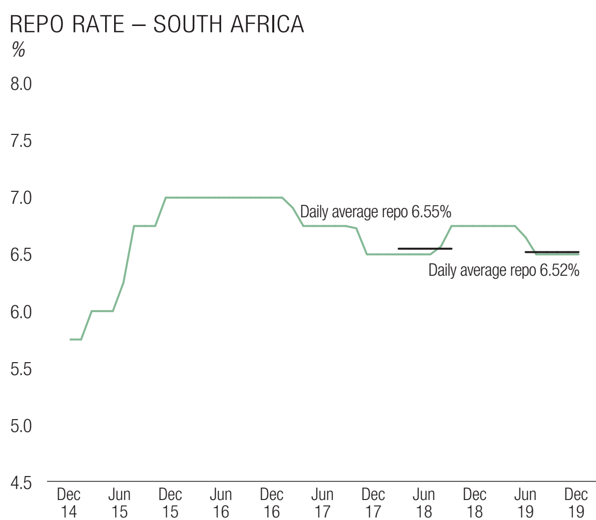
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 8%

NET INTEREST INCOME
R million
CAGR 11%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

REPO RATE – SOUTH AFRICA
%



Note: R251 billion = average endowment book excluding Aldermore for the period (average Aldermore endowment book was R18 billion). Rates were 3 bps lower on average in the current period, which translates into a negative endowment impact of R36 million (R39 million including Aldermore) for the period on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2018 normalised margin	**5.02**
Capital and deposit endowment	0.06
– Volume	0.07
– Average rate	(0.01)
Interest earning assets	0.06
– Change in balance sheet advances mix	0.09
– Increase in HQLA	(0.01)
– Asset pricing	0.04
– Change in interest suspended under IFRS 9	(0.06)
Liabilities	–
– Change in deposit franchise composition	0.05
– Deposit pricing	(0.05)
Group Treasury and other movements	(0.08)
– Accounting mismatches (MTM vs accrual on term issuance)	(0.01)
– Interest rate and FX management	0.07
– Term funding costs	(0.14)
December 2019 normalised operating margin excluding Aldermore	**5.06**
Aldermore foregone interest relating to invested capital	(0.01)
December 2019 normalised margin excluding Aldermore	**5.05**
Impact of Aldermore on margin	(0.41)
December 2019 normalised margin including Aldermore	**4.64**

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018*	% change	2019
Net interest income				
Lending	**12 189**	11 787	3	24 160
Transactional**	**8 725**	7 706	13	16 818
Deposits	**1 786**	1 629	10	3 340
Capital endowment	**3 591**	3 177	13	6 425
Group Treasury	**(592)**	(1 001)	(41)	(1 095)
FNB rest of Africa	**2 145**	2 039	5	4 096
Group ALM and other activities	**681**	1 182	(42)	725
Total net interest income excluding Aldermore	**28 525**	26 519	8	54 469
Aldermore	**3 368**	2 925	15	5 830
Total net interest income including Aldermore	**31 893**	29 444	8	60 299

* *2018 numbers were restated in order to provide better attribution of NII by nature of activity and the reclassification of coupon payments on AT1 instruments.*

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

KEY DRIVERS

- NII growth was marginally softer during the period reflecting more muted advances and deposits growth of 4% and 7%, respectively.
- Lending NII increased 3% due to higher margin cross-border activities in the investment bank and higher margins in FNB commercial due to increased pricing and facilities. Retail lending margins however decreased due to mix change following slower growth in unsecured and the lengthening of the write-off period.
- FNB's core advances product margin increased 19 bps, benefiting from a change in mix of advances and repricing initiatives, partially offset by a change in transfer pricing on certain products. Overall margins, however, decreased marginally, impacted by the change in the treatment of interest in suspense (ISP) under IFRS 9, the quantum of which is impacted by the lengthening of the write-off period. This change impacts the unsecured margins in retail. The change in treatment of interest on cured advances reflected against credit impairments of R46 million following an interpretation by the IFRS Interpretation Committee (IFRS-IC) during the 2019 financial year, offset by the unwind of interest on modified advances, also impacted margins.
- Advances growth in FNB's Rest of Africa portfolio was flat period-on-period. Whilst Namibia, Botswana and Ghana saw some growth this was offset by risk cuts and difficult macros in some of the emerging subsidiaries.
- WesBank's operational retail VAF margins decreased 2 bps, impacted by the mix change in new business in the retail SA VAF book with increased levels of variable-rate new business originated, ongoing migration to lower-risk new business origination as well as increased competitive pressures. WesBank's overall margins increased 5 bps, benefiting from the unwind of interest on modified advances.
- RMB achieved NII growth of 12%, benefiting from resilient period-on-period average advances growth, specifically from higher-margin cross-border activities and higher levels of working capital utilisation. This growth is expected to moderate in the second half of the financial year.
- The average repo rate decreased 3 bps period-on-period, resulting in a small negative rate endowment impact on capital and deposits. This was more than offset by higher capital levels and deposit volumes.
- FNB's deposit margins decreased, impacted by negative endowment and a change in mix, with strong growth in lower-margin deposit products, as well as increased competitive pressures. Overall FNB NII increased 9%, benefiting from strong growth of 10% in deposits, especially from cash investment products in the premium segment and strong growth in Islamic banking and wealth and investment products, as well as solid advances growth of 8%.
- Deposit growth in FNB rest of Africa was muted at 5%, with margins slightly down reflecting negative endowment and a change in product mix.
- Group Treasury NII was impacted by:
  - an increase in income from interest rate risk and foreign exchange management activities of >R600 million; and
  - increased cost on higher levels of HQLA >R160 million.
- MotoNovo margins reduced 8 bps period-on-period, negatively impacted by increased competitive pricing, the continued move of the market to "fee free finance" and more business being written with larger dealer groups where margins are smaller but credit risk typically lower.
- Aldermore's net interest margin reduced, reflecting increased competitive pressure in certain asset classes, a change in mix in new business origination and increased funding costs reflecting market pressure.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		December 2019			December 2018		
R million	Notes	Average balance	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.02**			10.05
Balances with central banks		**29 263**			26 689		
Cash and cash equivalents		**36 651**	**857**	**4.64**	36 551	897	4.87
Liquid assets portfolio*		**183 967**	**6 594**	**7.11**	144 647	5 374	7.37
Loans and advances to customers	1	**870 780**	**47 115**	**10.73**	840 024	44 953	10.62
Interest-earning assets		**1 120 661**	**54 566**	**9.66**	1 047 911	51 224	9.70
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.90**			6.98
Deposits due to customers	2	**(714 024)**	**(17 237)**	**4.79**	(647 353)	(15 103)	4.63
Group Treasury funding		**(400 993)**	**(13 573)**	**6.71**	(400 848)	(13 524)	6.69
Interest-bearing liabilities		**(1 115 017)**	**(30 810)**	**5.48**	(1 048 201)	(28 627)	5.42
ENDOWMENT AND TRADING BOOK							
Other assets**		**241 534**			236 562		
Other liabilities#		**(125 173)**			(125 593)		
NCNR preference shareholders		**(8 851)**			(4 519)		
Equity		**(113 154)**			(106 160)		
Endowment and trading book		**(5 644)**	**4 769**	**>100**	290	3 922	>100
Total interest-bearing liabilities, endowment and trading book		**(1 120 661)**	**(26 041)**	**4.61**	(1 047 911)	(24 705)	4.68
Net interest margin on average interest-earning assets – excluding Aldermore		**1 120 661**	**28 525**	**5.05**	1 047 911	26 519	5.02
Net interest margin on average interest-earning assets – Aldermore		**242 214**	**3 368**	**2.76**	195 405	2 925	2.97
Net interest margin on average interest-earning assets – including Aldermore		**1 362 875**	**31 893**	**4.64**	1 243 316	29 444	4.70

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

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

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

Include trading liabilities.

NOTE 1 – MARGIN ANALYSIS ON ADVANCES TO CUSTOMERS

R million	December 2019		December 2018	
	Average balance	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**10.02**		10.05
ADVANCES				
Retail – secured	**375 857**	**2.71**	373 200	2.84
Residential mortgages	**220 263**	**1.85**	207 412	1.82
VAF	**155 594**	**3.93**	165 788	4.13
Retail – unsecured	**92 517**	**11.41**	80 115	12.09
Card	**32 228**	**7.29**	28 484	8.12
Personal loans	**41 358**	**15.70**	35 342	16.39
– FNB	**25 057**	**13.89**	20 067	15.12
– DirectAxis	**16 301**	**18.48**	15 275	18.05
Retail other	**18 931**	**9.03**	16 289	9.70
Corporate and commercial	**346 422**	**2.53**	332 559	2.36
FNB commercial	**103 861**	**3.69**	93 687	3.57
– Mortgages	**27 572**	**2.40**	23 616	2.33
– Overdrafts	**38 978**	**5.13**	35 200	4.82
– Term loans	**37 311**	**3.15**	34 871	3.14
WesBank corporate	**29 045**	**2.13**	29 990	2.21
RMB investment banking*	**156 687**	**2.19**	154 866	1.94
RMB corporate banking	**56 829**	**1.55**	54 016	1.57
FNB rest of Africa**	**55 984**	**4.02**	54 150	3.81
Total advances excluding Aldermore	**870 780**	**3.65**	840 024	3.60
Aldermore#	**207 103**	**3.23**	168 316	3.43
Total advances including Aldermore	**1 077 883**	**3.57**	1 008 340	3.57

* *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.

Net interest income (before impairment of advances) continued

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2019		December 2018	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**6.90**		6.98
DEPOSITS				
Retail	**239 452**	**2.18**	215 911	2.34
Current and savings	**67 596**	**5.58**	63 414	5.82
Call	**88 799**	**0.90**	73 885	0.98
Term	**83 057**	**0.77**	78 612	0.79
Commercial	**255 948**	**2.57**	224 698	2.67
Current and savings	**93 241**	**5.36**	83 626	5.55
Call	**82 948**	**1.44**	73 827	1.46
Term	**79 759**	**0.48**	67 245	0.41
Corporate and investment banking*	**175 642**	**1.17**	165 322	1.13
Current and savings	**70 760**	**1.78**	67 137	1.72
Call	**61 401**	**1.00**	59 012	0.90
Term	**43 481**	**0.41**	39 173	0.47
FNB rest of Africa	**42 982**	**3.36**	41 422	3.51
Total deposits excluding Aldermore	**714 024**	**2.14**	647 353	2.22
Aldermore**	**216 353**	**–**	177 744	–
Total deposits including Aldermore	**930 377**	**1.64**	825 097	1.74

* *Restatements are due to refinements in FNB Africa's processes and RMB Africa's migration of professional funding to Group Treasury.*

** *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	Six months ended 31 December		% change	Year ended 30 June
		2019	2018		2019
Total gross advances	1 on p. 94	**1 259 326**	1 205 114	4	1 239 914
– Stage 1		**1 129 742**	1 071 979	5	1 112 219
– Stage 2		**84 549**	94 547	(11)	86 346
– Stage 3/NPLs*	2 on p. 100	**45 035**	38 588	17	41 349
Stage 3/NPLs as a % of advances	2 on p. 100	**3.58**	3.20		3.33
Impairment charge	3 on p. 106	**5 934**	5 021	18	10 500
Credit loss ratio (%)	3 on p. 106	**0.95**	0.86		0.88
Impairment charge excluding Aldermore	3 on p. 106	**5 454**	4 829	13	10 070
Credit loss ratio excluding Aldermore (%)	3 on p. 106	**1.05**	0.96		0.99
Total impairments	4 on p. 112	**35 562**	32 570	9	34 162
Portfolio impairments	4 on p. 108	**15 757**	14 696	7	15 667
– Stage 1		**7 504**	7 333	2	7 916
– Stage 2		**8 253**	7 363	12	7 751
Stage 3 impairments		**19 805**	17 874	11	18 495
Specific coverage ratio (%)**	4 on p. 110	**44.0**	46.3		44.7
Total impairment coverage ratio (%)#	4 on p. 112	**79.0**	84.4		82.6
Performing book coverage ratio (%)†	4 on p. 108	**1.30**	1.26		1.31

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

** *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)

	Six months ended 31 December					Year ended 30 June
R million	Back book*	New book**	**2019**	2018	% change	2019
Total gross advances	42 020	24 259	**66 279**	59 531	11	61 200
– Stage 1	37 873	23 838	**61 711**	55 111	12	56 638
– Stage 2	3 095	327	**3 422**	3 312	3	3 474
– Stage 3/NPLs	1 052	94	**1 146**	1 108	3	1 088
Stage 3/NPLs as a % of advances	2.50	0.39	**1.73**	1.86		1.78
Impairment charge	200	270	**470**	466	1	845
Credit loss ratio (%)	0.83	3.50	**1.47**	1.55		1.39
Total impairments	933	307	**1 240**	1 247	(1)	1 166
Portfolio impairments	515	265	**780**	781	–	739
– Stage 1	229	212	**441**	407	8	418
– Stage 2	286	53	**339**	374	(9)	321
Stage 3 impairments	418	42	**460**	466	(1)	427
Specific coverage ratio (%)	39.7	44.7	**40.1**	42.1		39.2
Performing book coverage ratio (%)	1.26	1.10	**1.20**	1.34		1.23
– Stage 1 (%)	0.60	0.89	**0.71**	0.74		0.74
– Stage 2 (%)	9.24	16.21	**9.91**	11.29		9.24
Total impairment coverage ratio (%)	88.7	326.6	**108.2**	112.5		107.2

* *Included in Group Treasury.*

** *Included in Aldermore.*

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

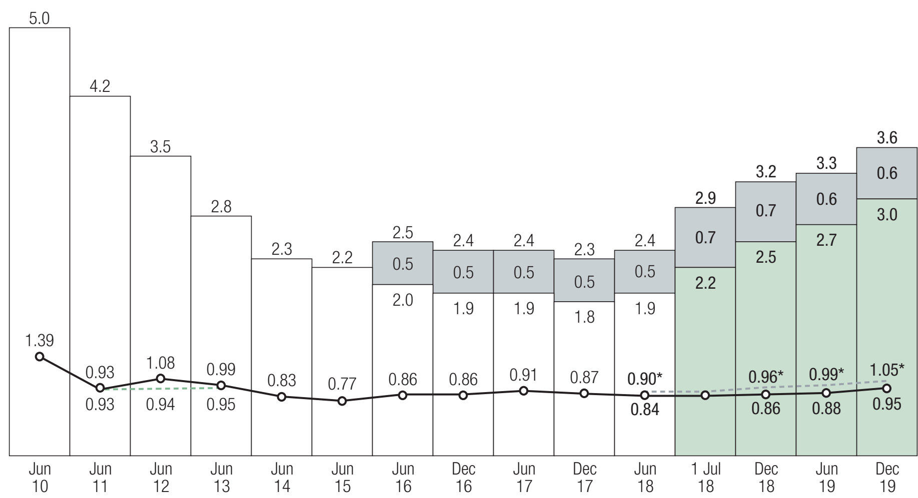
	Six months ended 31 December					Year ended 30 June
£ million	Back book*	New book**	**2019**	2018	% change	2019
Total gross advances	2 281	1 317	**3 598**	3 249	11	3 404
– Stage 1	2 056	1 294	**3 350**	3 008	11	3 150
– Stage 2	168	18	**186**	181	3	193
– Stage 3/NPLs	57	5	**62**	60	3	61
Stage 3/NPLs as a % of advances#	2.50	0.39	**1.73**	1.86		1.78
Impairment charge	11	15	**26**	25	4	46
Credit loss ratio (%)#	0.81	3.46	**1.45**	1.55		1.37
Total impairments	51	17	**68**	67	1	65
Portfolio impairments	28	15	**43**	42	2	41
– Stage 1	12	12	**24**	22	9	23
– Stage 2	16	3	**19**	20	(5)	18
Stage 3 impairments	23	2	**25**	25	–	24
Specific coverage ratio (%)#	39.7	44.7	**40.1**	42.1		39.2
Performing book coverage ratio (%)#	1.26	1.10	**1.20**	1.34		1.23
– Stage 1 (%)#	0.60	0.89	**0.71**	0.74		0.74
– Stage 2 (%)#	9.24	16.21	**9.91**	11.29		9.24
Total impairment coverage ratio (%)#	88.7	326.6	**108.2**	112.5		107.2

* *Included in Group Treasury.*

** *Included in Aldermore.*

Ratios are calculated using actual number designated in pounds. Amounts above are rounded to the closest million pounds.

Credit highlights continued

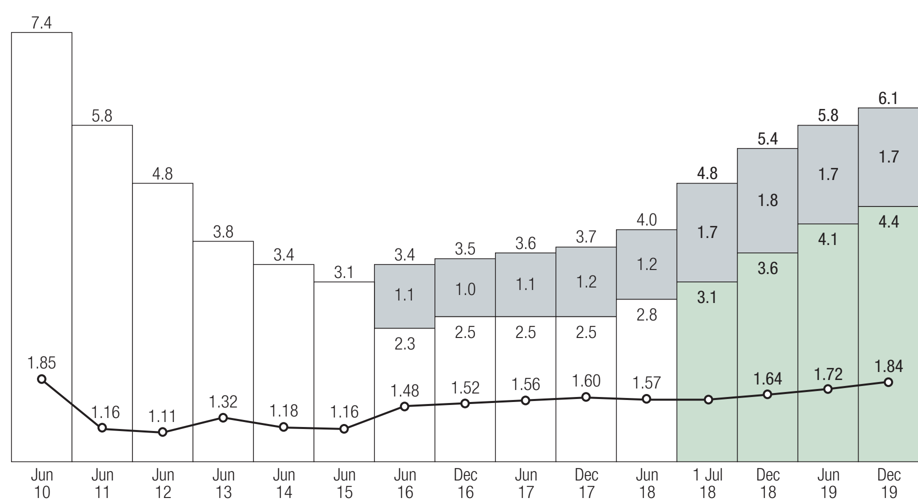


* *Impairment charge excluding Aldermore.*

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

RETAIL NPLs AND IMPAIRMENTS*

%



Stage 3/NPLs as a % of advances

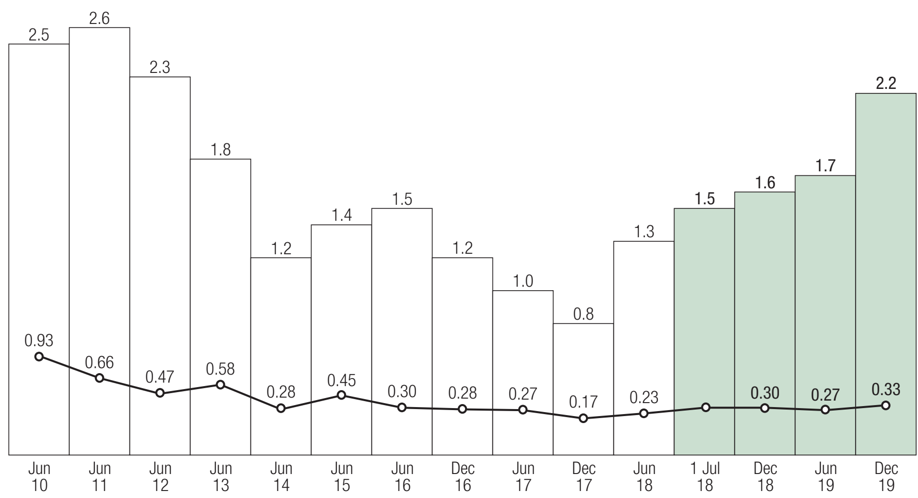
Restructured debt-review accounts and technical cures included in stage 3/NPLs.
Technical cures became effective with the adoption of IFRS 9.

Impairment charge as % of average advances

* *Excludes Aldermore.*

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS*

%



Stage 3/NPLs as a % of advances

Impairment charge as % of average advances

* *Excludes Aldermore.*

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

Credit highlights continued

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 16 the group's credit performance should be viewed in the context of worse than anticipated macro's particularly in the latter part of 2019.

NPLs and stage 2

Group NPLs increased 17% to 3.58% of advances compared to the December 2018 ratio of 3.20% and 3.33% at June 2019.

The R6 447 million increase in total group NPLs to R45 035 million is further analysed in the table below.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs (excluding Aldermore)	**4 008**	**15**	**11**
Aldermore	**915**	**52**	**2**
Restructured debt review	**(633)**	**(16)**	**(2)**
Definition of rehabilitation (technical cures)	**397**	**10**	**1**
Lengthening of write-off period	**1 760**	**91**	**5**
Total	**6 447**	**17**	**17**

Retail NPLs as a percentage of advances increased to 6.12% from 5.40% in December 2018 (5.79% in June 2019), impacted by:

- Ongoing strong book growth, specifically in the premium segment unsecured lending portfolios, combined with the deterioration of the macroeconomic environment, drove operational NPL balances.
- As previously communicated, the new curing and write-off rules in terms of IFRS 9 (the write-off point for unsecured lending changing from six to 12 months and using a 12 consecutive payments curing rule) resulted in an increase of R2 157 million in the absolute value of NPLs during this period. Restructured debt review NPLs were positively impacted by ±R700 million due to reinstating the curing rules and the sale of a restructured portfolio of ± R300 million.

Corporate and commercial NPLs increased 32% to 2.18% from 1.63% in December 2018 (1.67% in June 2019), reflecting:

- the ongoing impact of the drought in the agriculture portfolio;
- higher levels of operational business banking core transactional clients reflecting strong book growth; and
- the deteriorating macro environment in South Africa and the resultant increase in 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.

Retail stage 2 advances increased 7% impacted by reinstating cure rules to performing debt review clients (resulting in clients qualifying to cure migrating from NPL status to stage 2), operational rolls into arrears and an upturn in significant increase in credit risk (SICR) triggers due to elevated behavioural risk scores.

Corporate and commercial stage 2 advances decreased 41%, largely driven by RMB investment banking which decreased 55% due to specific counters migrating to stage 3 and cures to stage 1.

Coverage

Group portfolio impairments (stage 1 and stage 2 impairments) increased 7% from December 2018 and 1% from June 2019. Stage 1 impairments increased 2%, in part reflecting book growth, as well as the impact of stage migration of advances (primarily from stage 2 to stage 1) and model refinements.

Stage 2 balance sheet impairments increased 12%. Retail stage 2 coverage increased from 11.75% at December 2018 to 13.53%, impacted by increased downside risk in the forward-looking information (FLI), reinstating cure on performing debt review clients and operational rolls, which carry higher coverage. Corporate and commercial stage 2 coverage increased from 5.49% to 9.17% due to refinement in the SICR trigger, the migration of highly collateralised and guaranteed stage 2 counters into NPL status and the impact of increased downside risk in the FLI.

The group's total performing book (stage 1 and 2) coverage ratio increased to 130 bps (December 2018: 126 bps; June 2019: 131 bps).

The total balance sheet impairment coverage ratio decreased to 79.0% (December 2018: 84.4%; June 2019: 82.6%), reflecting:

- the impact of a high proportion of technically cured customers (customers who are fewer 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. agriculture and commercial property finance;
- the restructure and positive credit migration of certain highly collateralised corporate exposures during the year and new stage 3 migrations being fully guaranteed or highly collateralised; and
- certain limited model refinements implemented during the period.

Income statement impairment charge

The group's income statement credit impairment charge, increased 18% period-on-period, resulting in a group credit loss ratio of 95 bps (December 2018: 86 bps; June 2019: 88 bps). Excluding Aldermore, the group credit loss ratio is 105 bps, compared to 96 bps at December 2018 and 99 bps at June 2019, which remains within the group's through-the-cycle range.

Retail impairments reflected an increase of 16% period-on-period to 184 bps (December 2018: 164 bps; June 2019: 172 bps). The corporate and commercial impairment charge increased 14% to 33 bps (December 2018: 30 bps; June 2019: 27 bps). Aldermore incurred an impairment charge of 46 bps (December 2018: 23 bps; June 2019: 24 bps), primarily reflecting the growing base impact of the newly originated MotoNovo finance advances book and the recognition of 12-month expected credit loss (ECL) on origination. Excluding the impact of the newly originated MotoNovo finance advances, Aldermore's impairment charge was 22 bps (December 2018: 23 bps; June 2019: 21 bps).

Post write-off recoveries of R1 377 million (December 2018: R1 351 million; June 2019: R2 548 million) remained resilient, driven by the unsecured retail lending portfolios and retail SA VAF, and continued focus on collections processes. The change to a later write-off point for retail unsecured NPLs in terms of IFRS 9, will impact these recoveries going forward.

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES
SA retail	> SA retail advances grew 7%. Retail secured advances growth of 6% benefited from the growth in residential mortgage, offset by a marginal increase of 1% in VAF. This was further supported by ongoing growth in SA retail unsecured of 15%, however the growth rate has slowed since June 2019. > 7% of the retail unsecured growth is due to the extension of the write-off period, which results in R1 760 million NPL formation in advances (December 2018: R1 943 million; June 2019: R3 593 million).
Residential mortgages	> Total residential mortgages increased 6% period-on-period, above nominal house price inflation of 3.5% driven by: – Premium residential mortgages reflected 7% growth, benefiting from new client acquisition, up-sell initiatives and strong demand in private bank mortgage lending, which grew 16%. – Growth in affordable housing slowed to 3% on the back of lower client demand.
Card (excluding Discovery card)	> Underpinned by targeted client acquisition, client migration as well as increased limits and utilisation in the premium segment, resulted in advances growth of 21%. However as previously disclosed some of the cohorts originated, particularly in the second six months of 2019, supported some of this growth and are expected to continue to flow at an elevated level into default. Growth in the consumer segment was marginally negative, given reduced risk appetite.

STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE

A further analysis of the R3 808 million increase in retail NPLs is provided below.

	SA retail (excluding Discovery card)		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**2 296**	**17**	**10**
Debt review	**(645)**	**(16)**	**(3)**
Technical cures/curing rules	**397**	**10**	**2**
Write-off point extension	**1 760**	**91**	**7**
Total NPLs	**3 808**	**16**	**16**

The R1 760 million increase in NPLs due to the change in write-off point is further analysed below.

	R million
Card (excluding Discovery card)	**307**
FNB loans	**1 246**
DirectAxis loans	**149**
FNB retail other	**58**
Total write-offs	**1 760**

- The SA retail impairment charge increased to 195 bps, driven by card and personal loans.
- The maturing of the IFRS 9 write-off policy increased the impairment charge by 12 bps, while the lengthening of the write-off point provided relief in the six months to December 2018.

- Residential mortgage NPLs increased 12% period-on-period, reflecting a normalisation of the credit cycle. NPLs in the affordable housing book increased 16%, driven by book growth over the last two financial years and a normalisation of the credit cycle. Premium mortgage lending reflects a 12% NPL increase on the back of historical book growth.

- The impairment charge increased to 22 bps (December 2018: 9 bps; June 2019: 11 bps), reflecting a normalisation of the credit cycle and strong book growth in premium.

- The increase in operational NPLs reflects new business strain given the seasoning of the book following strong advances growth over previous years. It also includes the cohorts previously mentioned. As previously communicated, the group received some relief in NPL formation during the period due to the maturing of the write-off and curing definitions and reinstating cure for debt review accounts. Debt-review and technical cure NPLs comprise 8% of NPLs.
- The increase in NPLs since December 2018 is analysed below.

	Card (excluding Discovery card)	
	R million	**% change**
Operational – new business strain	**804**	**84**
Debt review	**(103)**	**(32)**
Technical cures/curing rules	**(40)**	**(87)**
Write-off point extension	**307**	**83**
Total NPLs	**968**	**57**

- Card reported a charge of 4.25% (December 2018: 2.93%; June 2019: 3.68%).
- Further risk cuts have been implemented to mitigate against increasing arrears and elevated vintages.

Credit highlights continued

PRODUCT	ADVANCES	
FNB personal loans	> Strong growth of 21% period-on-period, driven by historic book growth, particularly in the premium segment (+30%). Growth has moderated to an annualised rate of 7% during the six-month period to 31 December 2019. Consumer segment personal loans advances showed growth of 7%. The lengthening of the write-off point contributed 30% of the 21% growth in advances. Overall advances growth has trended down in line with reduced risk appetite.	
DirectAxis loans	> Resilient advances growth of 4% despite increased market competition. The business continues to focus on lower-risk segments and repeat business.	
Retail other	> Driven by cross-sell against the increases in transactional banking accounts (primarily overdrafts).	
FNB rest of Africa		
Namibia	> Residential mortgages remained flat, due to the subdued macro environment, resulting in overall advance growth of 2%.	
Botswana	> Retail advances grew 8% in pula period-on-period, reflecting macros and cautious lending.	
Ghana	> Ghana reflected strong advances growth of 30% off a low base, benefiting from growth across the portfolio.	

STAGE 3/NPLS AND COVERAGE	IMPAIRMENT CHARGE

- The increase in operational NPLs reflects new business strain given the seasoning of the book following strong advances growth over previous years as well as the impact of certain collection process inefficiencies and breakdowns which results in increased roll-rates into stage 3. Debt-review and technical-cure NPLs comprise 20% of NPLs.
- The increase in FNB loans NPLs since December 2018 is analysed below.

	FNB loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**357**	**35**	**15**
Debt review	**(32)**	**(5)**	**(1)**
Technical cures/curing rules	**76**	**49**	**3**
Write-off point extension	**1 246**	**>100**	**50**
Total	**1 647**	**67**	**67**

- FNB loans reported a credit loss ratio of 8.10% (December 2018: 7.03%; June 2019: 6.39%), reflecting the impact of higher operational NPLs, the impact of collections process in efficiencies, slowing post-write-off recoveries and the impact of online disputes.

- DirectAxis NPLs have decreased 16% since December 2018, in part benefiting from more conservative credit extension, reinstating cure on performing debt review and the sale of a portion of the NPL book during the reporting period.

	DirectAxis loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**(191)**	**(18)**	**(8)**
Debt review	**(367)**	**(42)**	**(15)**
Technical cures/curing rules	**16**	**19**	**1**
Write-off point extension	**149**	**34**	**6**
Total NPLs	**(393)**	**(16)**	**(16)**

- The DirectAxis credit loss ratio of 8.57% (December 2018: 8.60%; June 2019: 8.94%) reflects the benefit of more risk cutbacks in credit origination and the impact of the NPL book sale during the period.

- The rest of Africa portfolio showed an improved performance, although headwinds such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth remained in certain jurisdictions. Overall NPLs decreased 15%, reflecting write-offs of specific counters in Mozambique and Zambia. NPLs in Namibia trended up further, reflecting ongoing strain in the macro environment and drought conditions, resulting in increased agriculture and commercial property finance NPL formation. 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.

- The overall credit impairment charge decreased 3% period-on-period, benefiting from proactive provisioning in the prior financial year and on adoption of IFRS 9.
- The maturity of the IFRS 9 write-off policy and a clean-up of the NPLs in certain jurisdictions also impacted the charge.

Credit highlights continued

PRODUCT	ADVANCES	
FNB commercial	> Advances growth of 10% was driven by targeted new client acquisition in the business segment, resulting in growth of 11% in business core lending i.e. SME transactional overdrafts, 7% in agriculture, 15% in commercial property finance and 11% in asset-based finance.	
RMB CIB*	> The SA core advances book contracted marginally period-on-period, given the roll off of certain high value counters and the continued disciplined originations in a constrained macro-economic environment. Total cross-border advances growth remained resilient at 14% in dollar terms, reflecting targeted new credit extension. In rand terms, the cross-border book increased 11%.	
WesBank VAF (SA)	> New business production in retail SA VAF reflected a muted increase of 3%, reflecting the lengthening of vehicle replacement cycles, further risk cuts in origination, increased competitive pressures and the challenging macroeconomic environment. > Corporate new business volumes contracted 4%, also reflecting the difficult macro environment, risk cuts in high-risk categories/industries and the fact that a portion of business now reflects in FNB (own-banked clients). Overall corporate VAF advances (between WesBank and FNB) increased 2%.	
MotoNovo VAF (UK)	> New business volumes were positively impacted by more competitive funding rates from the Aldermore platform on new business and relatively benign forward funding rates given the Brexit uncertainty. This resulted in volume growth of 40% period-on-period. MotoNovo achieved overall combined gross advances growth of 11% in pound terms (11% in rand). > MotoNovo continued to constrain its appetite for higher-risk origination throughout the reporting period.	
Aldermore (excluding MotoNovo Finance)	> Growth of 15% (14% in pounds) 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 grew 47%, reflecting material increases in highly collateralised NPLs in agriculture, both in South Africa and some other African jurisdictions, and migration of a number of highly collateralised commercial property counters during the period. In addition, strong book growth resulted in an increase in business core lending (unsecured) NPLs over the last 12 months.	> FNB commercial's impairment charge increased 57%, reflecting origination strain off the strong book growth over the last two financial years, change in mix of NPLs with a higher proportion of transactional NPLs, and the current constrained macro environment resulting in a credit loss ratio of 111 bps. The impairment charge for the period is above TTC. Additional risk cuts have been implemented, especially in the SME unsecured origination.
> NPLs (including RMB rest of Africa) have increased 15% since December 2018, reflecting the migration of certain distressed counters. A significant component of these NPLs are highly collateralised or guaranteed.	> The RMB investment banking (SA) portfolio incurred a 7 bps charge (December 2018: 17 bps), benefiting from proactive provisioning in prior periods. RMB has maintained a conservative performing book (stage 1 and 2 advances) impairment coverage ratio of ±99 bps.
> WesBank retail VAF NPLs increased modestly at 3%, primarily reflecting 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 a marginal increase in the value of write-offs and slightly lower technical cures.	> The retail VAF portfolio reflected a flat charge of 149 bps (December 2018: 148 bps; June 2019: 180 bps), benefiting from risk cutbacks in previous and current financial periods and seasonal fluctuations.
> The standalone MotoNovo VAF NPLs improved 3% in pound terms (3% in rand) since December 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 147 bps (December 2018: 155 bps; June 2019: 139 bps).
> The credit experience from the Aldermore portfolio remained resilient. NPLs increased >40% resulting in NPLs as a percentage of advances of 1.30% (December 2018: 1.02%; June 2019: 1.25%), specifically impacted by a small number of large counters in asset finance defaulting during the period. However the charge in the retail books is trending lower than expected, benefiting the overall impairment charge.	> Aldermore, excluding the new MotoNovo advances book, incurred a credit loss ratio of 22 bps for the period ended 31 December 2019, in line with the annualised change of 23 bps for the six months to December 2018. Impairments 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 46 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 lengthening of the write-off point.

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs
31 December 2019				
Residential mortgages	**5 955**	**2 645**	**–**	**486**
Card (excluding Discovery)	**1 756**	**6**	**678**	**219**
Personal loans	**1 367**	**231**	**1 938**	**587**
DirectAxis loans	**888**	**100**	**587**	**510**
Retail other	**1 164**	**49**	**500**	**346**
FNB retail NPLs	**11 130**	**3 031**	**3 703**	**2 148**
WesBank VAF (SA)	**4 700**	**1 375**	**–**	**1 212**
Discovery card	**95**	**–**	**–**	**44**
Total NPLs	**33 522**	**4 406**	**3 703**	**3 404**

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs
31 December 2018				
Residential mortgages	5 281	2 279	–	521
Card (excluding Discovery)	952	46	371	322
Personal loans	1 010	155	692	619
DirectAxis loans	1 079	84	438	877
Retail other	923	33	442	268
FNB retail NPLs	9 245	2 597	1 943	2 607
WesBank VAF (SA)	4 289	1 412	–	1 398
Discovery card	110	–	–	32
Total NPLs	28 599	4 009	1 943	4 037

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage3/NPLs prior to May 2016, as well as other types of restructured exposures and special arrangements undertaken by the group, that are non-performing.*

	Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	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
	9 086	**12**	**13**	**29**	**–**	**5**
	2 659	**57**	**84**	**–**	**25**	**8**
	4 123	**67**	**35**	**6**	**47**	**14**
	2 085	**(16)**	**(18)**	**5**	**28**	**24**
	2 059	**24**	**26**	**2**	**24**	**17**
	20 012	**22**	**20**	**15**	**19**	**11**
	7 287	**3**	**10**	**19**	**–**	**17**
	139	**(2)**	**(14)**	**–**	**–**	**32**
	45 035	**17**	**17**	**10**	**8**	**8**

	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
	8 081	2	2	28	–	6
	1 691	66	42	3	22	19
	2 476	62	25	6	28	25
	2 478	32	11	3	18	35
	1 666	59	20	2	27	16
	16 392	22	10	16	12	16
	7 099	3	1	20	–	20
	142	1	13	–	–	23
	38 588	15	11	10	5	10

Credit highlights continued

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs
30 June 2019				
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

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage3/NPLs prior to May 2016, as well as other types of restructured exposures and special arrangements undertaken by the group, that are non-performing.*

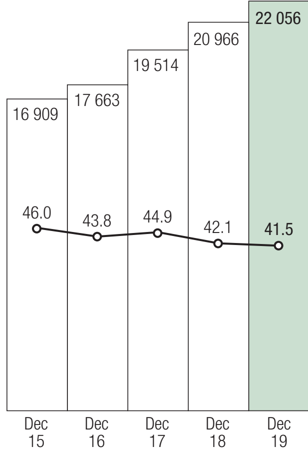
	Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
	8 638	9	8	29	–	6
	2 272	>100	94	1	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

Non-interest revenue

TOTAL NON-INTEREST REVENUE – UP 5%

*Operational non-interest revenue up 5%**

OPERATIONAL NIR AND DIVERSITY RATIO
NIR CAGR 7%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

* *Excluding income from associate and joint ventures.*

ANALYSIS OF OPERATIONAL NIR

R million	Notes	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Fee, commission and insurance income		**18 274**	17 590	4	34 859
– Fee and commission income	1	**16 067**	15 661*	3	30 731*
– Insurance income	2	**2 207**	1 929*	14	4 128
Markets, client and other fair value income	3	**2 166**	1 837	18	4 735
Investment income	4	**84**	307	(73)	619
Other non-interest revenue	5	**1 532**	1 232	24	2 598
Operational non-interest revenue		**22 056**	20 966	5	42 811

* *Restated following the reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 165 to 176.*

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

The NIR performance reflects ongoing, albeit lower, fee and commission income growth, driven by strong electronic transaction volumes, ongoing customer acquisition and lower private equity realisations. Overall growth was negatively impacted by certain fee concessions to clients of approximately R270 million period-on-period. Fee, commission and insurance income represents 83% (December 2018: 84%; June 2019: 81%) of operational NIR.

The structural shift in the group's diversity ratio, despite ongoing growth in NIR, results from 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 and fee reductions, offset by sustained customer acquisition, resulting in increased transaction volumes and fees.
- Incrementally increasing contribution from new initiatives, such as insurance and FML.
- Strong market activities.

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 3%

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Bank fee and commission income	**16 998**	16 253	5	32 043
– Card commissions	**2 866**	2 565	12	5 061
– Cash deposit fees	**967**	1 020	(5)	1 910
– Commissions on bills, drafts and cheques	**1 447**	1 450	–	2 898
– Bank charges	**11 718**	11 218	4	22 174
– Commitment fees	**783**	786	–	1 523
– Other bank charges*	**10 935**	10 432	5	20 651
Knowledge-based fees	**538**	644	(16)	1 184
Management and fiduciary fees	**1 235**	1 242**	(1)	2 402
– Investment management fees	**769**	753**	2	1 515
– Management fees from associates and joint ventures	**409**	407	–	775
– Other management and brokerage fee income	**57**	82	(30)	112
Other non-bank commissions	**445**	476	(7)	904
Gross fee and commission income	**19 216**	18 615	3	36 533
Fee and commission expenditure	**(3 149)**	(2 954)**	7	(5 802)**
– Transaction related fees	**(729)**	(843)	(14)	(1 459)
– Commission paid	**(155)**	(182)	(15)	(318)
– Customer loyalty programmes	**(1 113)**	(937)**	19	(1 982)**
– Cash sorting, handling and transporting charges	**(534)**	(463)	15	(955)
– Card and cheque book related	**(215)**	(244)	(12)	(488)
– Other	**(403)**	(285)	41	(600)
Total fee and commission income	**16 067**	15 661	3	30 731

* *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.*

** *Restated following the reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 165 to 176.*

KEY DRIVERS

- FNB delivered 7% growth in NIR despite customer transactional volumes migrating to cheaper electronic channels with lower fees charged and certain fee concessions. 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%.
- As part of the annual pricing review, FNB decreased certain fee categories as part of its on-going pre-emptive strategies to improve the customer value proposition as competition increases. This together with lowering cash and ATM withdrawal fees impacted NIR by approximately R270 million.
- FNB transaction volumes increased 8%. Electronic volumes increased 8%, whilst manual volumes decreased 3% period-on-period. Branch and cash centre transaction volumes decreased 25% and 8%, respectively.

%	Increase in transaction volumes
ATM/ADT	(2)
Internet banking	(9)
Banking app	35
Mobile (excluding prepaid)	1
Point-of-sale merchants	14
Card swipes	9

- Knowledge-based fees remained satisfactory considering the tough macroeconomic environment. The decrease was driven by lower structuring, arranging and advisory fees as a result of lower corporate activity and deal volumes.
- The group's management and fiduciary fee income was impacted by moderate growth in AUM (including Ashburton Investments), subdued market performance and a switch by customers to new generation products which offer value to customers at a lower fee.
- Fee and commission expenses grew stronger than fee and commission income reflecting increased customer rewards and cash handling fees. Rewards are a core component of the customer value proposition and over the period reward costs have increased due to more customers earning eBucks and a higher number of airport lounge visits. In addition, free airtime rewards were introduced.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – UP 14%

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Commissions, brokerage and cell captives	**862**	893*	(3)	1 755
Insurance risk-related income	**1 345**	1 036	30	2 373
– Insurance premiums received	**2 101**	1 738	21	3 744
– Reinsurance expenses	**(137)**	(107)	28	(153)
– Insurance benefits and claims paid	**(660)**	(510)	29	(1 095)
– Reinsurance recoveries	**45**	15	>100	59
– Transfers to policyholder liabilities (gross)	**(49)**	(147)	(67)	(295)
– Transfers from policyholder liabilities (reinsurance)	**45**	47	(4)	113
Total insurance income	**2 207**	1 929	14	4 128

* *Restated following the reallocation from insurance income to fee and commission income. Refer to pages 165 to 176.*

KEY DRIVERS

- Insurance income growth of 14% reflects 17% growth of the in-force APE and 5% growth in number of policies, with strong growth in the underwritten business and core life products. Overall income growth was impacted by an increase in claims ratios in line with growth in the in-force book and actuarial model updates, which resulted in a slowdown in the build-up of policyholder liabilities (reserves).
- WesBank's insurance income reflects a strong performance by MotoVantage (+8%) due to higher sales volumes following process automation offset by lower income on motor credit life due to lower volumes and regulatory fee caps.

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 18%

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Client	**1 044**	997	5	2 528
Markets	**1 176**	932	26	2 155
Other	**(54)**	(92)	(41)	52
Total markets, client and other fair value income	**2 166**	1 837	18	4 735

KEY DRIVERS

- The overall markets and client businesses' performance for the period under review was strong, benefiting from increased volumes especially from the rest of Africa operations and an increase in corporate hedging solutions.
- Client revenues saw an improved performance in the current year from an increase in corporate requirements for hedging activities.
- Flow trading and residual risk activities benefited from a strong performance by the rest of Africa FX business on the back of increased flow through the London-Nigeria corridor. Solid performance in the credit trading portfolio was driven by increased client activity. Domestic performance however was impacted by lower currency volatility and benign inflation environment.
- The movement in other fair value income reflects the negative £4.4 million movement in Aldermore's fair value hedge portfolio, in comparison with the positive £6.4 million at December 2018 (June 2019: £3.8 million). This was offset by positive mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instrument. The net total return swap (TRS) fair value income was flat period-on-period.

Non-interest revenue continued

NOTE 4 – INVESTMENT INCOME – DOWN 73%

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Private equity realisations and dividends received	**3**	253	(99)	390
– Profit on realisation of private equity investments	**–**	243	(100)	357
– Dividends received	**3**	1	>100	1
– Other private equity income	**–**	9	(100)	32
Other investment income	**81**	54	50	229
– Profit/(loss) on assets held against employee liabilities	**9**	(41)	(>100)	59
– Other investment income	**72**	95	(24)	170
Total investment income	**84**	307	(73)	619

KEY DRIVERS

- Private equity realisation income was immaterial during the reporting period (December 2018: c. R350 million, R100 million of which was recognised in equity accounted income). New investments of R1.4 billion (December 2018: R800 million) were made in the current period. The unrealised value in the portfolio is c. R3.8 billion at December 2019 (December 2018: R3.7 billion).
- The group's employee liability insurance (ELI) asset portfolio's performance was muted, reflecting the modest 2% decrease in the ALSI since June 2019 (8% decline in the comparative period), and the ongoing change in the mix of the underlying asset allocation.

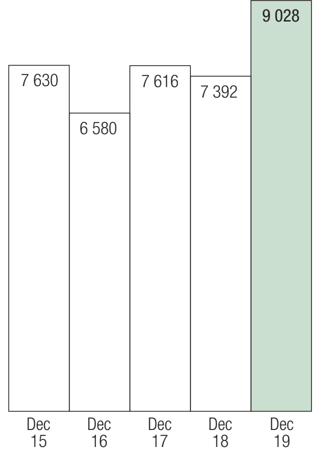
NOTE 5 – OTHER NON-INTEREST REVENUE – UP 24%

KEY DRIVERS

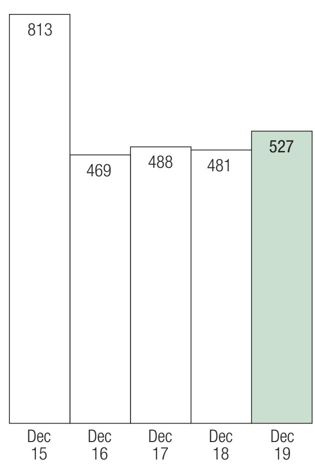
- The most significant other non-interest revenue items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank, in particular, showing strong growth in the FML book.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 10%

INVESTMENT IN ASSOCIATES AND JOINT VENTURES
R million



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES
R million



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Private equity associates and joint ventures	**421**	308	37	966
– Equity-accounted income	**416**	319	30	969
– Reversals of impairments/(impairments)	**5**	(11)	(>100)	(3)
Other operational associates and joint ventures	**320**	311	3	686
– Toyota Financial Services (Pty) Ltd	**140**	117	20	308
– Volkswagen Financial Services (Pty) Ltd	**24**	31	(23)	23
– RMB Morgan Stanley (Pty) Ltd	**52**	62	(16)	132
– Other	**104**	101	3	223
Share of profits from associates and joint ventures before tax	**741**	619	20	1 652
Tax on profits from associates and joint ventures	**(214)**	(138)	55	(395)
Share of profits from associates and joint ventures after tax	**527**	481	10	1 257

KEY DRIVERS

- The increase in equity-accounted income from the Private Equity portfolio stems from positive contributions made by new investments.
- The results of WesBank's associate Toyota Financial Services (Pty) Ltd benefited from increased production, decreased write-offs and lower credit impairments. Volkswagen Financial Services (Pty) Ltd delivered an improved operating performance reflecting book growth, although absolute performance was negatively impacted by a tax adjustment.
- RMB Morgan Stanley's performance was adversely affected by lower client and equity market activity.

Non-interest revenue continued

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 01/2019 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.

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
RMB Private Equity division	**424**	561	(24)	1 356
Income from associates and joint ventures	**421**	308	37	966
– Equity-accounted income*	**416**	319	30	969
– Reversals of impairments/(impairments)*	**5**	(11)	(>100)	(3)
Realisations and dividends**	**3**	244	(99)	358
Other private equity income**	**–**	9	(100)	32
Other business units	**39**	45	(13)	78
Income from associates and joint ventures and other investments	**60**	44	36	72
– Equity-accounted income*	**18**	(71)	>100	39
– Reversals of impairments/(impairments)*,#	**17**	80	(79)	(25)
– Other investment income**	**25**	35	(29)	58
Consolidated other income#	**(21)**	1	(>100)	6
Private equity activities before tax	**463**	606	(24)	1 434
Tax on equity-accounted private equity investments	**(133)**	(57)	>100	(207)
Private equity activities after tax	**330**	549	(40)	1 227

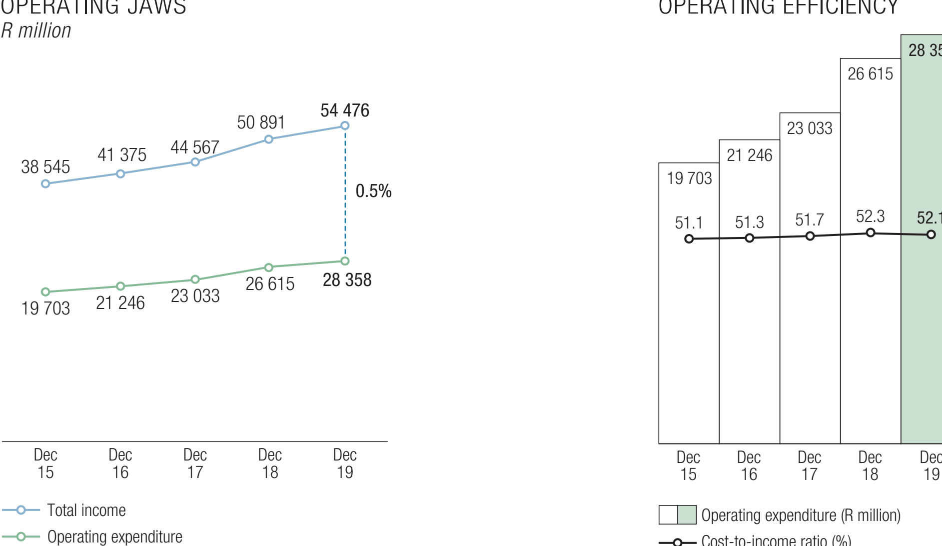
* *Refer to analysis of income from associates and joint ventures on page 85.*

** *Refer to investment income analysis on page 84.*

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

Operating expenses

OPERATING EXPENSES – UP 7%



Note: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9. No restatements have been included in December 2015 to December 2017.

Operating expenses continued

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Staff expenditure	**16 899**	15 565	9	32 339
– Direct staff expenditure	**11 739**	10 680	10	21 492
– Other staff-related expenditure	**5 160**	4 885	6	10 847
Depreciation of property and equipment	**1 971**	1 415	39	2 887
Amortisation of intangible assets	**397**	381	4	794
Advertising and marketing	**1 049**	1 051	–	2 126
Insurance	**55**	92	(40)	140
Lease charges	**284**	742*	(62)	1 484*
Professional fees	**1 201**	1 196	–	2 314
Audit fees	**221**	213	4	436
Computer expenses	**1 611**	1 390	16	2 935
Repairs and maintenance	**672**	670	–	1 405
Telecommunications	**258**	259	–	509
Cooperation agreements and joint ventures	**255**	391	(35)	644
Property	**564**	534	6	1 056
Business travel	**278**	275	1	546
Assets costing less than R7 000	**204**	183	11	345
Stationery and printing	**96**	117	(18)	221
Donations	**260**	256	2	271
Other expenditure	**2 083**	1 885	11	3 447
Total operating expenses	**28 358**	26 615	7	53 899

* *Restated following the reclassification of customer loyalty expenses to fee and commission expenses. Refer to pages 165 to 176.*

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

	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018*	% change	2019
IT-related staff cost	**2 218**	2 044	8	4 287
Non-staff IT-related costs	**3 431**	2 962	16	6 229
– Computer expenses	**1 611**	1 390	16	2 935
– Professional fees	**539**	514	5	1 012
– Repairs and maintenance	**224**	224	–	446
– Depreciation	**581**	429	35	917
– Amortisation of software	**202**	149	36	325
– Other	**274**	256	7	594
Total spend	**5 649**	5 006	13	10 516

* *December 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 7% reflects focused cost management while continuing investment spend on new initiatives, technology and platforms.
- Staff costs, which comprise 60% (December 2018: 58%; June 2019: 60%) of the group's operating expenses, increased 9%.

	% CHANGE	REASONS
Direct staff costs	10	Impacted by unionised increases in South Africa at an average of 7.2% in August 2019 and a 5% increase in staff complement across the group.
Other staff-related expenditure	6	Variable costs reflect the slowing growth in earnings and NIACC in the current period, offset by increased pension fund and medical aid costs in line with salary and headcount increases. Normalised share-based payment expenses were flat period-on-period given the decrease in the group's share price and forfeitures, offset by higher grant values.

- The 39% increase in depreciation was driven by the adoption of IFRS 16 (refer to pages 165 to 167), which increased the depreciation charge for the period by c. R450 million. In addition, strong growth in WesBank's FML book, including a significant deal concluded during the period, increased the depreciation charge by c. R70 million.
- The increase in audit fees stabilised following the adoption of IFRS 9 during the June 2019 financial year.
- Computer expenses growth of 16% reflects increased licence fees and 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.
- Cooperation agreements and joint venture costs decreased 35%, impacted by the ongoing migration of the Discovery cards and weaker performance in WesBank's underlying alliances.
- 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 higher legal fees.

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.

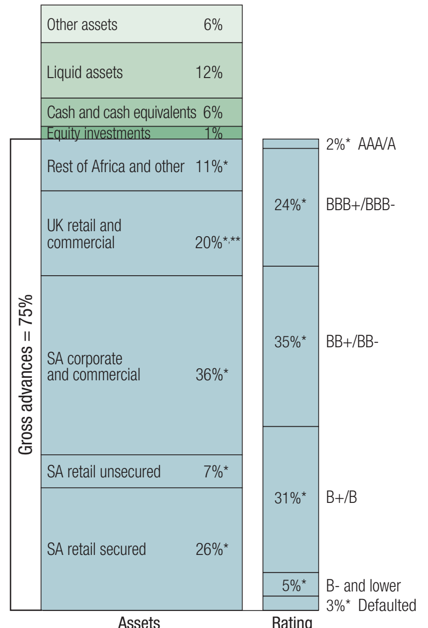
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 75% of total assets. The composition of the gross advances portfolio consists of SA retail secured (26%), SA retail unsecured (7%), SA corporate and commercial (36%), UK retail and commercial (20%) and rest of Africa and other (11%). At December 2019, total NPLs amounted to R45 035 million (3.58% as a percentage of advances) with a credit loss ratio of 95 bps.

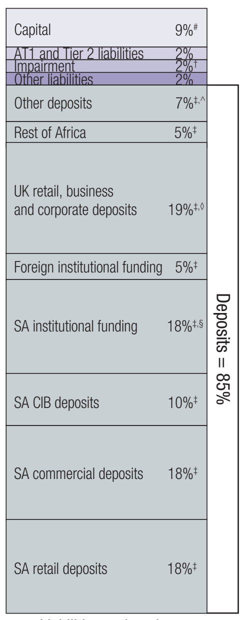
Cash and cash equivalents, and liquid assets represent 6% and 12%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private 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 37 months at December 2019 (December 2018: 36 months).

The group's capital ratios exceeded stated targets with a CET1 ratio of 12.4%, Tier 1 ratio of 13.2% and total capital adequacy ratio of 15.6%. Gearing decreased to 12.8 times (December 2018: 13.0 times).

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.*

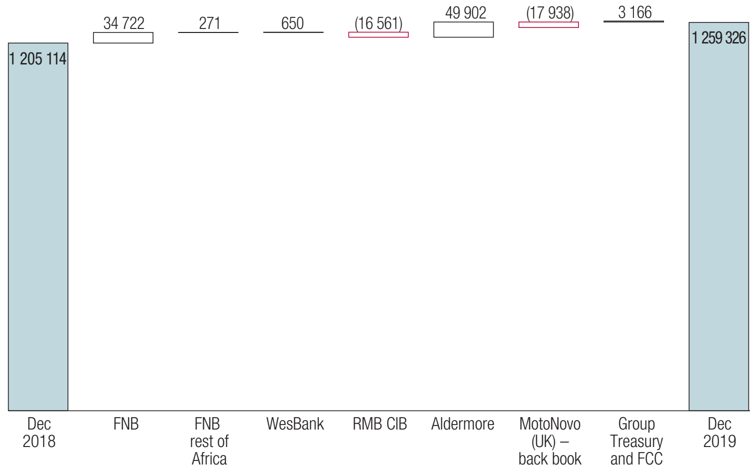
^ *Consists of liabilities relating to conduits and securitisations.*

◊ *Deposits raised in Aldermore and Guernsey branch.*

§ *Includes CIB institutional funding.*

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

Gross advances – up 4%



ADVANCES

	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Gross advances	**1 259 326**	1 205 114	4	1 239 914
Impairment of advances	**(35 562)**	(32 570)	9	(34 162)
Net advances	**1 223 764**	1 172 544	4	1 205 752

Gross and net advances increased 4%, and were negatively impacted by repo advances in RMB CIB decreasing 17% period-on-period. Excluding repos, advances grew 5%. Growth in advances was further impacted by the extended write-off period following the adoption of IFRS 9 on 1 July 2018.

Growth rates in retail SA VAF and FNB consumer were subdued reflecting a combination of tightening in credit appetite, especially in higher-risk origination buckets, a constrained macro environment, and increased competitive pressures.

RMB exercised disciplined origination in a constrained macro-economic environment. Growth was, however, strong in the corporate banking cross-border book reflecting targeted new credit extensions.

Aldermore showed resilient growth of 14% in pound terms on a like-for-like basis, benefiting from lower redemptions across most portfolios. Buy-to-let new business volumes 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 28% in pound terms (29% in rand terms).

Credit

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 31 December			As at 31 December		
				2019		
R million	2019	2018	% change	Stage 1	Stage 2	Stage 3
Retail	465 620	458 585	2	404 894	32 232	28 494
Retail – secured	372 704	375 699	(1)	330 148	25 131	17 425
Residential mortgages	223 979	210 484	6	203 787	11 106	9 086
VAF	148 725	165 215	(10)	126 361	14 025	8 339
– WesBank (SA)	106 705	105 684	1	88 488	10 930	7 287
– MotoNovo (UK)*,**	42 020	59 531	(29)	37 873	3 095	1 052
Retail – unsecured	92 916	82 886	12	74 746	7 101	11 069
Card	33 498	29 113	15	29 103	1 597	2 798
– FNB	30 098	24 799	21	25 919	1 520	2 659
– Discovery	3 400	4 314	(21)	3 184	77	139
Personal loans	41 204	36 791	12	30 910	4 082	6 212
– FNB	24 216	20 072	21	17 898	2 195	4 123
– DirectAxis loans	16 580	15 884	4	12 623	1 872	2 085
– MotoNovo (UK)	408	835	(51)	389	15	4
Retail other	18 214	16 982	7	14 733	1 422	2 059
Corporate and commercial	467 655	475 812	(2)	428 408	29 032	10 215
FNB commercial	107 402	97 546	10	94 680	6 935	5 787
WesBank corporate	29 855	30 226	(1)	27 785	1 533	537
RMB investment banking#,†	250 987	268 723	(7)	232 320	15 697	2 970
RMB corporate banking#,†	59 728	64 673	(8)	53 940	4 867	921
HQLA corporate advances‡	19 683	14 644	34	19 683	–	–
Rest of Africa	65 113	63 761	2	57 055	4 409	3 649
FNB	54 819	54 548	–	47 292	3 879	3 648
RMB (corporate and investment banking)†	10 294	9 213	12	9 763	530	1
FCC (including Group Treasury)	38 221	34 141	12	38 178	43	–
Securitisation notes	25 923	25 994	–	25 923	–	–
Other	12 298	8 147	51	12 255	43	–
Total advances excluding Aldermore	1 036 609	1 032 299	–	928 535	65 716	42 358
Aldermore^	222 717	172 815	29	201 207	18 833	2 677
– Retail excluding MotoNovo	133 475	114 066	17	119 532	12 359	1 584
– MotoNovo (new book)**	24 259	–	–	23 838	327	94
– Commercial	64 983	58 749	11	57 837	6 147	999
Total advances including Aldermore◊	1 259 326	1 205 114	4	1 129 742	84 549	45 035
Of which:						
Accrual book	1 189 466	1 132 343	5	1 061 241	83 541	44 684
Fair value book	69 860	72 771	(4)	68 501	1 008	351

Advances				
As at 31 December 2018			% composition 2019	As at 30 June 2019
Stage 1	Stage 2	Stage 3		
403 641	30 182	24 762	**37**	468 165
334 593	24 818	16 288	**30**	377 867
190 332	12 071	8 081	**18**	217 164
144 261	12 747	8 207	**12**	160 703
89 150	9 435	7 099	**9**	106 142
55 111	3 312	1 108	**3**	54 561
69 048	5 364	8 474	**7**	90 298
25 971	1 309	1 833	**3**	32 443
21 872	1 236	1 691	**3**	28 115
4 099	73	142	**–**	4 328
28 897	2 919	4 975	**3**	39 947
15 992	1 604	2 476	**2**	23 357
12 109	1 297	2 478	**1**	16 012
796	18	21	**–**	578
14 180	1 136	1 666	**1**	17 908
418 721	49 339	7 752	**37**	476 906
85 774	7 847	3 925	**9**	105 131
28 058	1 697	471	**2**	27 945
231 483	34 562	2 678	**19**	268 743
58 965	5 030	678	**5**	57 932
14 441	203	–	**2**	17 155
54 900	4 549	4 312	**5**	64 557
46 022	4 230	4 296	**4**	55 100
8 878	319	16	**1**	9 457
34 141	–	–	**3**	38 796
25 994	–	–	**2**	27 854
8 147	–	–	**1**	10 942
911 403	84 070	36 826	**82**	1 048 424
160 576	10 477	1 762	**18**	191 490
106 927	6 092	1 047	**11**	122 433
–	–	–	**2**	6 639
53 649	4 385	715	**5**	62 418
1 071 979	94 547	38 588	**100**	1 239 914
1 002 313	91 741	38 289	**94**	1 159 642
69 666	2 806	299	**6**	80 272

* *MotoNovo VAF (UK) back book = £2 281 million (-30% from December 2018: £3 249 million; -25% from June 2019: £3 034 million).*

** *Total MotoNovo VAF = R66 279 million; £3 598 million (+11% from December 2018, +11% in £ terms) (June 2019: R61 200 million; £3 403 million).*

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

† *Corporate and investment banking including HQLA advances total R340 692 million (December 2018: R357 253 million; June 2019: R353 287 million).*

‡ *Managed by the Group Treasurer.*

^ *Aldermore advances = £12 091 million (+28% from December 2018: £9 432 million; +14% from June 2019: £10 649 million).*

◊ *Included in advances are repo advances of R37 438 million (December 2018: R43 430 million; June 2019: R45 315 million).*

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.

R million	Advances				
	As at 31 December			% com-position	As at 30 June
	2019	2018*	% change	2019	2019
Corporate and investment banking advances**	**340 692**	357 253	(5)	**100**	353 287
Less: assets under agreement to resell	**(33 256)**	(39 903)	(17)	**(10)**	(41 117)
RMB advances net of assets under agreement to resell	**307 436**	317 350	(3)	**90**	312 170

* *Restated to include HQLA.*

** *Include rest of Africa advances and HQLA.*

STRATEGY VIEW OF CORPORATE AND INVESTMENT BANKING ADVANCES

R million	Advances				
	As at 31 December			% com-position	As at 30 June
	2019	2018	% change	2019	2019
RMB investment banking	**250 987**	268 723	(7)	**82**	268 743
Less: assets under agreement to resell	**(32 758)**	(39 017)	(16)	**(11)**	(40 464)
RMB investment banking core advances	**218 229**	229 706	(5)	**71**	228 279
– South Africa	**188 239**	198 628	(5)	**61**	198 998
– Cross-border (rest of Africa)	**29 990**	31 078	(4)	**10**	29 281
RMB corporate banking	**59 728**	64 673	(8)	**20**	57 932
Less: assets under agreement to resell	**(498)**	(886)	(44)	**–**	(653)
RMB corporate banking core advances	**59 230**	63 787	(7)	**20**	57 279
– South Africa	**41 276**	51 754	(20)	**14**	43 357
– Cross-border (rest of Africa)	**17 954**	12 033	49	**6**	13 922
HQLA corporate advances*	**19 683**	14 644	34	**6**	17 155
RMB rest of Africa (in-country)	**10 294**	9 213	12	**3**	9 457
CIB total core advances	**307 436**	317 350	(3)	**100**	312 170
CIB core advances – South Africa**	**249 198**	265 026	(6)	**81**	259 510
CIB core advances – rest of Africa[#]	**58 238**	52 324	11	**19**	52 660
CIB total core advances	**307 436**	317 350	(3)	**100**	312 170

* *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 31 December			% composition	As at 30 June
R million	**2019**	2018	% change	**2019**	2019
Sector analysis					
Agriculture	**44 692**	40 085	11	**4**	43 718
Banks	**22 591**	16 374	38	**2**	21 830
Financial institutions	**163 165**	156 012	5	**13**	170 980
Building and property development	**68 699**	63 825	8	**5**	67 051
Government, Land Bank and public authorities	**21 409**	24 098	(11)	**2**	25 667
Individuals	**630 775**	582 997	8	**50**	605 686
Manufacturing and commerce	**135 617**	134 148	1	**11**	136 377
Mining	**15 479**	13 117	18	**1**	12 324
Transport and communication	**30 351**	31 469	(4)	**2**	31 257
Other services	**126 548**	142 989	(11)	**10**	125 024
Total advances	**1 259 326**	1 205 114	4	**100**	1 239 914
Geographical analysis					
South Africa	**862 031**	839 415	3	**69**	858 018
Rest of Africa	**105 401**	100 723	5	**8**	103 302
UK	**269 926**	236 976	14	**21**	251 471
Other Europe	**12 034**	15 636	(23)	**1**	15 870
North America	**3 475**	3 751	(7)	**–**	1 378
South America	**4**	3	33	**–**	178
Australasia	**129**	622	(79)	**–**	528
Asia	**6 326**	7 988	(21)	**1**	9 169
Total advances	**1 259 326**	1 205 114	4	**100**	1 239 914

Credit continued

ENERGY AND FOSSIL FUEL EXPOSURES

As part of the group's ongoing focus on climate risk and its commitment to increased disclosure on climate financing, the table below unpacks RMB's project and term debt financing to energy sectors (renewable and non-renewable) based on the credit exposure at default (EAD).

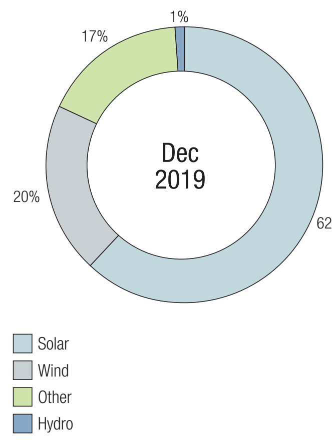
	As at 31 December	
R million (EAD)	**2019**	% of total
Upstream oil and gas facilities*,**	**12 816**	49
Non-renewable power	**7 608**	29
Downstream oil and gas facilities#	**4 644**	18
Thermal coal mines and related infrastructure	**1 103**	4
Fossil fuel-related exposure	**26 171**	**100**
% of corporate lending portfolio (EAD)	**7.25%**	
Solar	**9 651**	62
Wind	**3 109**	20
Hydro	**166**	1
Other	**2 750**	17
Renewable energy**	**15 676**	**100**
% of corporate lending portfolio (EAD)	**4.34%**	

* *Project and term financing to all production, exploration and refining companies.*

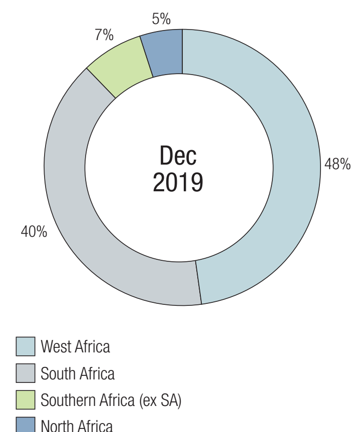
** *RMB's total renewable energy financing portfolio is located in South Africa.*

Committed facilities to companies who are part of the marketing and distribution of products.

RMB'S RENEWABLE ENERGY PORTFOLIO PER TYPE



RMB'S FOSSIL FUEL EXPOSURE BY REGION



Credit continued

NOTE 2: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs				
	As at 31 December			% composition	As at 30 June
R million	**2019**	2018	% change	**2019**	2019
Retail	**28 494**	24 762	15	**63**	27 098
Retail – secured	**17 425**	16 288	7	**38**	16 859
Residential mortgages	**9 086**	8 081	12	**20**	8 638
VAF	**8 339**	8 207	2	**18**	8 221
– WesBank SA	**7 287**	7 099	3	**16**	7 143
– MotoNovo (UK)*,**	**1 052**	1 108	(5)	**2**	1 078
Retail – unsecured	**11 069**	8 474	31	**25**	10 239
Card	**2 798**	1 833	53	**6**	2 409
– FNB	**2 659**	1 691	57	**6**	2 272
– Discovery	**139**	142	(2)	**–**	137
Personal loans	**6 212**	4 975	25	**14**	5 848
– FNB	**4 123**	2 476	67	**9**	3 421
– DirectAxis loans	**2 085**	2 478	(16)	**5**	2 422
– MotoNovo (UK)	**4**	21	(81)	**–**	5
Retail other	**2 059**	1 666	24	**5**	1 982
Corporate and commercial	**10 215**	7 752	32	**23**	7 965
FNB commercial	**5 787**	3 925	47	**13**	4 556
WesBank corporate	**537**	471	14	**1**	524
RMB investment banking#	**2 970**	2 678	11	**7**	2 544
RMB corporate banking#	**921**	678	36	**2**	341
HQLA corporate advances†	**–**	–	–	**–**	–
Rest of Africa	**3 649**	4 312	(15)	**8**	3 964
FNB	**3 648**	4 296	(15)	**8**	3 962
RMB (corporate and investment banking)	**1**	16	(94)	**–**	2
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total stage 3/NPLs excluding Aldermore	**42 358**	36 826	15	**94**	39 027
Aldermore‡	**2 677**	1 762	52	**6**	2 322
– Retail excluding MotoNovo	**1 584**	1 047	51	**4**	1 413
– MotoNovo (new book)**	**94**	–	–	**–**	10
– Commercial	**999**	715	40	**2**	899
Total stage 3/NPLs including Aldermore	**45 035**	38 588	17	**100**	41 349
Of which:					
Accrual book	**44 684**	38 289	17	**99**	40 976
Fair value book	**351**	299	17	**1**	373

Stage 3/NPLs as % of advances		
As at 31 December		As at 30 June
2019	2018	2019
6.12	5.40	5.79
4.68	4.34	4.46
4.06	3.84	3.98
5.61	4.97	5.12
6.83	6.72	6.73
2.50	1.86	1.98
11.91	10.22	11.34
8.35	6.30	7.43
8.83	6.82	8.08
4.09	3.29	3.17
15.08	13.52	14.64
17.03	12.34	14.65
12.58	15.60	15.13
0.98	2.51	0.87
11.30	9.81	11.07
2.18	1.63	1.67
5.39	4.02	4.33
1.80	1.56	1.88
1.18	1.00	0.95
1.54	1.05	0.59
–	–	–
5.60	6.76	6.14
6.65	7.88	7.19
0.01	0.17	0.02
–	–	–
–	–	–
–	–	–
4.09	3.57	3.72
1.20	1.02	1.21
1.19	0.92	1.15
0.39	–	0.15
1.54	1.22	1.44
3.58	3.20	3.33
3.76	3.38	3.53
0.50	0.41	0.46

* *MotoNovo VAF (UK) back book NPLs = £57.1 million (-6% from December 2018: £60.5 million; -5% from June 2019: £59.9 million).*

** *Total MotoNovo VAF = R1 146 million; £62.2 million (+3% from December 2018, +3% in £ terms) (June 2019: £60.5 million).*

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

† *Managed by the Group Treasurer.*

‡ *Aldermore NPLs = £145.3 million (+51% from December 2018: £96.2 million; +13% from June 2019: £129.1 million).*

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

R million	Stage 3/NPLs				
	As at 31 December		% change	% composition 2019	As at 30 June
	2019	2018			2019
Sector analysis					
Agriculture	**2 772**	2 018	37	**6**	2 393
Financial institutions	**428**	533	(20)	**1**	446
Building and property development	**1 889**	1 733	9	**4**	1 807
Government, Land Bank and public authorities	**1 129**	572	97	**3**	85
Individuals	**30 589**	26 045	17	**68**	28 712
Manufacturing and commerce	**4 133**	3 651	13	**9**	3 872
Mining	**94**	196	(52)	**–**	556
Transport and communication	**853**	502	70	**2**	594
Other services	**3 148**	3 338	(6)	**7**	2 884
Total stage 3/NPLs	**45 035**	38 588	17	**100**	41 349
Geographical analysis					
South Africa	**37 323**	30 948	21	**83**	33 245
Rest of Africa	**3 913**	4 560	(14)	**9**	4 232
UK	**3 733**	2 792	34	**8**	3 405
Other Europe	**–**	100	(100)	**–**	–
Australasia	**–**	127	(100)	**–**	402
Asia	**66**	61	8	**–**	65
Total stage 3/NPLs	**45 035**	38 588	17	**100**	41 349

Stage 3/NPLs as % of advances		
As at 31 December		As at 30 June
2019	2018	2019
6.20	5.03	5.47
0.26	0.34	0.26
2.75	2.72	2.69
5.27	2.37	0.33
4.85	4.47	4.74
3.05	2.72	2.84
0.61	1.49	4.51
2.81	1.60	1.90
2.49	2.33	2.31
3.58	3.20	3.33
4.33	3.69	3.87
3.71	4.53	4.10
1.38	1.18	1.35
–	0.64	–
–	20.42	76.14
1.04	0.76	0.71
3.58	3.20	3.33

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

R million	As at 31 December 2019		
	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
Retail	28 494	15 165	13 329
Retail – secured	17 425	12 839	4 586
Residential mortgages	9 086	7 322	1 764
VAF	8 339	5 517	2 822
– WesBank (SA)	7 287	4 883	2 404
– MotoNovo (UK)	1 052	634	418
Retail – unsecured	11 069	2 326	8 743
Card	2 798	692	2 106
– FNB	2 659	678	1 981
– Discovery	139	14	125
Personal loans	6 212	1 203	5 009
– FNB	4 123	686	3 437
– DirectAxis loans	2 085	517	1 568
– MotoNovo (UK)	4	–	4
Retail other	2 059	431	1 628
Corporate and commercial	10 215	6 367	3 848
FNB commercial	5 787	3 099	2 688
WesBank corporate	537	348	189
RMB investment banking*	2 970	2 202	768
RMB corporate banking*	921	718	203
HQLA corporate advances**	–	–	–
Rest of Africa	3 649	1 638	2 011
FNB	3 648	1 638	2 010
RMB (corporate and investment banking)	1	–	1
FCC (including Group Treasury)	–	(61)	61
Securitisation notes	–	–	–
Other	–	(61)	61
Total excluding Aldermore	42 358	23 109	19 249
Aldermore	2 677	2 121	556
– Retail excluding MotoNovo	1 584	1 382	202
– MotoNovo (new book)	94	52	42
– Commercial	999	687	312
Total including Aldermore	45 035	25 230	19 805

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

** *Managed by the Group Treasurer.*

As at 31 December 2018			As at 30 June 2019		
Stage 3/NPLs	Security held and expected recoveries	Specific impairment	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
24 762	13 502	11 260	27 098	14 750	12 348
16 288	11 712	4 576	16 859	12 351	4 508
8 081	6 261	1 820	8 638	6 967	1 671
8 207	5 451	2 756	8 221	5 384	2 837
7 099	4 809	2 290	7 143	4 726	2 417
1 108	642	466	1 078	658	420
8 474	1 790	6 684	10 239	2 399	7 840
1 833	323	1 510	2 409	540	1 869
1 691	316	1 375	2 272	524	1 748
142	7	135	137	16	121
4 975	1 170	3 805	5 848	1 414	4 434
2 476	490	1 986	3 421	710	2 711
2 478	679	1 799	2 422	704	1 718
21	1	20	5	–	5
1 666	297	1 369	1 982	445	1 537
7 752	3 875	3 877	7 965	4 671	3 294
3 925	1 820	2 105	4 556	2 253	2 303
471	294	177	524	345	179
2 678	1 475	1 203	2 544	1 825	719
678	286	392	341	248	93
–	–	–	–	–	–
4 312	1 870	2 442	3 964	1 612	2 352
4 296	1 870	2 426	3 962	1 612	2 350
16	–	16	2	–	2
–	–	–	–	(65)	65
–	–	–	–	–	–
–	–	–	–	(65)	65
36 826	19 247	17 579	39 027	20 968	18 059
1 762	1 467	295	2 322	1 886	436
1 047	972	75	1 413	1 244	169
–	–	–	10	3	7
715	495	220	899	639	260
38 588	20 714	17 874	41 349	22 854	18 495

Credit continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge			
	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Retail	**4 293**	3 705	16	7 882
Retail – secured	**1 235**	1 337	(8)	2 911
Residential mortgages	**243**	93	>100	232
VAF	**992**	1 244	(20)	2 679
– WesBank (SA)	**792**	778	2	1 903
– MotoNovo (UK)*,**	**200**	466	(57)	776
Retail – unsecured	**3 058**	2 368	29	4 971
Card	**660**	385	71	1 027
– FNB	**618**	349	77	937
– Discovery	**42**	36	17	90
Personal loans	**1 665**	1 300	28	2 659
– FNB	**963**	655	47	1 296
– DirectAxis loans	**698**	664	5	1 386
– MotoNovo (UK)	**4**	(19)	(>100)	(23)
Retail other	**733**	683	7	1 285
Corporate and commercial	**777**	684	14	1 232
FNB commercial	**589**	376	57	750
WesBank corporate	**67**	78	(14)	82
RMB investment banking#	**92**	218	(58)	374
RMB corporate banking#	**29**	12	>100	26
HQLA corporate advances†	**–**	–	–	–
Rest of Africa	**419**	437	(4)	890
FNB	**422**	434	(3)	878
RMB (corporate and investment banking)	**(3)**	3	(>100)	12
FCC (including Group Treasury)	**(35)**	3	(>100)	66
Securitisation notes	**4**	3	33	(3)
Other	**(39)**	–	–	69
Total impairment charge excluding Aldermore	**5 454**	4 829	13	10 070
Aldermore‡	**480**	192	>100	430
– Retail excluding MotoNovo	**(1)**	40	(>100)	71
– MotoNovo (new book)**	**270**	–	–	69
– Commercial	**211**	152	39	290
Total impairment charge including Aldermore	**5 934**	5 021	18	10 500
Of which:				
Portfolio impairments charge	**1 613**	1 693	(5)	2 704
Specific impairments charge	**4 321**	3 328	30	7 796

As % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2019	2018	2019	2019
1.84	1.64	1.72	1.80
0.66	0.72	0.78	0.84
0.22	0.09	0.11	0.13
1.28	1.51	1.64	1.76
1.49	1.48	1.80	2.12
0.83	1.55	1.35	1.09
6.68	5.95	5.97	6.01
4.00	2.74	3.45	4.17
4.25	2.93	3.68	4.44
2.17	1.66	2.07	2.50
8.21	7.43	7.27	7.08
8.10	7.03	6.39	5.90
8.57	8.60	8.94	9.05
1.62	(4.06)	(2.85)	(1.13)
8.12	8.31	7.60	6.90
0.33	0.30	0.27	0.23
1.11	0.78	0.75	0.74
0.46	0.50	0.27	0.03
0.07	0.17	0.15	0.12
0.10	0.04	0.05	0.05
–	–	–	–
1.29	1.39	1.41	1.41
1.54	1.60	1.61	1.62
(0.06)	0.07	0.14	0.19
(0.18)	0.02	0.17	0.35
0.03	0.02	(0.01)	(0.04)
(0.67)	–	0.57	1.45
1.05	0.96	0.99	1.01
0.46	0.23	0.24	0.26
–	0.07	0.06	0.05
3.50	–	2.08	4.16
0.66	0.53	0.49	0.46
0.95	0.86	0.88	0.90
0.26	0.29	0.23	0.17
0.69	0.57	0.65	0.73

* *MotoNovo VAF (UK) back book impairment charge = £10.8 million (-57% from December 2018: £25.4 million; June 2019: £42.3 million).*

** *Total MotoNovo VAF = R470 million; £25.4 million (+1% from December 2018, 0% in £ terms) (December 2018: £25.4 million; June 2019: £46.1 million).*

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

† *Managed by the Group Treasurer.*

‡ *Aldermore total impairment charge = £26.0 million (>100% from December 2018: £10.5 million; June 2019: £23.5 million).*

Credit continued

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

	Total portfolio impairments						
	As at 31 December			As at 31 December			
				2019		2018	
R million	**2019**	2018	% change	**Stage 1**	**Stage 2**	Stage 1	Stage 2
Portfolio impairments							
Retail	**8 108**	7 818	4	**3 748**	**4 360**	4 273	3 545
Retail – secured	**3 372**	3 326	1	**1 180**	**2 192**	1 382	1 944
Residential mortgages	**961**	664	45	**376**	**585**	278	386
VAF	**2 411**	2 662	(9)	**804**	**1 607**	1 104	1 558
– WesBank (SA)	**1 896**	1 881	1	**575**	**1 321**	697	1 184
– MotoNovo (UK)*	**515**	781	(34)	**229**	**286**	407	374
Retail – unsecured	**4 736**	4 492	5	**2 568**	**2 168**	2 891	1 601
Card	**1 064**	858	24	**662**	**402**	571	287
– FNB	**983**	751	31	**607**	**376**	495	256
– Discovery	**81**	107	(24)	**55**	**26**	76	31
Personal loans	**2 398**	2 415	(1)	**1 152**	**1 246**	1 486	929
– FNB	**1 202**	1 360	(12)	**572**	**630**	835	525
– DirectAxis loans	**1 173**	972	21	**563**	**610**	583	389
– MotoNovo (UK)	**23**	83	(72)	**17**	**6**	68	15
Retail other	**1 274**	1 219	5	**754**	**520**	834	385
Corporate and commercial	**4 683**	4 343	8	**2 020**	**2 663**	1 632	2 711
FNB commercial	**1 403**	1 459	(4)	**704**	**699**	695	764
WesBank corporate	**174**	185	(6)	**108**	**66**	102	83
RMB investment banking**	**2 585**	2 114	22	**1 001**	**1 584**	793	1 321
RMB corporate banking**	**521**	585	(11)	**207**	**314**	42	543
HQLA corporate advances	**–**	–	–	**–**	**–**	–	–
Rest of Africa	**1 565**	1 403	12	**698**	**867**	609	794
FNB	**1 332**	1 172	14	**557**	**775**	453	719
RMB (corporate and investment banking)	**233**	231	1	**141**	**92**	156	75
FCC (including Group Treasury)	**623**	651	(4)	**518**	**105**	501	150
Securitisation notes	**26**	27	(4)	**26**	**–**	27	–
Other	**597**	624	(4)	**492**	**105**	474	150
Total portfolio impairments excluding Aldermore	**14 979**	14 215	5	**6 984**	**7 995**	7 015	7 200
Aldermore	**778**	481	62	**520**	**258**	318	163
– Retail excluding MotoNovo	**134**	144	(7)	**84**	**50**	111	33
– MotoNovo (new book)*	**265**	–	–	**212**	**53**	–	–
– Commercial	**379**	337	12	**224**	**155**	207	130
Total portfolio impairments including Aldermore	**15 757**	14 696	7	**7 504**	**8 253**	7 333	7 363

* Total MotoNovo VAF = R780 million; £42.3 million (0% from December 2018, -1% in £ terms) (December 2018: £42.6 million; June 2019: £41.1 million).

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

Total portfolio impairments							
	Performing book coverage ratios (% of performing advances)						
As at 30 June	As at 31 December						As at 30 June
2019	**Stage 1**	**Stage 2**	**2019**	Stage 1	Stage 2	2018	2019
8 097	**0.93**	**13.53**	**1.85**	1.06	11.75	1.80	1.84
3 476	**0.36**	**8.72**	**0.95**	0.41	7.83	0.93	0.96
870	**0.18**	**5.27**	**0.45**	0.15	3.20	0.33	0.42
2 606	**0.64**	**11.46**	**1.72**	0.77	12.22	1.70	1.71
1 939	**0.65**	**12.09**	**1.91**	0.78	12.55	1.91	1.96
667	**0.60**	**9.24**	**1.26**	0.74	11.29	1.34	1.25
4 621	**3.44**	**30.53**	**5.79**	4.19	29.85	6.04	5.77
1 014	**2.27**	**25.17**	**3.47**	2.20	21.93	3.15	3.38
902	**2.34**	**24.74**	**3.58**	2.26	20.71	3.25	3.49
112	**1.73**	**33.77**	**2.48**	1.85	42.47	2.56	2.67
2 419	**3.73**	**30.52**	**6.85**	5.14	31.83	7.59	7.09
1 367	**3.20**	**28.70**	**5.98**	5.22	32.73	7.73	6.86
1 019	**4.46**	**32.59**	**8.09**	4.81	29.99	7.25	7.50
33	**4.37**	**40.00**	**5.69**	8.54	83.33	10.20	5.76
1 188	**5.12**	**36.57**	**7.89**	5.88	33.89	7.96	7.46
4 777	**0.47**	**9.17**	**1.02**	0.39	5.49	0.93	1.02
1 509	**0.74**	**10.08**	**1.38**	0.81	9.74	1.56	1.50
159	**0.39**	**4.31**	**0.59**	0.36	4.89	0.62	0.58
2 514	**0.43**	**10.09**	**1.04**	0.34	3.82	0.79	0.94
595	**0.38**	**6.45**	**0.89**	0.07	10.80	0.91	1.03
–	**–**	**–**	**–**	–	–	–	–
1 611	**1.22**	**19.66**	**2.55**	1.11	17.45	2.36	2.66
1 372	**1.18**	**19.98**	**2.60**	0.98	17.00	2.33	2.68
239	**1.44**	**17.36**	**2.26**	1.76	23.51	2.51	2.53
650	**1.36**	**244.19**	**1.63**	1.47	–	1.91	1.68
22	**0.10**	**–**	**0.10**	0.10	–	0.10	0.08
628	**4.01**	**244.19**	**4.85**	5.82	–	7.66	5.74
15 135	**0.75**	**12.17**	**1.51**	0.77	8.56	1.43	1.50
532	**0.26**	**1.37**	**0.35**	0.20	1.56	0.28	0.28
138	**0.07**	**0.40**	**0.10**	0.10	0.54	0.13	0.11
72	**0.89**	**16.21**	**1.10**	–	–	–	1.09
322	**0.39**	**2.52**	**0.59**	0.39	2.96	0.58	0.52
15 667	**0.66**	**9.76**	**1.30**	0.68	7.79	1.26	1.31

Credit continued

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

	Total stage 3/specific impairments			
	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Specific impairments				
Retail	**13 329**	11 260	18	12 348
Retail – secured	**4 586**	4 576	–	4 508
Residential mortgages	**1 764**	1 820	(3)	1 671
VAF	**2 822**	2 756	2	2 837
– WesBank (SA)	**2 404**	2 290	5	2 417
– MotoNovo (UK)*	**418**	466	(10)	420
Retail – unsecured	**8 743**	6 684	31	7 840
Card	**2 106**	1 510	39	1 869
– FNB	**1 981**	1 375	44	1 748
– Discovery	**125**	135	(7)	121
Personal loans	**5 009**	3 805	32	4 434
– FNB	**3 437**	1 986	73	2 711
– DirectAxis loans	**1 568**	1 799	(13)	1 718
– MotoNovo (UK)	**4**	20	(80)	5
Retail other	**1 628**	1 369	19	1 537
Corporate and commercial	**3 848**	3 877	(1)	3 294
FNB commercial	**2 688**	2 105	28	2 303
WesBank corporate	**189**	177	7	179
RMB investment banking**	**768**	1 203	(36)	719
RMB corporate banking**	**203**	392	(48)	93
HQLA corporate advances#	**–**	–	–	–
Rest of Africa	**2 011**	2 442	(18)	2 352
FNB	**2 010**	2 426	(17)	2 350
RMB (corporate and investment banking)	**1**	16	(94)	2
FCC (including Group Treasury)	**61**	–	–	65
Securitisation notes	**–**	–	–	–
Other	**61**	–	–	65
Total stage 3/specific impairments/implied loss given default excluding Aldermore	**19 249**	17 579	9	18 059
Aldermore	**556**	295	88	436
– Retail excluding MotoNovo	**202**	75	>100	169
– MotoNovo (new book)*	**42**	–	–	7
– Commercial	**312**	220	42	260
Total stage 3/specific impairments/implied loss given default including Aldermore	**19 805**	17 874	11	18 495

Total stage 3/specific impairments		
Coverage ratios (% of stage 3/NPLs)		
As at 31 December		As at 30 June
2019	2018	2019
46.8	45.5	45.6
26.3	28.1	26.7
19.4	22.5	19.3
33.8	33.6	34.5
33.0	32.3	33.8
39.7	42.1	39.0
79.0	78.9	76.6
75.3	82.4	77.6
74.5	81.3	76.9
89.9	95.1	88.3
80.6	76.5	75.8
83.4	80.2	79.2
75.2	72.6	70.9
100.0	95.2	100.0
79.1	82.2	77.5
37.7	50.0	41.4
46.4	53.6	50.5
35.2	37.6	34.2
25.9	44.9	28.3
22.0	57.8	27.3
–	–	–
55.1	56.6	59.3
55.1	56.5	59.3
100.0	100.0	100.0
–	–	–
–	–	–
–	–	–
45.4	47.7	46.3
20.8	16.7	18.8
12.8	7.2	12.0
44.7	–	70.0
31.2	30.8	28.9
44.0	46.3	44.7

* *Total MotoNovo VAF = R460 million; £25.0 million (-1% from December 2018: £25.4 million ,-2% in £ terms) (June 2019: £23.8 million).*

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

Managed by the Group Treasurer.

Credit continued

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

	Balance sheet impairments					
	As at 31 December					
				2019		
	2019	2018	% change	**Stage 1**	**Stage 2**	**Stage 3**
Total impairments						
Retail	**21 437**	19 078	12	**3 748**	**4 360**	**13 329**
Retail – secured	**7 958**	7 902	1	**1 180**	**2 192**	**4 586**
Residential mortgages	**2 725**	2 484	10	**376**	**585**	**1 764**
VAF	**5 233**	5 418	(3)	**804**	**1 607**	**2 822**
– WesBank (SA)	**4 300**	4 171	3	**575**	**1 321**	**2 404**
– MotoNovo (UK)*	**933**	1 247	(25)	**229**	**286**	**418**
Retail – unsecured	**13 479**	11 176	21	**2 568**	**2 168**	**8 743**
Card	**3 170**	2 368	34	**662**	**402**	**2 106**
– FNB	**2 964**	2 126	39	**607**	**376**	**1 981**
– Discovery	**206**	242	(15)	**55**	**26**	**125**
Personal loans	**7 407**	6 220	19	**1 152**	**1 246**	**5 009**
– FNB	**4 639**	3 346	39	**572**	**630**	**3 437**
– DirectAxis loans	**2 741**	2 771	(1)	**563**	**610**	**1 568**
– MotoNovo (UK)	**27**	103	(74)	**17**	**6**	**4**
Retail other	**2 902**	2 588	12	**754**	**520**	**1 628**
Corporate and commercial	**8 531**	8 220	4	**2 020**	**2 663**	**3 848**
FNB commercial	**4 091**	3 564	15	**704**	**699**	**2 688**
WesBank corporate	**363**	362	–	**108**	**66**	**189**
RMB investment banking**	**3 353**	3 317	1	**1 001**	**1 584**	**768**
RMB corporate banking**	**724**	977	(26)	**207**	**314**	**203**
HQLA corporate advances#	**–**	–	–	**–**	**–**	**–**
Rest of Africa	**3 576**	3 845	(7)	**698**	**867**	**2 011**
FNB	**3 342**	3 598	(7)	**557**	**775**	**2 010**
RMB (corporate and investment banking)	**234**	247	(5)	**141**	**92**	**1**
FCC (including Group Treasury)	**684**	651	5	**518**	**105**	**61**
Securitisation notes	**26**	27	(4)	**26**	**–**	**–**
Other	**658**	624	5	**492**	**105**	**61**
Total impairments excluding Aldermore	**34 228**	31 794	8	**6 984**	**7 995**	**19 249**
Aldermore	**1 334**	776	72	**520**	**258**	**556**
– Retail excluding MotoNovo	**336**	219	53	**84**	**50**	**202**
– MotoNovo (new book)*	**307**	–	–	**212**	**53**	**42**
– Commercial	**691**	557	24	**224**	**155**	**312**
Total impairments including Aldermore	**35 562**	32 570	9	**7 504**	**8 253**	**19 805**

* *Total MotoNovo VAF = R1 240 million; £67.3 million (-1% from December 2018, -1% in £ terms) (December 2018: £68.1 million; June 2019: £64.9 million).*

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

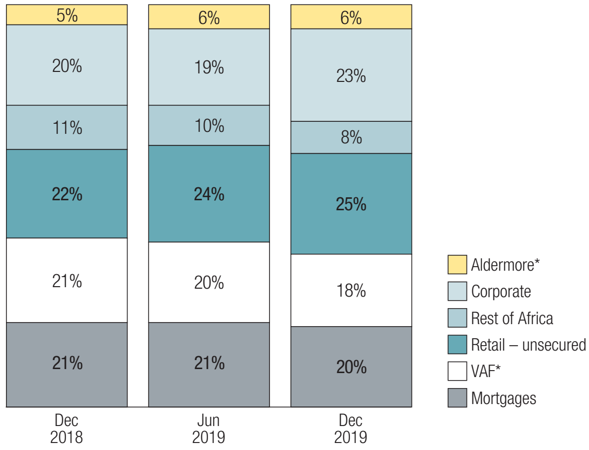
Managed by the Group Treasurer.

Balance sheet impairments						
As at 31 December				Coverage ratios (% of stage 3/NPLs)		
2018			As at 30 June	As at 31 December		As at 30 June
Stage 1	Stage 2	Stage 3	2019	**2019**	2018	2019
4 273	3 545	11 260	20 445	**75.2**	77.0	75.4
1 382	1 944	4 576	7 984	**45.7**	48.5	47.4
278	386	1 820	2 541	**30.0**	30.7	29.4
1 104	1 558	2 756	5 443	**62.8**	66.0	66.2
697	1 184	2 290	4 356	**59.0**	58.8	61.0
407	374	466	1 087	**88.7**	112.5	100.8
2 891	1 601	6 684	12 461	**121.8**	131.9	121.7
571	287	1 510	2 883	**113.3**	129.2	119.7
495	256	1 375	2 650	**111.5**	125.7	116.6
76	31	135	233	**148.2**	170.4	170.1
1 486	929	3 805	6 853	**119.2**	125.0	117.2
835	525	1 986	4 078	**112.5**	135.1	119.2
583	389	1 799	2 737	**131.5**	111.8	113.0
68	15	20	38	**675.0**	490.5	760.0
834	385	1 369	2 725	**140.9**	155.3	137.5
1 632	2 711	3 877	8 071	**83.5**	106.0	101.3
695	764	2 105	3 812	**70.7**	90.8	83.7
102	83	177	338	**67.6**	76.9	64.5
793	1 321	1 203	3 233	**112.9**	123.9	127.1
42	543	392	688	**78.6**	144.1	201.8
–	–	–	–	**–**	–	–
609	794	2 442	3 963	**98.0**	89.2	100.0
453	719	2 426	3 722	**91.6**	83.8	93.9
156	75	16	241	**>100**	>100	>100
501	150	–	715	**–**	–	–
27	–	–	22	**–**	–	–
474	150	–	693	**–**	–	–
7 015	7 200	17 579	33 194	**80.8**	86.3	85.1
318	163	295	968	**49.8**	44.0	41.7
111	33	75	307	**21.2**	20.9	21.7
–	–	–	79	**326.6**	–	790.0
207	130	220	582	**69.2**	77.9	64.7
7 333	7 363	17 874	34 162	**79.0**	84.4	82.6

Credit continued

The graph below provides the NPL distribution over the last three financial periods across all portfolios.

NPL DISTRIBUTION



* *Aldermore includes the MotoNovo new book and VAF includes the MotoNovo back book.*

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 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2019**	2018	2019	**2019**	2018	2019	**2019**	2018	2019
Non-performing book	**19 610**	17 675	18 300	**195**	199	195	**19 805**	17 874	18 495
Performing book	**15 406**	14 397	15 314	**351**	299	353	**15 757**	14 696	15 667
Total impairments including Aldermore	**35 016**	32 072	33 614	**546**	498	548	**35 562**	32 570	34 162

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 31 December			As at 30 June
R million	**2019**	2018	% change	2019
Opening balance	**34 162**	19 255	77	19 255
IFRS 9 adjustments	**–**	9 823	(100)	9 823
Restated opening balance	**34 162**	29 078	17	29 078
Transfers to non-current assets held for sale	**–**	4	(100)	–
(Disposals)/acquisitions	**(92)**	–	–	(3)
Exchange rate difference	**(39)**	(18)	>100	(171)
Bad debts written off	**(6 411)***	(3 475)	84	(8 922)
Net new impairments created	**6 817**	6 095	12	12 415
Net interest recognised on stage 3 advances	**1 125**	886	27	1 765
Closing balance	**35 562**	32 570	9	34 162

* *During the reporting period the impact of the extension of the group's write-off point from six to 12 months started to mature, leading to a significant increase in bad debts written off in the retail portfolios.*

INCOME STATEMENT IMPAIRMENTS

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

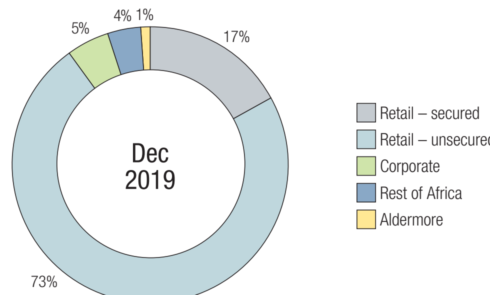
	Six months ended 31 December			Year ended 30 June
R million	**2019**	2018	% change	2019
Specific impairment charge	**5 262**	4 492	17	9 744
– Specific impairment charge – amortised cost	**5 262**	4 492	17	9 744
– Credit fair value adjustments – non-performing book	**–**	–	–	–
Portfolio impairment charge	**1 555**	1 603	(3)	2 671
– Portfolio impairment charge – amortised cost	**1 557**	1 597	(3)	2 602
– Credit fair value adjustments – performing book	**(2)**	6	(>100)	69
Total impairments before recoveries and modifications	**6 817**	6 095	12	12 415
Modification losses	**494**	277	78	633
Recoveries of bad debts written off	**(1 377)**	(1 351)	2	(2 548)
Total impairments	**5 934**	5 021	18	10 500

Credit continued

IMPACT OF POST WRITE-OFF RECOVERIES

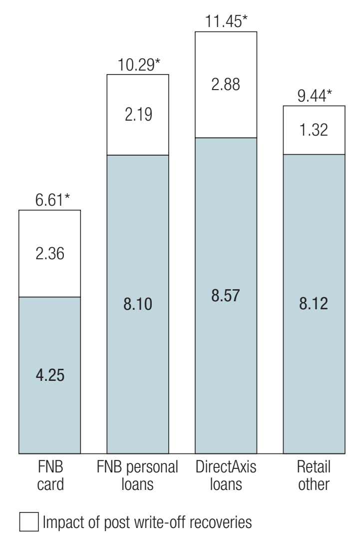
Post write-off recoveries amounted to R1 377 million (December 2018: R1 351 million; June 2019: R2 548 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES

%



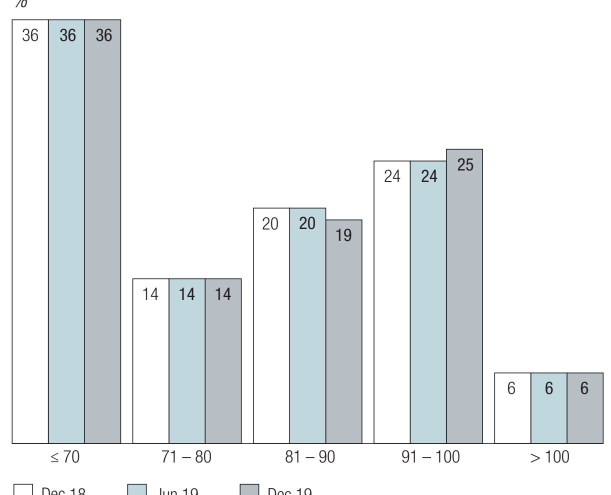
* *Gross of recoveries (%).*

RISK ANALYSIS

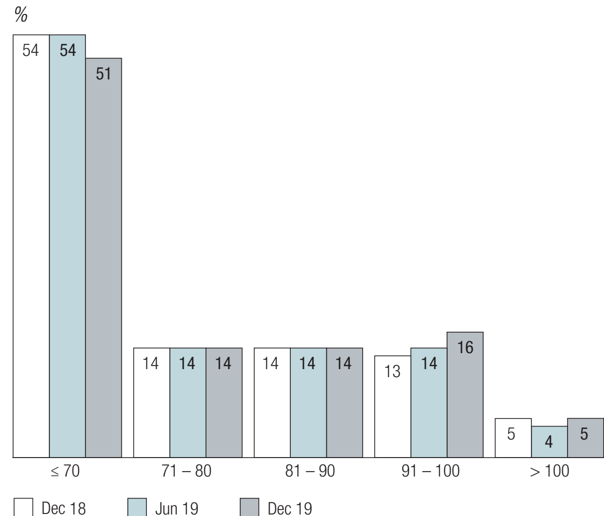
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

Loan-to-value (LTV) 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. LTVs have increased due to increased loan extension to main-banked clients with higher LTVs offered to better rated existing clients.

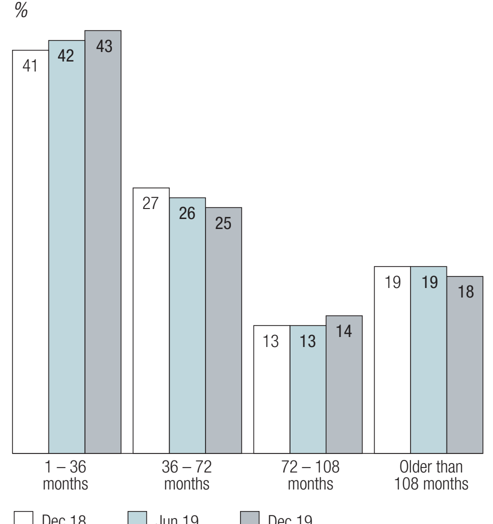
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%

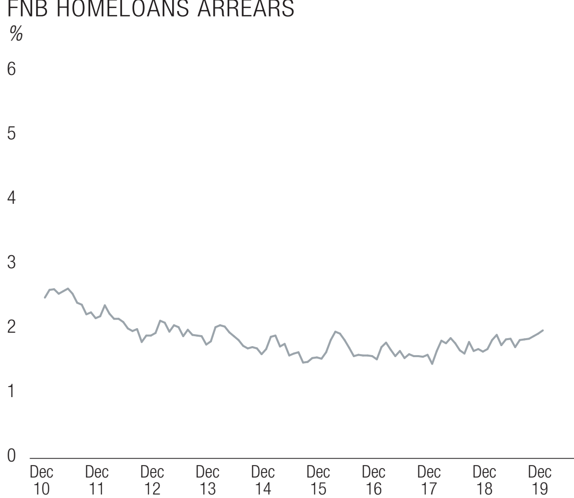


Credit continued

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.

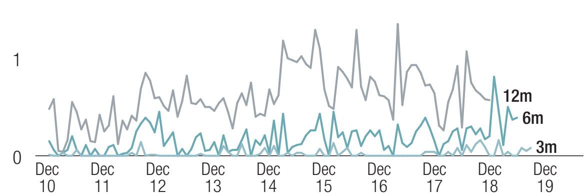
Vintages in FNB HomeLoans have remained stable as collections continued to be strong, normalisation is expected given historic book growth.

FNB HOMELOANS ARREARS



FNB HOMELOANS VINTAGE ANALYSIS

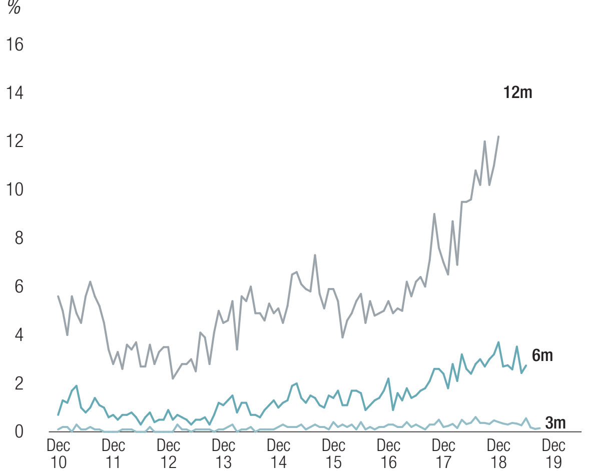
2



The graph below shows the three-, six- and 12-month vintages of new credit card sales by FNB Card. During the past 18 months, there has been a sharp increase in the 12-month vintages. The current 12 month peaks are outside of the group's desired risk profile levels given the historic content of business written together with the lag in the speed with which certain scorecards were adjusted for the deterioration in the external environment, which resulted in higher-than-expected default rates in some portfolio segments. Actions have been taken to improve the risk profile. Focus has been on risk cuts and improved collections processes in electronic channels. The more recent vintages (three and six months) provide an early indication that the portfolios have stabilised. Vintages on limit increases show a better picture than on new credit card sales, which results in an improved picture for the blended card portfolio.

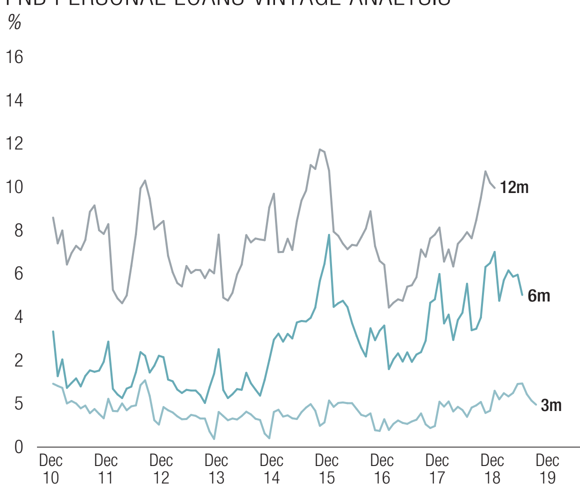
FNB personal loans origination strategy remains focused on increased penetration into the main-banked base with customer experience as a focal point. The 12-month vintage increase towards year-end is due to seasonality as well as pressure in collections in the last quarter of 2019. As part of the continuous risk management, mitigation actions were implemented during late 2018 and 2019 resulting in an improvement in the overall quality of new business as well as the performance of the three- and six-month tranches. The overall performance remains within internal thresholds and are aligned to the underwriting strategy changes implemented during 2018.

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 VINTAGE ANALYSIS



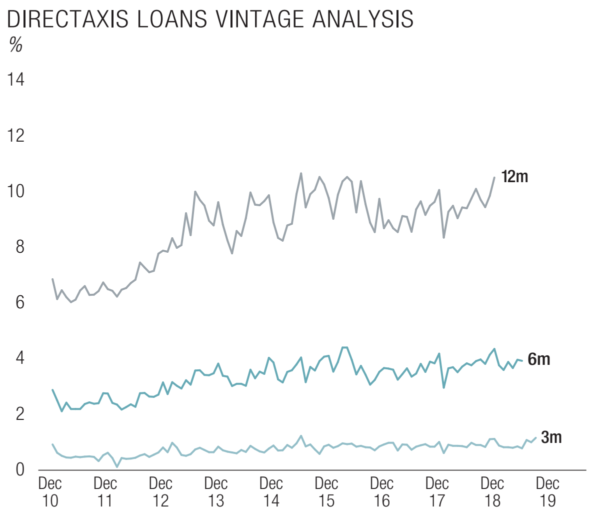
Note: Personal loans vintage have been restated to normalise for "take a break" (in January customers do not need to make a payment). The vintage points were therefore restated to accommodate fewer payments due when the period includes a "take a break" month.

Credit continued

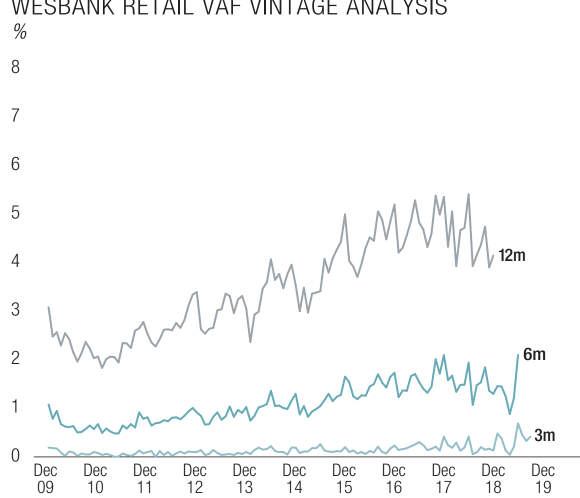
Despite increased volatility in performance, on an annualised basis, DirectAxis loans vintages have continued to perform in line with TTC expectations since December 2013, while the business continued to see growth in disbursements. This is due to active credit origination management within the portfolio and the deliberate strategy of targeting lower-risk customers through direct marketing campaigns.

The retail SA VAF experienced an increase in the volume of customers with balloons reaching the end of term during 2019 and requesting to refinance the balloon. Refinancing balloons is a time-consuming and operationally intensive process and in several instances the refinance was only concluded after the balloon due date. Due to the strict curing definition, these refinanced balloons are treated as non-performing loans, leading to a significant increase in the six-month vintages. The six-month vintages including refinanced deals peaked at 2.12%, compared to 1.68% when excluding the refinanced deals. These defaults are technical in nature and the business is currently investigating streamlining the process.

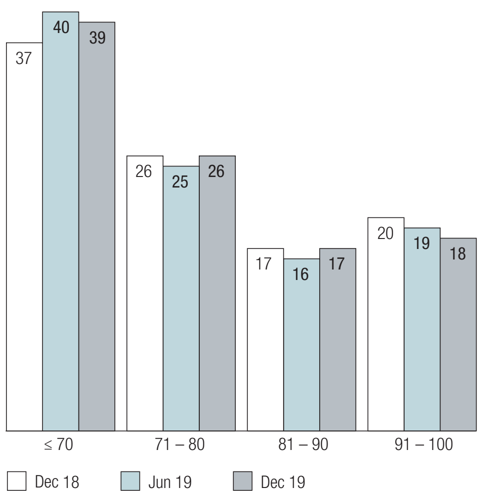
DIRECTAXIS LOANS VINTAGE ANALYSIS



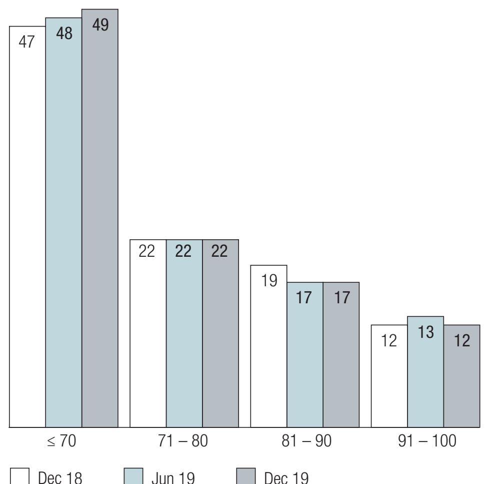
WESBANK RETAIL VAF VINTAGE ANALYSIS



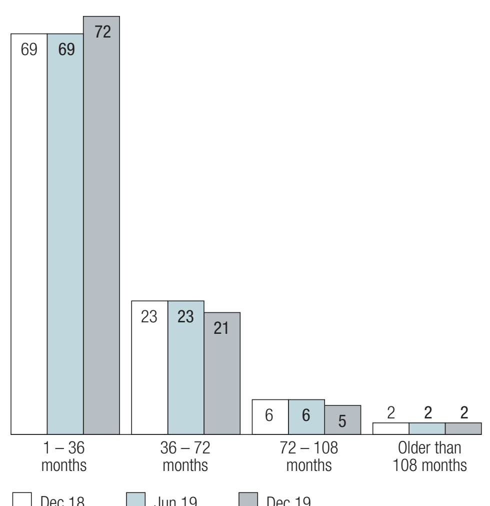
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
CURRENT BALANCE-TO-MARKET VALUE
%

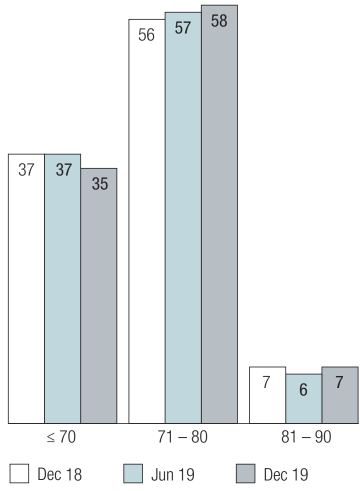


ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%

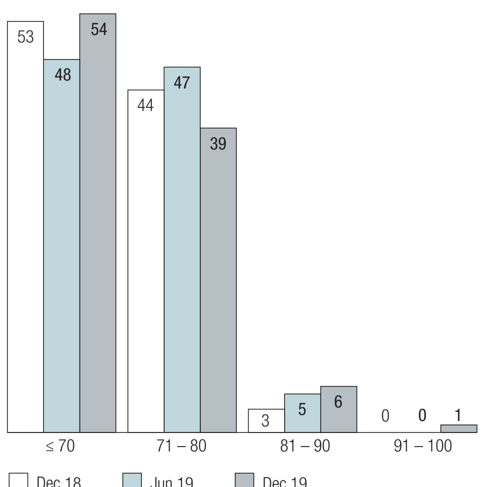


Credit continued

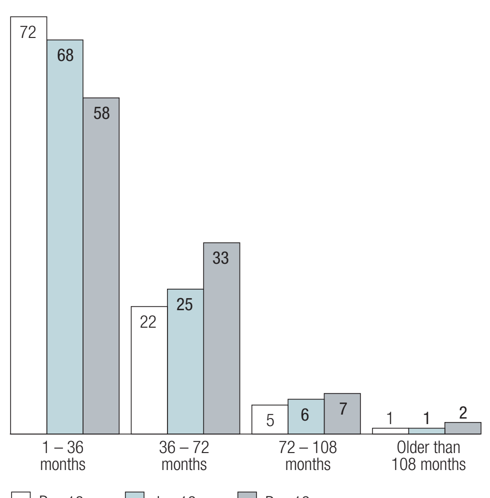
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%



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

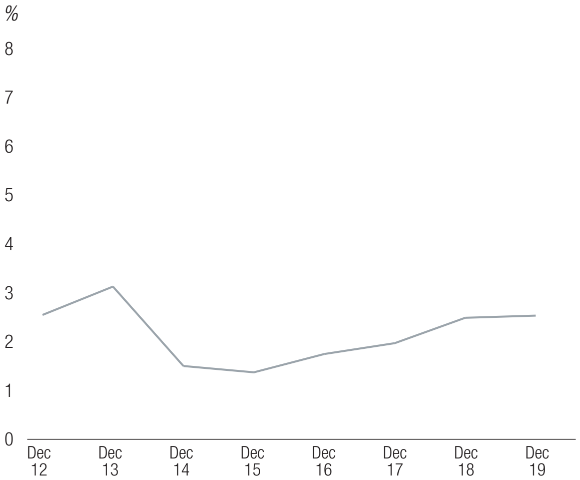


ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%



The following graph shows arrears in the Aldermore residential mortgages loans portfolio. Arrears levels increased in December 2013 as an acquired mortgage portfolio was migrated to Aldermore. Arrears levels subsequently reduced as the portfolio grew rapidly, and have started to gradually increase through 2017 – 2019 due to the maturing of the book. Arrears levels are in line with industry benchmarking figures.

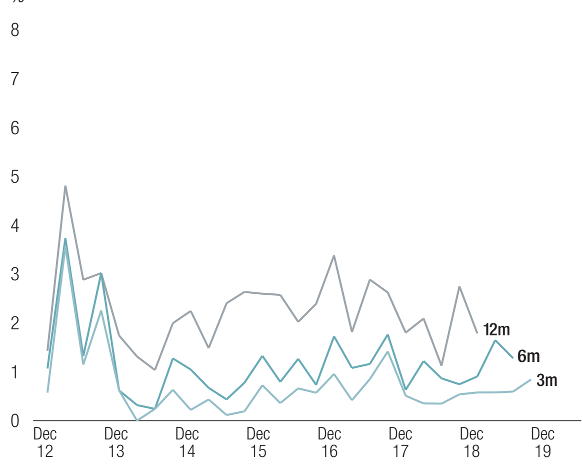
ALDERMORE RESIDENTIAL MORTGAGES ARREARS



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. Aldermore covers a wide range of applications within this business, including helping first-time buyers and self-employed customers.

Relatively low volumes of arrears cases cause a degree of volatility in the cohort lines. The performance of business written has improved significantly since 2013, and credit quality is considered to be steady for cohorts since 2014.

ALDERMORE RESIDENTIAL MORTGAGES VINTAGE ANALYSIS

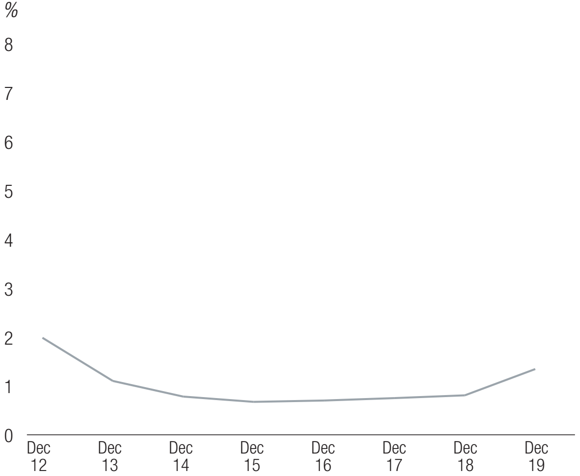


Credit continued

Within the buy-to-let market Aldermore serves the needs of a wide range of customers, from first-time landlords to experienced ones. The business commenced trading in May 2010 and has continued to expand.

Aldermore operates a growing and competitive buy-to-let business which is experiencing strong credit risk performance. Arrears levels have been relatively stable since 2014, with an increase observed during 2019. This increase is generally due to the portfolio maturing, however some inconsistency in the collections approach for a number of customers with multiple loans and the need for group account arrears to be managed more holistically, is being addressed.

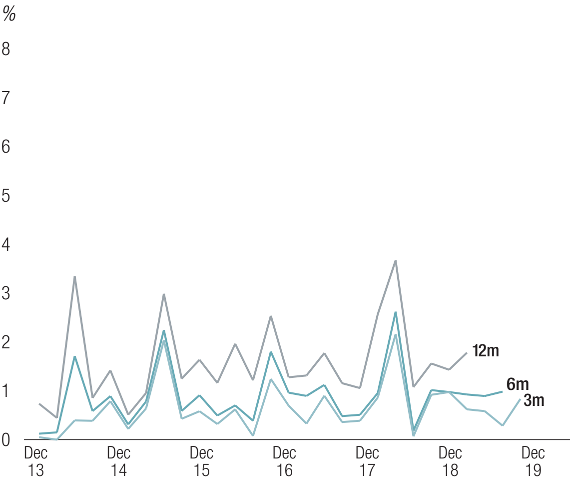
ALDERMORE BUY-TO-LET ARREARS



Quarterly vintage performance is volatile due to low volumes and larger loan values within the specialist buy-to-let portfolio, which is driving the arrears spikes seen across the vintages. These have been impacted by some larger value loans with temporary instances of early arrears. Credit quality is strong and relatively stable.

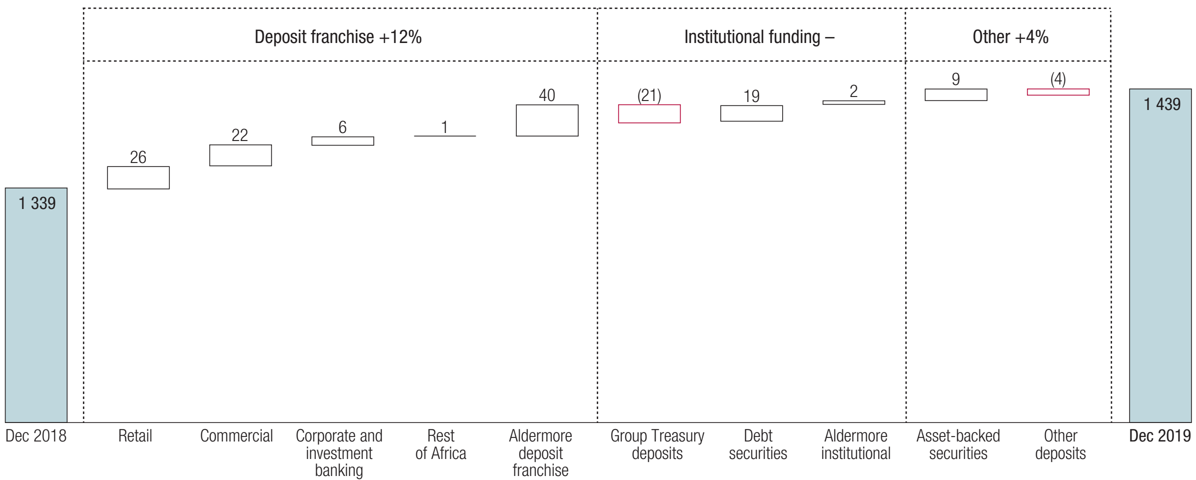
With the deployment of the new buy-to-let underwriting standards in January 2017 (affordability) and September 2017 (portfolio landlords) greater rigour is being applied to affordability assessment for this portfolio.

ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



Deposits – up 7%

FUNDING PORTFOLIO GROWTH BY SEGMENT
R billion



KEY DRIVERS

- FNB's deposits increased 10%:
  - retail deposits grew 11% supported by ongoing new customer acquisition and money management engagements with customers to simplify savings outcomes; and
  - commercial deposits increased 10% driven by proactive client engagement and digitisation.
- RMB CIB has seen growth in its deposit base driven by operational deposits from an increase in the existing client base.
- Aldermore deposit growth was driven by consistently competitive rates, which supported customer acquisition and retention. Aldermore continues to broaden and diversify its institutional funding with growth in corporate deposits, particularly from financial institutions.
- Institutional funding remained flat and was driven by:
  - a decrease in the demand for fixed deposits and negotiable certificates of deposit (NCDs) from institutional investors and redemptions of foreign currency funding, which was offset by
  - an increase in debt securities, attributable to taps of existing senior bonds, and issuances of new bonds and floating rate notes (FRNs) to meet the group's liquidity requirements.
- The overall increase in other was due to additional structured funding issuances and an increase in cash collateral received offset by reduced client demand for repurchase agreements.

Funding and liquidity

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 for deposits and rewarding depositors, thus creating a natural liquidity buffer. As a consequence of the liquidity risk introduced by its business activities, the group aims 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

South Africa is characterised by a low discretionary savings rate and a higher degree of contractual savings captured by institutions (pension funds, provident funds and asset managers). A portion of these contractual savings translate into banks' institutional funding, which has higher liquidity risk than funding raised through banks' deposit franchises. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. This risk is, however, to some extent mitigated by the following:

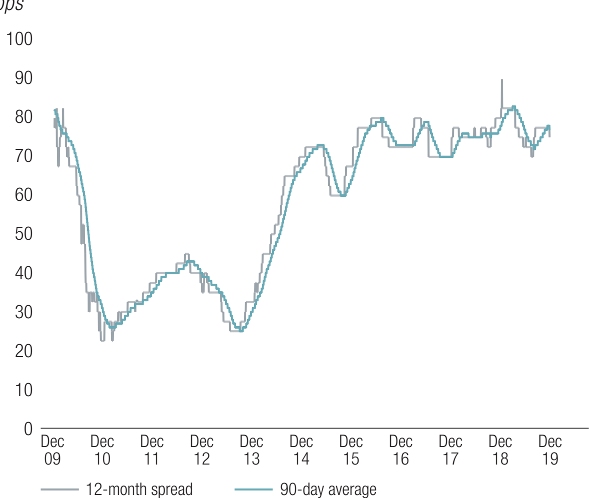
- concentration of customer current accounts with the large South African banks;
- South Africa's closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- prudential exchange control framework; and
- low dependency of South African banks on foreign currency funding.

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 asset and liability management framework, in consideration of 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, compared to the peak of 87.5 bps reached during the global financial crisis in 2009.

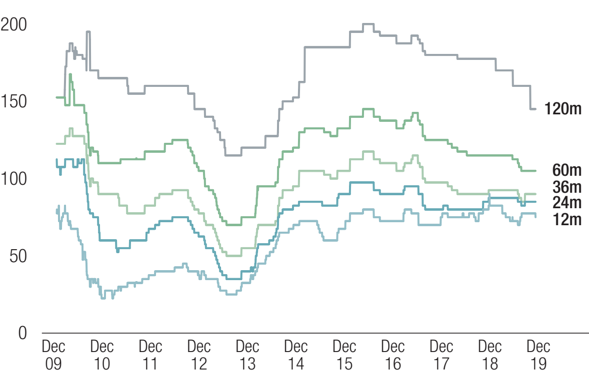
12-MONTH MID-MARKET FUNDING SPREAD



Sources: Bloomberg (RMBP screen) and Reuters.

The following graph illustrates that longer-dated funding spreads remain elevated from a historical perspective. Since 2016, however, funding spreads for maturities greater than five years have started trending downwards.

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 structurally higher funding costs for the industry overall.

Funding measurement and activity

FirstRand Bank remains the primary debt-issuing entity in the group and generates a greater proportion of its funding from deposits in comparison to the South African industry aggregate. Its funding profile also reflects the structural features described previously.

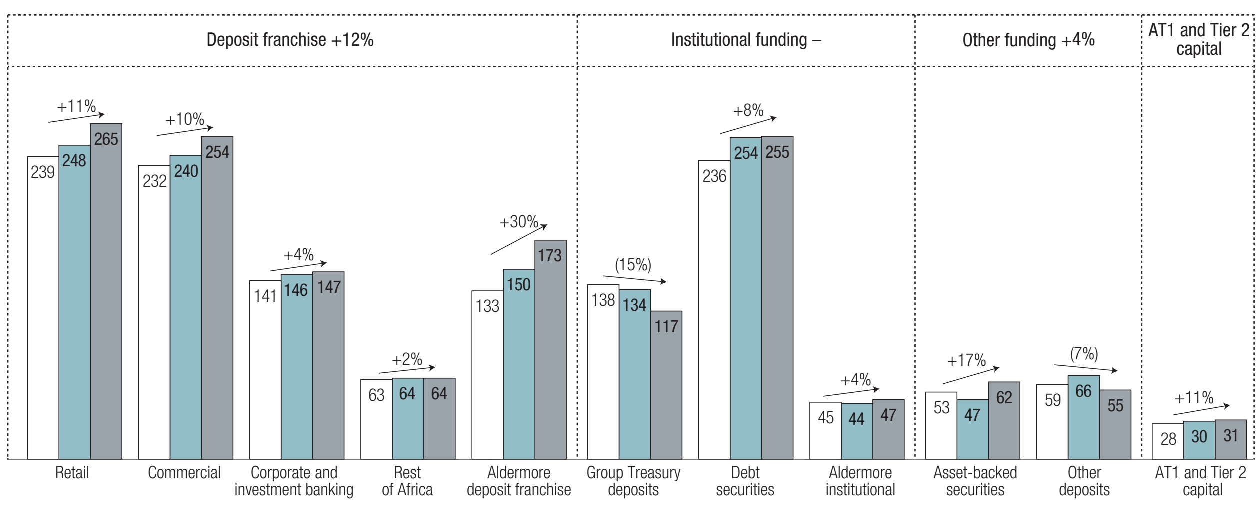
The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise is the most efficient and stable source of funding, representing 62% of total group funding liabilities at December 2019 (December 2018: 60%).

The primary focus remains on growing the group's deposit franchise across all market 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 customer deposits, the group accesses the domestic money markets daily and the capital markets from time to time. 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.

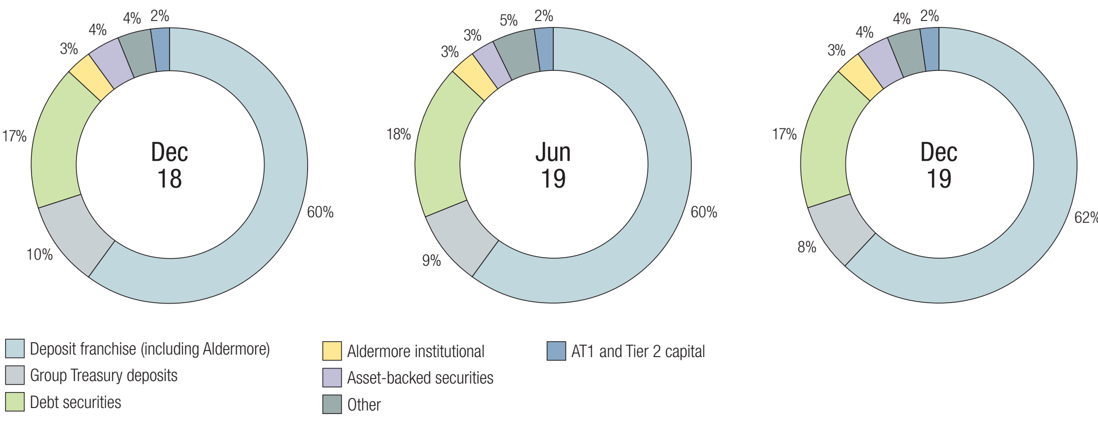
FUNDING PORTFOLIO GROWTH
R billion



Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.
Note 2: Asset-backed securities include Aldermore's securitisation transactions.

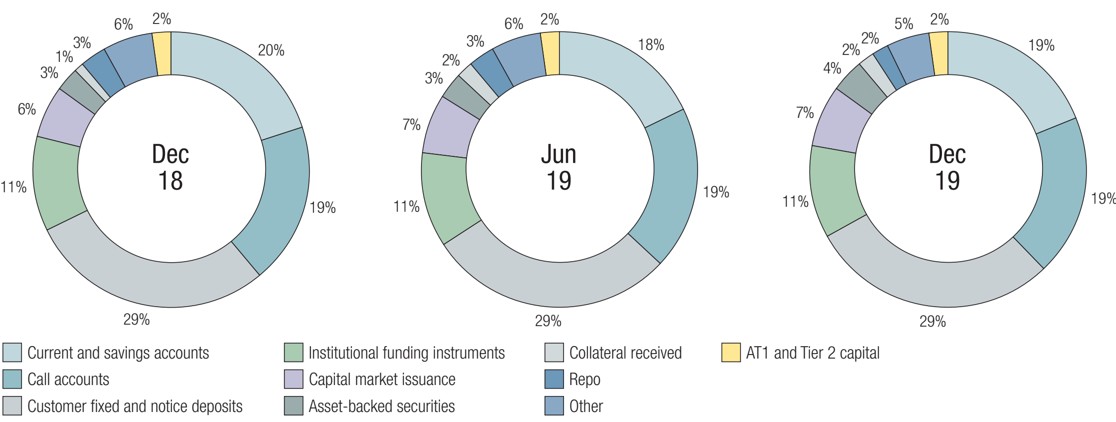
The graphs below show that the group's funding mix has remained relatively stable over the last year.

FUNDING MIX



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

FUNDING BY INSTRUMENT TYPE



The group's strategy to grow its deposit and transactional banking franchise naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's transactional and savings requirements, when viewed in aggregate, overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

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

	As at 31 December					As at June
	2019				2018	2019
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**	Total	Total
Institutional funding	**35.2**	**9.9**	**6.4**	**18.9**	36.5	36.1
Deposit franchise	**64.8**	**51.1**	**8.4**	**5.3**	63.5	63.9
Corporate	**21.1**	**18.2**	**2.1**	**0.8**	20.6	20.3
Retail	**21.6**	**17.0**	**3.2**	**1.4**	20.5	20.8
SMEs	**5.5**	**4.5**	**0.7**	**0.3**	5.1	5.3
Governments and parastatals	**10.2**	**8.4**	**1.2**	**0.6**	9.8	11.1
Foreign	**6.3**	**2.9**	**1.2**	**2.2**	7.4	6.3
Other	**0.1**	**0.1**	**–**	**–**	0.1	0.1
Total	**100.0**	**61.0**	**14.8**	**24.2**	100.0	100.0

Funding and liquidity continued

FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*

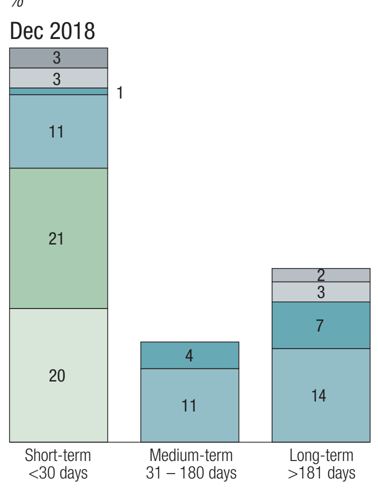
%

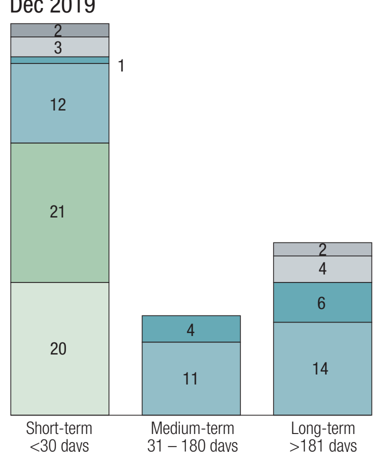
	Dec 15	Jun 16	Dec 16	Jun 17	Dec 17	Jun 18	Dec 18	Jun 19	Dec 19
Total	R795 bn	R826 bn	R857 bn	R885 bn	R939 bn	R974 bn	R1 028 bn	R1 065 bn	R1 079 bn
Other	2	1	1	1					
Foreign	8	7	6	6	7	8	7	6	6
SMEs	5	6	6	5	5	5	5	5	6
Public sector	10	10	11	11	9	11	10	11	10
Retail	19	19	20	20	20	20	21	21	22
Corporate	22	20	22	21	22	21	21	21	21
Institutional	34	37	34	36	37	35	36	36	35

* *Excludes foreign branches.*

GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM

%



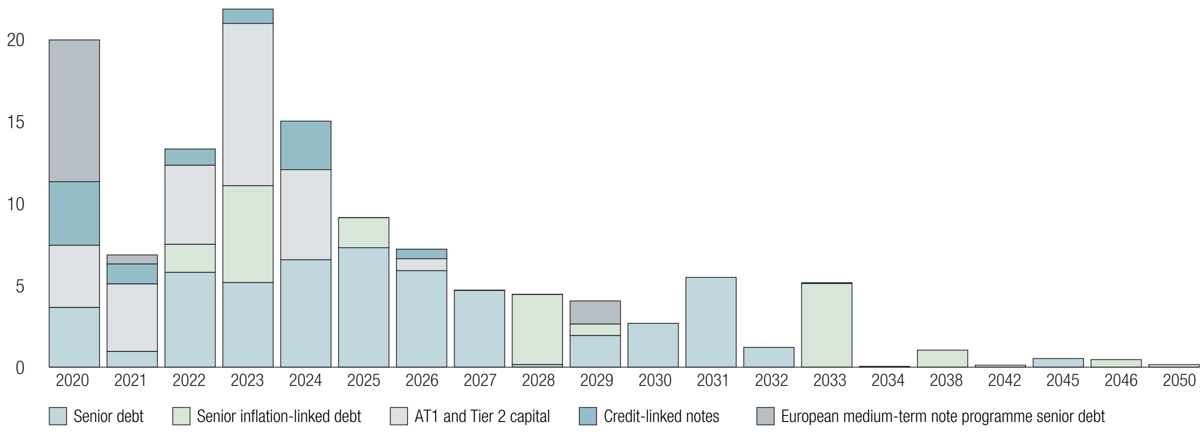


- AT1 and Tier 2 capital
- Deposits received under repurchase agreements
- Other deposits and loans accounts
- NCDs and equivalent instruments
- Fixed and notice deposits
- Call deposits
- Current and savings accounts

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 pricing and investor demand into consideration.

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 also includes the relevant hedges to immunise business against interest rate risk. 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.

FOREIGN CURRENCY BALANCE SHEET

The active management of foreign currency liquidity risk remains a focus given the group's operations in the UK and rest of Africa.

MotoNovo

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform. New business is funded via a combination of on-balance sheet deposits, institutional 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. This book is being run down. The foreign currency funding capacity currently allocated to the MotoNovo back book can ultimately be redeployed into the group's other growth strategies as required.

Aldermore

Aldermore actively follows a diversified and flexible funding strategy and is predominantly funded by personal, business and corporate deposits. These account for approximately 79% of total funding with the deposit franchise totalling £10.2 billion at December 2019.

Aldermore's funding strategy is complemented by its continued access to institutional funding. Notwithstanding the end of the Bank of England's Term Funding Scheme, Aldermore returned to the securitisation market in September 2019 with its third prime residential mortgage-backed securitisation, Oak 3, and an auto warehouse facility to support the growth of MotoNovo. Aldermore continues to access 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. Treasury has maintained a diverse portfolio of HQLA, which has been managed within a prudent risk appetite throughout the reporting period.

Funding and liquidity continued

Risk management approach

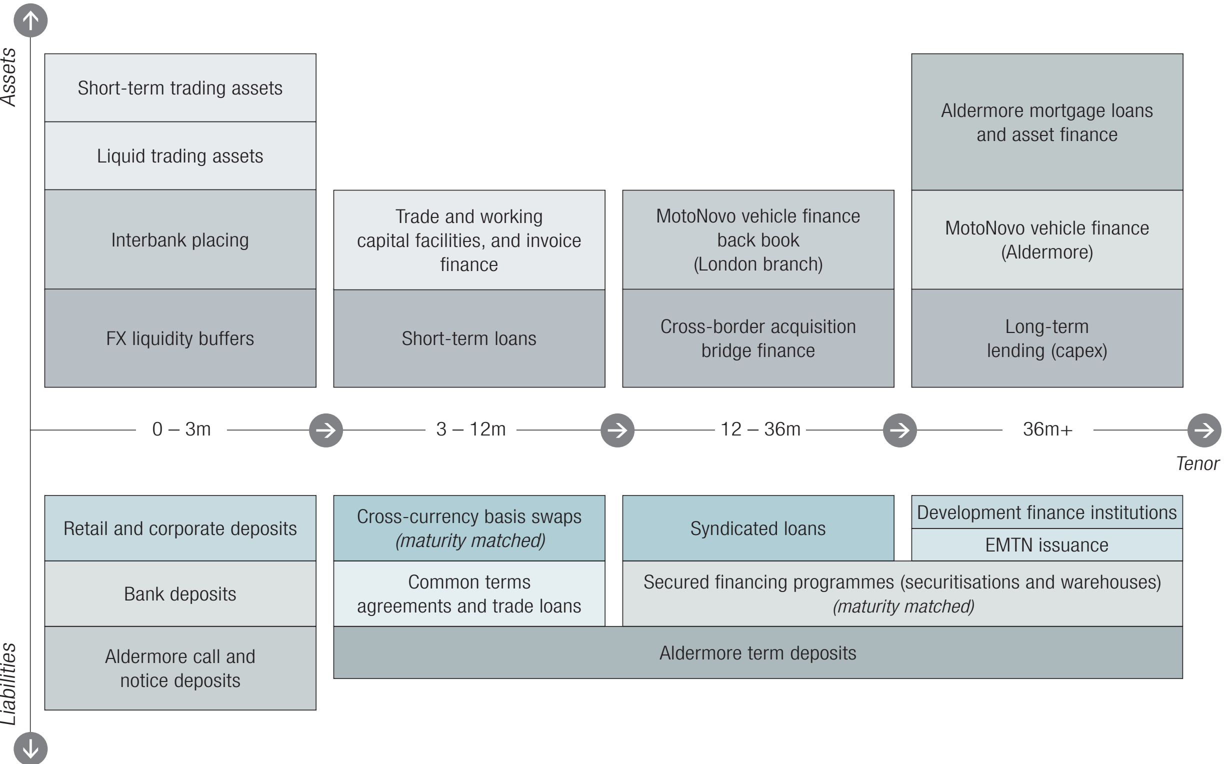
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 6/2010*, issued 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 considers 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 31 December	
R billion	**2019**	2018
Cash and deposits with central banks	**47**	37
Government bonds and bills	**173**	135
Other liquid assets	**57**	44
Total liquid assets	**277**	216

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, overlays above liquidity requirements are determined based on stress testing and scenario analysis of cash inflows and outflows.

The group has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The portfolio of high-quality liquid assets is continuously assessed to ensure optimal composition, cost and quantum.

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

	Group*		Bank*	
%	**LCR****	**NSFR**	**LCR****	**NSFR**
Regulatory minimum#	100	100	100	100
Actual	148	119	166	117

* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

** *The LCR is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2019 for FirstRand Bank South Africa and London branch. The remaining international banking entities, including Aldermore, and the India and FNB Channel Island branches, are based on the month-end or quarterly values. The figures are based on the regulatory submissions to the PA.*

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

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 capital aligned to its strategy, risk appetite and 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 comparisons;
- strategic and organic growth plans;
- economic and regulatory capital requirements;
- proposed regulatory, tax and accounting changes;
- macro environment and stress test impacts; and
- issuance of capital instruments.

The capital planning process ensures that the 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 actively manages its capital stack to ensure a more efficient capital structure, which is closely aligned with the group's internal targets.

The group continues to focus on economic capital (EC) to ensure it remains solvent at a specified confidence level of 99.93% and that it can deliver on its commitment to stakeholders over 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.

PERIOD UNDER REVIEW

The group's capital and leverage ratios at December 2019 exceeded 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	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits	**12.4**	**13.2**	**15.6**	**7.7**
Actual – excluding unappropriated profits	11.4	12.2	14.6	7.1

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

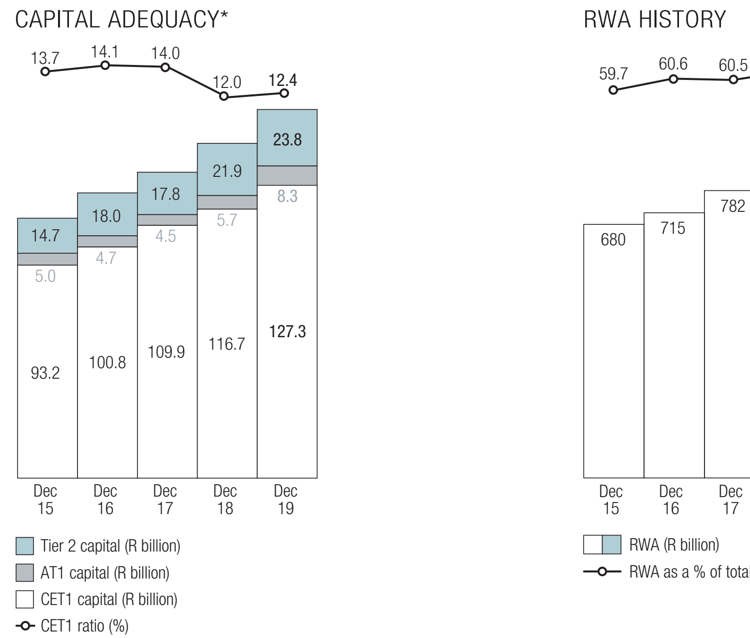
During the period under review, the group revised its targets to incorporate:

- the deteriorating macros; and
- the higher minimum capital requirement following the increase in the counter-cyclical buffer for UK exposures.

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. The CCyB requirement for the group at December 2019 was 18 bps, and mainly relates to the group's UK exposures. The Financial Stability Committee increased the UK CCyB buffer to 2% from 1%, effective December 2020.

Capital

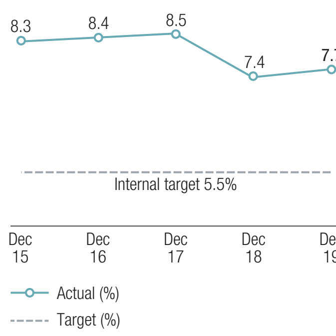
The graphs below show the historical overview of capital adequacy and RWA.



* *Includes unappropriated profits.*

Leverage

LEVERAGE*



* *Includes unappropriated profits.*

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. The increase in the leverage ratio to December 2019 mainly relates to an increase in the Tier 1 capital measure.

Note: Periods prior to 1 July 2018 are reported on an IAS 39 basis and post 1 July 2018 figures are based on IFRS 9.

Capital continued

Supply of capital

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

COMPOSITION OF CAPITAL*

	As at 31 December		As at 30 June
R million	**2019**	2018	2019
CET1 capital	**127 277**	116 699	122 194
Tier 1 capital	**135 572**	122 366	129 846
Total qualifying capital	**159 406**	144 321	153 494

* *Includes unappropriated profits of R10.2 billion.*

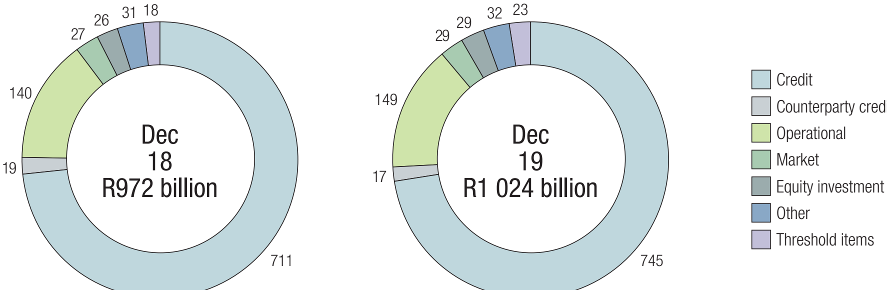
KEY DRIVERS: DECEMBER 2019 vs DECEMBER 2018

CET1	▲	> Ongoing internal capital generation through earnings coupled with a sustainable dividend payout, offset by the transitional impact of IFRS 9. > One-off realisation relating to the Discovery transaction (±R2.3 billion) included in December 2018.
AT1	▲	> FRB AT1 issuances (R3.5 billion) in 2019, partly offset by the additional 10% haircut on NCNR preference shares not compliant with Basel III, and movement in third-party capital.
Tier 2	▲	> Issuance of FRB26 and FRB27 (R2.6 billion) to manage rollover of Tier 2 instruments redeemed in June 2019. > 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, and movement in third-party capital.

Demand for capital

The charts and table below summarise the RWA movement from December 2018 to December 2019.

RWA ANALYSIS
R billion



KEY DRIVERS: DECEMBER 2019 vs DECEMBER 2018		
Credit	▲	> Organic growth and exchange rate movements, partly offset by model recalibrations and successful optimisation strategies.
Counterparty credit	▼	> Decrease in volumes and mark-to-market movements.
Operational	▲	> Recalibration of risk scenarios and increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach. > Increase in gross income for entities on basic approaches (basic indicator and standardised approach).
Market	▲	> Volumes, mark-to-market movements, as well as model recalibrations.
Equity investment	▲	> New investments and fair value adjustments.
Other	▲	> Increase in property, plant and equipment mainly related to the implementation of IFRS 16 on 1 July 2019, partly offset by a decrease in other assets.
Threshold items	▲	> Increase in investments in financial, banking and insurance entities (subject to 250% risk weighting). > Increase in deferred income tax assets due to IFRS 9.

Capital continued

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

The group's registered banking subsidiaries and foreign branches 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 or return of profits. During the period, 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 31 December				As at 30 June
	2019			2018	2019
	RWA* R million	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)					
FirstRand**	**1 024 252**	**13.2**	**15.6**	14.8	15.2
FirstRand Bank**,#	**708 978**	**14.4**	**17.1**	16.9	16.8
FirstRand Bank South Africa**	**663 454**	**14.2**	**17.1**	16.4	16.8
FirstRand Bank London	**42 614**	**12.6**	**13.3**	15.7	12.2
FirstRand Bank India	**2 856**	**23.5**	**23.8**	34.9	29.8
FirstRand Bank Guernsey†	**229**	**16.5**	**16.5**	12.7	16.7
Basel III (local regulations)					
Aldermore Bank	**118 917**	**13.3**	**15.8**	16.0	15.7
FNB Namibia	**29 980**	**13.8**	**17.1**	17.6	19.4
Basel II (local regulations)					
FNB Mozambique	**1 668**	**21.2**	**21.2**	14.9	16.8
RMB Nigeria	**3 648**	**39.9**	**39.9**	42.4	44.8
FNB Botswana	**25 889**	**15.5**	**20.8**	19.3	17.4
FNB Tanzania‡	**1 188**	**23.7**	**23.7**	23.9	23.9
FNB Eswatini‡	**4 359**	**22.2**	**23.1**	22.5	23.3
First National Bank Ghana‡	**990**	**>100**	**>100**	>100	99.0
Basel I (local regulations)					
FNB Lesotho	**942**	**14.3**	**16.9**	16.0	15.1
FNB Zambia	**3 653**	**18.3**	**24.1**	23.3	24.2

* *RWA for entities outside of South Africa converted to rand using the closing rate at 31 December 2019.*

** *Includes unappropriated profits.*

Includes foreign branches.

† *Trading as FNB Channel Islands.*

‡ *Transitioned to Basel II in January 2019.*

Economic capital

EC is incorporated in the group's internal target assessment, specifically focusing on the level of CET 1 capital required to cover economic risk of the group. A granular bottom-up calculation, incorporating correlations, concentration risk or diversification benefit attributable to the group's aggregate portfolio, forms the basis for the risk-based capital methodology. The group continues to enhance the use of EC by facilitating risk-based decisions, including risk-based capital allocation.

The assessment of economic risk aligns with the group's economic capital framework that sets out the following:

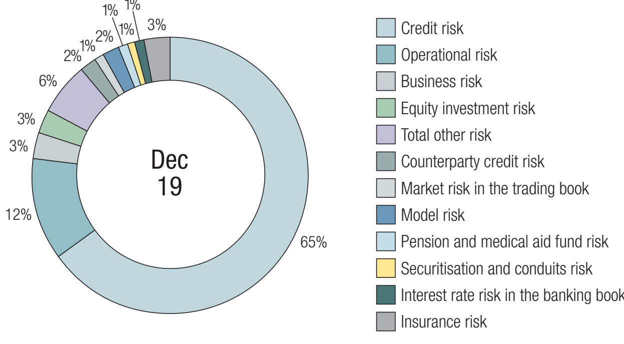
- the risk universe;
- consistent standards and measurements for each risk type, where relevant;
- continuous refinements of risk drivers, sensitivities and correlations;
- transparency and verifiable results, subject to rigorous governance processes; and
- alignment and integration with the group's risk and capital frameworks.

Regular reviews of the economic capital position are carried out across the businesses, which enable efficient portfolio optimisation across the group, including, but not limited to, capital resource management and portfolio behaviour. For the period under review, the group reported an EC multiple (economic supply of capital/economic capital requirement) of 1.6 times on a post-diversification basis.

The group's diversified EC incorporates inter-risk aggregation/diversification, while intra-risk aggregation/diversification is included within a specific risk type. Various approaches, which vary in complexity, are used in aggregating risk types.

The following graph unpacks the EC requirement per risk type (post diversification) at December 2019.

GROUP ECONOMIC CAPITAL PER RISK TYPE (POST DIVERSIFICATION)



Regulatory update

BASEL III REFORMS	The PA issued *Guidance Note 6 of 2019, Proposed implementation dates in respect of specified regulatory reforms*. The impact on the group capital position depends on the final implementation by the PA given that it may apply some national discretion. The group continues to participate in the Basel Committee on Banking Supervision quantitative impact studies to assess and understand the impact of such reforms. The following reforms are effective 1 October 2020: > standardised approach for measuring counterparty credit risk (SA-CCR) exposures; > capital requirement for banks' exposures to central counterparties; and > capital requirements for equity exposure of investments in funds. The proposed implementation dates for the revised securitisation framework and large exposures framework is January 2021.
LCR	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). *Guidance Note 5 of 2019, Continued provision of a committed liquidity facility by South African Reserve Bank to banks*, 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 PA's intention to phase out the CLF by 1 December 2021. The PA will, in consultation with banks, investigate possible alternatives to the CLF, if necessary.
RESOLUTION FRAMEWORK	The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019, which provides more clarity on the regulator's approach to further enhance financial stability in the country. 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 financial institutions. 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. The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are loss-absorbing financial instruments that 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. PwC, appointed by the World Bank and the SARB, has circulated a survey to analyse various aspects relevant to flac instruments. The survey is expected to be completed during the first quarter of 2020.
FINANCIAL CONGLOMERATES	The Financial Sector Regulation Act empowers the Prudential Authority (PA) to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates. On 4 March 2020, the PA published draft financial conglomerate standards for a second round of informal consultation. The amendments to the standards have been based on comments received during the July 2018 consultation process, as well as developments in the regulatory approach to financial institutions. The next round of comments are due in April 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted and consulted on.

Performance measurement

The group aims to deliver sustainable returns to its 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. NIACC has decreased period-on-period largely given the growth in average shareholder equity (including the once off Discovery card transaction) increasing at a higher rate (+11%) compared to the 5% earnings growth.

This increase in shareholder equity with the consequence of declined gearing levels (13.0 to 12.8) also impacts the group's ROE. Of the 1.10% decrease in ROE for the period, 0.4% relates to the increased equity with the 5 bps reduction in ROA resulting in the remaining 0.7% decline in ROE.

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

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

NIACC AND ROE

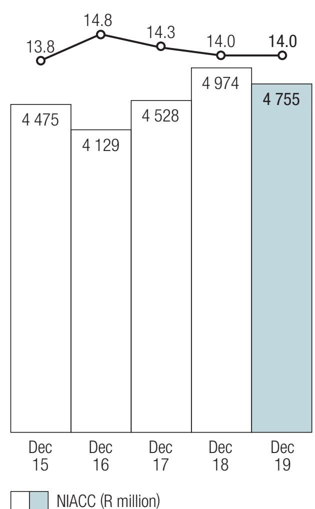
	Six months ended 31 December		% change	Year ended 30 June
R million	**2019**	2018		2019
Normalised earnings attributable to ordinary shareholders	**14 009**	13 342	5	27 894
Capital charge*	**(9 254)**	(8 368)	11	(17 165)
NIACC**	**4 755**	4 974	(4)	10 729
Average ordinary shareholders' equity and reserves	**132 201**	119 546	11	122 606
ROE (%)	**21.2**	22.3		22.8
Cost of equity# (%)	**14.0**	14.0		14.0
Return on average RWA	**2.76**	2.79		2.86

* *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: December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

Performance measurement continued

SHAREHOLDER VALUE CREATION

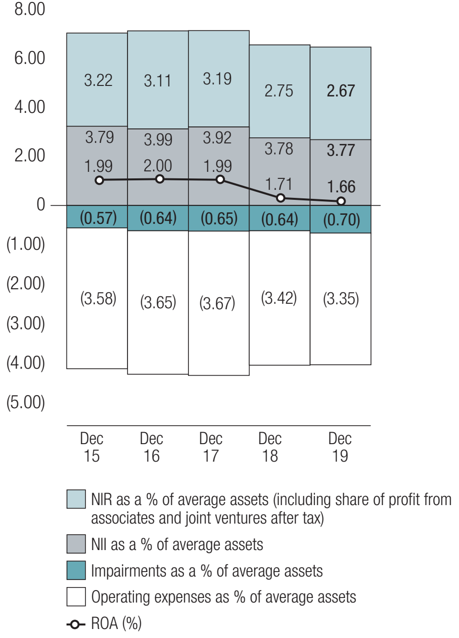
The table below shows the decomposition of the ROE into the ROA and gearing. Decomposition of the ROE indicates that the reduction in ROE was driven by the decrease in gearing and lower ROA, as illustrated in the table below.

	Six months ended 31 December					Year ended 30 June
	2019	2018	2017	2016	2015	2019
ROA (%)	**1.66**	1.71	1.99	2.00	1.99	1.75
Gearing*	**12.8**	13.0	11.3	11.5	11.8	13.0
ROE (%)	**21.2**	22.3	22.5	22.9	23.4	22.8

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

The following graph provides a high-level summary of the drivers of the ROA over time. The decline in ROA from 1.99% to 1.71% from December 2017 to December 2018 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 in NIR at RMB. The decline in ROA from 1.71% at December 2018 to 1.66% at December 2019 was primarily driven by the 8.6% increase in average assets, lower growth in NIR and higher levels of impairments. The ROA analysis below reflects total average asset growth outstripping the growth in certain income statement categories.

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.

December 2015 to December 2017 figures are based on IAS 39 and December 2018 to December 2019 figures on IFRS 9.

FRANCHISE PERFORMANCE

Targeted hurdle rates are set for the business units and capital is allocated to each business 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

	Six months ended 31 December				Year ended 30 June	
	2019		2018		2019	
R million	**Normalised earnings***	**ROE%**	Normalised earnings*,**	ROE%**	Normalised earnings*,**	ROE%**
FNB	**9 075**	**39.9**	8 585	42.4	17 457	41.5
RMB	**3 407**	**20.0**	3 287	20.2	6 946	21.0
WesBank	**943**	**18.4**	919	19.3	1 733	17.8
Aldermore#	**797**	**12.4†**	1 037	15.8†	1 658	12.9†
FCC‡	**(213)**	**(1.6)**	(486)	(4.1)	100	0.4
FirstRand group	**14 009**	**21.2**	13 342	22.3	27 894	22.8
Total rest of Africa^	**1 382**	**22.8**	928	16.8	1 796	16.0

* *Include the return on capital in rest of Africa operations and the cost of other capital, preference share costs and Treasury costs, therefore, differ from franchise normalised earnings in the segment report on pages 34 to 45.*

** *The comparatives were restated for segmentation changes. For the comparatives, the capital allocation was restated to align to the current period allocation approach.*

The Aldermore ROE reflects Aldermore group excluding MotoNovo Finance Limited.

† *The ROEs are calculated in pound terms.*

‡ *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		
	Six months ended 31 December		Year ended 30 June
%	**2019**	2018*	2019*
FNB	**3.74**	3.80	3.80
RMB	**1.29**	1.33	1.40
WesBank	**1.35**	1.31	1.24
Aldermore**	**0.79**	1.04	0.83
FCC#	**(0.14)**	(0.36)	0.03
FirstRand group	**1.66**	1.71	1.75

* *The comparatives were restated for segmentation changes.*

** *The Aldermore ROA reflects Aldermore group excluding MotoNovo Finance Limited. The ROA's are calculated in pound terms.*

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 9 March 2020.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

	Outlook	Foreign currency rating	Local currency rating
S&P	Negative	BB	BB+
Moody's	Negative	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	Negative	BB	B	zaAA	zaA-1+	bbb-
Moody's	Negative	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	Negative	B+	B	zaA-	zaA-2

* *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 expose 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 condensed consolidated financial statements contained in this *Analysis of financial results booklet* are prepared in accordance with:

- the JSE Limited Listings Requirements;
- requirements of the Companies Act no 71 of 2018;
- framework concepts and the measurement and recognition requirements of 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 condensed consolidated interim report for the six months ended 31 December 2019 has not been audited or independently reviewed by the group's external auditors.

Any forecast financial information contained herein has not been reviewed or reported on by the group's external auditors.

ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the condensed consolidated interim financial report are in terms of IFRS and are consistent with those applied for the year ended 30 June 2019, except for the adoption of IFRS that became effective in the current year.

The condensed consolidated interim financial report is 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.

Effective 1 July 2019, the group adopted IFRS 16, which replaces IAS 17 and various related interpretations. IFRS 16 introduced a single lease accounting model for lessees, which impacted the group's accounting policies for lessees, impacting the group's financial results as at 1 July 2019.

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

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

The other new or amended IFRS that became effective for the six months ended 31 December 2019 had no impact on the group's reported earnings, financial position, reserves or accounting policies. For more details on the impact of adopting the new and amended standards, please refer to pages 165 to 167.

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 2019, remain unchanged.

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

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, neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

Margin-related items included in fair value income

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

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

- the margin on the wholesale advances book in RMB;
- fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent to the US dollar 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 01/2019 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 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 01/2019 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 154.

Condensed consolidated income statement – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Net interest income before impairment of advances	**31 602**	30 164**	5	60 457
Impairment and fair value of credit on advances	**(5 934)**	(5 021)	18	(10 500)
– Impairment on amortised cost advances	**(5 936)**	(5 015)	18	(10 431)
– Fair value of credit on advances	**2**	(6)	(>100)	(69)
Net interest income after impairment of advances	**25 668**	25 143	2	49 957
Non-interest revenue*	**22 173**	23 399	(5)	45 808
– Net fee and commission income	**16 067**	15 661	3	30 731
– Fee and commission income	**19 216**	18 615**	3	36 533
– Fee and commission expense	**(3 149)**	(2 954)**	7	(5 802)**
– Insurance income	**2 207**	1 929**	14	4 128
– Fair value income	**2 257**	1 173	92	4 587
– Fair value gains or losses	**4 859**	3 487	39	9 338
– Interest expense on fair value activities	**(2 602)**	(2 314)	12	(4 751)
– Gains less losses from investing activities	**84**	3 317	(97)	3 610
– Other non-interest income	**1 558**	1 319	18	2 752
Income from operations	**47 841**	48 542	(1)	95 765
Operating expenses	**(28 227)**	(26 697)**	6	(54 043)**
Net income from operations	**19 614**	21 845	(10)	41 722
Share of profit of associates after tax	**461**	401	15	946
Share of profit of joint ventures after tax	**70**	86	(19)	284
Income before tax	**20 145**	22 332	(10)	42 952
Indirect tax	**(734)**	(795)	(8)	(1 280)
Profit before tax	**19 411**	21 537	(10)	41 672
Income tax expense	**(4 478)**	(5 162)	(13)	(9 819)**
Profit for the period	**14 933**	16 375	(9)	31 853
Attributable to				
Ordinary equityholders	**13 982**	15 732	(11)	30 211
Other equity instrument holders	**498**	206**	>100	760**
Equityholders of the group	**14 480**	15 938	(9)	30 971
Non-controlling interests	**453**	437	4	882
Profit for the period	**14 933**	16 375	(9)	31 853
Earnings per share (cents)				
– Basic	**249.3**	280.5	(11)	538.6
– Diluted	**249.3**	280.5	(11)	538.6
Headline earnings per share (cents)				
– Basic	**249.4**	237.9	5	497.2
– Diluted	**249.4**	237.9	5	497.2

* *Non-interest revenue on the face of the consolidated income statement has been expanded to show more granular information to align with 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 differing nature of the line items.*

** *Restated following the adoption of IAS 12 amendments, the reclassification of coupon payments on AT1 instruments, reallocation from insurance income to fee and commission income and reclassified customer loyalty expenses. Refer to pages 165 to 176.*

Condensed consolidated statement of other comprehensive income – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Profit for the period	**14 933**	16 375*	(9)	31 853*
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(264)**	77	(>100)	498
(Losses)/gains arising during the period	**(189)**	500	(>100)	829
Reclassification adjustments for amounts included in profit or loss	**(177)**	(393)	(55)	(137)
Deferred income tax	**102**	(30)	(>100)	(194)
FVOCI debt reserve	**6**	(13)	(>100)	(4)
Losses arising during the year	**(1)**	(21)	(95)	(2)
Reclassification adjustments for amounts included in profit or loss	**–**	(1)	(100)	(4)
Deferred income tax	**7**	9	(22)	2
Exchange differences on translating foreign operations	**(8)**	353	(>100)	(444)
(Losses)/gains arising during the period	**(4)**	353	(>100)	(428)
Deferred income tax	**(4)**	–	–	(16)
Share of other comprehensive (loss)/income of associates and joint ventures after tax and non-controlling interest	**(19)**	29	(>100)	45
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**1**	–	–	(2)
Gains/(losses) arising during the period	**1**	–	–	(2)
Remeasurements on defined benefit post-employment plans	**(38)**	(33)	15	(229)
Losses arising during the period	**(52)**	(47)	11	(307)
Deferred income tax	**14**	14	–	78
Other comprehensive (loss)/income for the period	**(322)**	413	(>100)	(136)
Total comprehensive income for the period	**14 611**	16 788	(13)	31 717
Attributable to				
Ordinary equityholders	**13 658**	16 139	(15)	30 068
Other equity instrument holders	**498**	206*	>100	760*
Equityholders of the group	**14 156**	16 345	(13)	30 828
Non-controlling interests	**455**	443	3	889
Total comprehensive income for the period	**14 611**	16 788	(13)	31 717

* *Restated for coupon payments on AT1 instruments and the adoption of IAS 12 amendments. Refer to pages 165 to 176.*

Condensed consolidated statement of financial position – IFRS

R million	As at 31 December 2019	As at 31 December 2018	As at 30 June 2019
ASSETS			
Cash and cash equivalents	**106 537**	87 450	102 518
Derivative financial instruments	**50 625**	35 725	47 104
Commodities	**19 369**	17 815	21 176
Investment securities	**260 082**	224 126	241 726
Advances	**1 223 764**	1 172 544	1 205 752
– Advances to customers	**1 162 613**	1 111 824	1 142 845
– Marketable advances	**61 151**	60 720	62 907
Accounts receivable	**8 973**	10 346	8 578
Current tax asset	**471**	1 096	267
Reinsurance assets	**231**	130	196
Investments in associates	**7 012**	5 626	6 369
Investments in joint ventures	**2 070**	1 818	1 769
Property and equipment*	**21 893**	17 815	17 800
Intangible assets	**10 493**	10 744	10 491
Investment properties	**689**	814	689
Defined benefit post-employment asset	**6**	36	6
Deferred income tax asset	**4 142**	3 408	4 621
Total assets	**1 716 357**	1 589 493	1 669 062
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**3 445**	6 056	5 374
Derivative financial instruments	**55 501**	41 949	52 597
Creditors, accruals and provisions	**19 102**	19 870**	21 922
Current tax liability	**203**	773	1 643
Deposits	**1 438 588**	1 338 621	1 393 104
Employee liabilities	**9 440**	9 034	13 042
Other liabilities*	**8 411**	5 758	5 974
Policyholder liabilities	**5 692**	4 764	5 263
Tier 2 liabilities	**24 381**	25 750**	24 191
Deferred income tax liability	**1 287**	1 318	1 359
Total liabilities	**1 566 050**	1 453 893	1 524 469
Equity			
Ordinary shares	**56**	56	56
Share premium	**7 963**	8 017	8 023
Reserves	**126 704**	115 488	121 594
Capital and reserves attributable to equityholders of the group	**134 723**	123 561	129 673
Other equity instruments	**11 495**	8 034**	10 734
Non-controlling interests	**4 089**	4 005	4 186
Total equity	**150 307**	135 600	144 593
Total equity and liabilities	**1 716 357**	1 589 493	1 669 062

* *The group has elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information is prepared on an IAS 17 basis. Refer to pages 165 to 167 for more details.*

** *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments. Refer to pages 165 to 176.*

Condensed consolidated statement of cash flows – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	Year ended 30 June 2019
Cash generated from operating activities			
Interest and fee commission receipts	**80 259**	70 252	153 134
Trading and other income	**1 586**	1 250	3 033
Interest payments	**(30 725)**	(31 927)*	(58 428)
Other operating expenses	**(23 750)**	(22 212)	(43 278)
Dividends received	**1 341**	2 151	3 816
Dividends paid	**(8 526)**	(8 302)	(16 598)
Dividends paid to non-controlling interests	**(541)**	(346)	(584)
Taxation paid	**(6 229)**	(5 209)	(10 621)
Cash generated from operating activities	**13 415**	5 657	30 474
Movement in operating assets and liabilities			
Liquid assets and trading securities	**(18 882)**	(15 291)	(30 463)
Advances	**(25 647)**	(43 186)	(95 933)
Deposits	**48 911**	60 667	120 674
Movement in accounts receivable and creditors	**(2 494)**	(869)	2 923
Employee liabilities	**(6 570)**	(5 663)	(5 906)
Other operating liabilities	**(736)**	(9 832)	(14 040)
Net cash generated from operating activities	**7 997**	(8 517)	7 729
Cash flows from investing activities			
Acquisition of investments in associates	**(495)**	(73)	(418)
Proceeds on disposal of investments in associates	**1**	1 164	1 278
Acquisition of investments in joint ventures	**(230)**	(44)	(45)
Proceeds on disposal of investments in joint ventures	**2**	–	22
Acquisition of investments in subsidiaries	**–**	–	–
Proceeds on disposal of investments in subsidiaries	**–**	(1 730)	(2)
Acquisition of property and equipment	**(3 728)**	500	(3 503)
Proceeds on disposal of property and equipment	**391**	(271)	749
Acquisition of intangible assets and investment properties	**(205)**	–	(684)
Proceeds on disposal of intangible assets and investment properties	**–**	–	–
Proceeds on disposal of non-current assets held for sale	**–**	326	331
Net cash outflow from investing activities	**(4 264)**	(128)	(2 272)
Cash flows from financing activities			
Proceeds from the issue of other liabilities	**3 855**	976	1 637
Redemption of other liabilities	**(3 976)**	(243)	(541)
Proceeds from the issue of Tier 2 liabilities	**–**	–	2 625
Capital repaid on Tier 2 liabilities	**(47)**	(3 345)	(7 579)
Acquisition of additional interest in subsidiaries from non-controlling interests	**(6)**	(14)	(23)
Proceeds from the issue of AT1 equity instruments	**761**	2 265	4 965
Issue of shares of additional interest in subsidiaries to non-controlling interests	**–**	(15)	–
Net cash inflow from financing activities	**587**	(376)	1 084
Net increase in cash and cash equivalents	**4 320**	(9 021)	6 541
Cash and cash equivalents at the beginning of the year	**102 518**	96 024	96 024
Effect of exchange rate changes on cash and cash equivalents	**(301)**	447	(47)
Cash and cash equivalents at the end of the period	**106 537**	87 450	102 518
Mandatory reserve balances included above**	**29 955**	27 521	29 191

* *Interest payments relating to Tier 2 liabilities (R644 million) and other liabilities (-R3 577 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 limitations levelled by the 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.*

Condensed consolidated statement of changes in equity – IFRS

for the six months ended 31 December

	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 2018	56	7 994	**8 050**	(723)	343	
Net proceeds of issue of share capital	–	–	**–**	–	–	
AT1 capital issued during the period	–	–	**–**	–	–	
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	–	23	**23**	–	–	
Total comprehensive income for the period	–	–	**–**	(33)	77	
Vesting of share-based payments	–	–	**–**	–	–	
Balance as at 31 December 2018	56	8 017	**8 073**	(756)	420	
Balance as at 1 July 2019	56	8 023	**8 079**	(952)	841	
Adjustment for adoption of IFRS 16	–	–	**–**	–	–	
Restated balance as at 1 July 2019	56	8 023	**8 079**	(952)	841	
Net proceeds of issue of share capital	–	–	**–**	–	–	
AT1 capital issued during the period	–	–	**–**	–	–	
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	–	(60)	**(60)**	–	–	
Total comprehensive income for the period	–	–	**–**	(38)	(264)	
Vesting of share-based payments	–	–	**–**	–	–	
Balance as at 31 December 2019	56	7 963	**8 019**	(990)	577	

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 31 December 2019 include R4 519 million non-cumulative, non-redeemable (NCNR) preference shares, R5 726 million AT1 instruments and R1 250 million contingent convertible securities.*

\# *Restated following the reclassification of AT1 instruments and the coupon payments on these instruments, and the adoption of IAS 12 amendments.* *Refer to pages 165 to 176.*

	Ordinary share capital and ordinary equityholders' funds							
	Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
	4	2 832	686	104 348	**107 490**	**5 769**	**3 906**	**125 215**
	–	–	–	–	**–**	**–**	**(15)**	**(15)**
	–	–	–	–	**–**	**2 265#**	**–**	**2 265**
	1	–	(42)	33	**(8)**	**–**	**17**	**9**
	–	–	–	(8 134)	**(8 134)**	**–**	**(346)**	**(8 480)**
	–	–	–	–	**–**	**(206)#**	**–**	**(206)**
	–	–	(125)	125	**–**	**–**	**–**	**–**
	–	–	–	(14)	**(14)**	**–**	**–**	**(14)**
	–	–	–	15	**15**	**–**	**–**	**38**
	–	346	17	15 732	**16 139**	**206#**	**443**	**16 788**
	–	–	–	–	**–**	**–**	**–**	**–**
	5	3 178	536	112 105	**115 488**	**8 034**	**4 005**	**135 600**
	1	2 386	707	118 611	**121 594**	**10 734**	**4 186**	**144 593**
	–	(20)	–	5	**(15)**	**–**	**–**	**(15)**
	1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
	–	–	–	–	**–**	**–**	**–**	**–**
	–	–	–	–	**–**	**761**	**–**	**761**
	–	–	23	(25)	**(2)**	**–**	**(6)**	**(8)**
	–	–	–	(8 526)	**(8 526)**	**–**	**(541)**	**(9 067)**
	–	–	–	–	**–**	**(498)**	**–**	**(498)**
	–	–	–	–	**–**	**–**	**–**	**–**
	–	–	–	(5)	**(5)**	**–**	**(5)**	**(10)**
	–	–	–	1	**1**	**–**	**–**	**(59)**
	–	(9)	(13)	13 982	**13 658**	**498**	**455**	**14 611**
	(1)	–	–	–	**(1)**	**–**	**–**	**(1)**
	–	2 357	717	124 043	**126 704**	**11 495**	**4 089**	**150 307**

Statement of headline earnings – IFRS

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Profit for the period (refer page 148)	**14 933**	16 375	(9)	31 853
Other equity instrument holders	**(498)**	(206)	>100	(760)
Non-controlling interests	**(453)**	(437)	4	(882)
Earnings attributable to ordinary equityholders	**13 982**	15 732	(11)	30 211
Adjusted for	**5**	(2 388)	(>100)	(2 324)
Gain on investment activities of a capital nature	**–**	(1 928)*	(100)	(1 928)*
Gain on disposal of non-private equity associates	**–**	(1 082)*	(100)	(1 052)*
– Gain on disposal of non-private equity associates	**–**	(1 082)		(1 083)
– Impairment of non-private equity associates	**–**	–		31
Gain on disposal of investments in subsidiaries	**–**	–	–	(6)
Loss/(gain) on disposal of property and equipment	**5**	(70)	(>100)	(52)
Transfer to foreign currency translation reserve	**–**	–	–	(70)
Loss on disposal of investments in joint ventures	**1**	–	–	–
Impairment of assets in terms of IAS 36	**–**	–	–	123
Tax effects of adjustments	**(2)**	692*	(>100)	660*
Non-controlling interest adjustments	**1**	–	–	1
Headline earnings	**13 987**	13 344	5	27 887

* *Includes 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

R million	Six months ended 31 December 2019	Six months ended 31 December 2018	% change	Year ended 30 June 2019
Headline earnings	**13 987**	13 344	5	27 887
Adjusted for	**22**	(2)	(>100)	7
TRS and IFRS 2 liability remeasurement*	**76**	64	19	80
Treasury shares**	**(8)**	(14)	(43)	(1)
IAS 19 adjustment	**(46)**	(52)	(12)	(97)
Private equity-related#	**–**	–	–	25
Normalised earnings	**14 009**	13 342	5	27 894

* *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.
In the current period, FirstRand's share price decreased R5.75 and during the prior period increased R1.67.
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 period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 147.

** *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 condensed consolidated income statement

for the six months ended 31 December 2019

R million	**Normalised**	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	
Net interest income before impairment of advances	**31 893**	–	–	(335)	
Impairment charge	**(5 934)**	–	–	–	
Net interest income after impairment of advances	**25 959**	–	–	(335)	
Total non-interest revenue	**22 583**	32	8	335	
– Operational non-interest revenue	**22 056**	32	4	335	
– Share of profit of associates and joint ventures after tax	**527**	–	4	–	
Income from operations	**48 542**	32	8	–	
Operating expenses	**(28 358)**	(32)	–	–	
Income before tax	**20 184**	–	8	–	
Indirect tax	**(734)**	–	–	–	
Profit before tax	**19 450**	–	8	–	
Income tax expense	**(4 491)**	–	–	–	
Profit for the period	**14 959**	–	8	–	
Attributable to					
Other equity instrument holders	**(498)**	–	–	–	
Non-controlling interests	**(452)**	–	–	–	
Ordinary equityholders	**14 009**	–	8	–	
Headline and normalised earnings adjustments	**–**	–	(8)	–	
Normalised earnings attributable to ordinary equityholders of the group	**14 009**	–	–	–	

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	44	**31 602**
–	–	–	–	**(5 934)**
–	–	–	44	**25 668**
–	–	(6)	(248)	**22 704**
–	–	(6)	(248)	**22 173**
–	–	–	–	**531**
–	–	(6)	(204)	**48 372**
64	–	–	99	**(28 227)**
64	–	(6)	(105)	**20 145**
–	–	–	–	**(734)**
64	–	(6)	(105)	**19 411**
(18)	–	2	29	**(4 478)**
46	–	(4)	(76)	**14 933**
–	–	–	–	**(498)**
–	–	(1)	–	**(453)**
46	–	(5)	(76)	**13 982**
(46)	–	5	76	**27**
–	–	–	–	**14 009**

Reconciliation of normalised to IFRS condensed consolidated income statement continued

for the six months ended 31 December 2018

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	29 444	–	–	682
Impairment charge	(5 021)	–	–	–
Net interest income after impairment of advances	24 423	–	–	682
Total non-interest revenue	21 447	17	14	(682)
– Operational non-interest revenue	20 966	17	8	(682)
– Share of profit of associates and joint ventures after tax	481	–	6	–
Income from operations	45 870	17	14	–
Operating expenses	(26 615)	(17)	–	–
Income before tax	19 255	–	14	–
Indirect tax	(795)	–	–	–
Profit before tax	18 460	–	14	–
Income tax expense	(4 475)	–	–	–
Profit for the period	13 985	–	14	–
Attributable to				
Other equity instrument holders	(206)	–	–	–
Non-controlling interests	(437)	–	–	–
Ordinary equityholders of the group	13 342	–	14	–
Headline and normalised earnings adjustments	–	–	(14)	–
Normalised earnings attributable to ordinary equityholders of the group	13 342	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	38	30 164
–	–	–	–	(5 021)
–	–	–	38	25 143
–	–	3 080	10	23 886
–	–	3 080	10	23 399
–	–	–	–	487
–	–	3 080	48	49 029
72	–	–	(137)	(26 697)
72	–	3 080	(89)	22 332
–	–	–	–	(795)
72	–	3 080	(89)	21 537
(20)		(692)	25	(5 162)
52	–	2 388	(64)	16 375
–	–	–	–	(206)
–	–	–	–	(437)
52	–	2 388	(64)	15 732
(52)	–	(2 388)	64	(2 390)
–	–	–	–	13 342

Reconciliation of normalised to IFRS condensed consolidated income statement continued

for the year ended 30 June 2019

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	44 068	32	1	(77)
– Operational non-interest revenue	42 811	32	(3)	(77)
– Share of profit of associates and joint ventures after tax	1 257	–	4	–
Income from operations	93 867	32	1	–
Operating expenses	(53 899)	(32)	–	–
Income before tax	39 968	–	1	–
Indirect tax	(1 280)	–	–	–
Profit before tax	38 688	–	1	–
Income tax expense	(9 152)	–	–	–
Profit for the period	29 536	–	1	–
Attributable to				
Other equity instrument holders	(760)	–	–	–
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)	47 038
–	(26)	3 139	(68)	45 808
–	–	(31)	–	1 230
–	(26)	3 108	13	96 995
135	–	(123)	(124)	(54 043)
135	(26)	2 985	(111)	42 952
–	–	–	–	(1 280)
135	(26)	2 985	(111)	41 672
(38)	–	(660)	31	(9 819)
97	(26)	2 325	(80)	31 853
–	–	–	–	(760)
–	1	(1)	–	(882)
97	(25)	2 324	(80)	30 211
(97)	25	(2 324)	80	(2 317)
–	–	–	–	27 894

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 31 December 2019

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	106 537	–	106 537
Derivative financial instruments	50 625	–	50 625
Commodities	19 369	–	19 369
Investment securities	260 164	(82)	260 082
Advances	1 223 764	–	1 223 764
– Advances to customers	1 162 613	–	1 162 613
– Marketable advances	61 151	–	61 151
Accounts receivable	8 973	–	8 973
Current tax asset	471	–	471
Reinsurance assets	231	–	231
Investments in associates	7 012	–	7 012
Investments in joint ventures	2 016	54	2 070
Property and equipment	21 893	–	21 893
Intangible assets	10 493	–	10 493
Investment properties	689	–	689
Defined benefit post-employment asset	6	–	6
Deferred income tax asset	4 142	–	4 142
Total assets	1 716 385	(28)	1 716 357
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	3 445	–	3 445
Derivative financial instruments	55 501	–	55 501
Creditors, accruals and provisions	19 102	–	19 102
Current tax liability	203	–	203
Deposits	1 438 588	–	1 438 588
Employee liabilities	9 440	–	9 440
Other liabilities	8 411	–	8 411
Policyholder liabilities	5 692	–	5 692
Tier 2 liabilities	24 381	–	24 381
Deferred income tax liability	1 287	–	1 287
Total liabilities	1 566 050	–	1 566 050
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(93)	7 963
Reserves	126 639	65	126 704
Capital and reserves attributable to ordinary equityholders of the group	134 751	(28)	134 723
Other equity instruments	11 495	–	11 495
Non-controlling interests	4 089	–	4 089
Total equity	150 335	(28)	150 307
Total equity and liabilities	1 716 385	(28)	1 716 357

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position

as at 31 December 2018

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	87 450	–	87 450
Derivative financial instruments	35 725	–	35 725
Commodities	17 815	–	17 815
Investment securities	224 147	(21)	224 126
Advances	1 172 544	–	1 172 544
– Advances to customers	1 111 824	–	1 111 824
– Marketable advances	60 720	–	60 720
Accounts receivable	10 346	–	10 346
Current tax asset	1 096	–	1 096
Reinsurance assets	130	–	130
Investments in associates	5 626	–	5 626
Investments in joint ventures	1 766	52	1 818
Property and equipment	17 815	–	17 815
Intangible assets	10 744	–	10 744
Investment properties	814	–	814
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	3 408	–	3 408
Total assets	1 589 462	31	1 589 493
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	6 056	–	6 056
Derivative financial instruments	41 949	–	41 949
Creditors, accruals and provisions	19 870	–	19 870
Current tax liability	773	–	773
Deposits	1 338 621	–	1 338 621
Employee liabilities	9 034	–	9 034
Other liabilities	5 758	–	5 758
Policyholder liabilities	4 764	–	4 764
Tier 2 liabilities	25 750	–	25 750
Deferred income tax liability	1 318	–	1 318
Total liabilities	1 453 893	–	1 453 893
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(39)	8 017
Reserves	115 418	70	115 488
Capital and reserves attributable to ordinary equityholders of the group	123 530	31	123 561
Other equity instruments	8 034	–	8 034
Non-controlling interests	4 005	–	4 005
Total equity	135 569	31	135 600
Total equity and liabilities	1 589 462	31	1 589 493

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS condensed consolidated statement of financial position continued

as at 30 June 2019

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
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 ordinary 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.*

Restatement and changes in presentation of prior year numbers

IMPACT OF REVISED ACCOUNTING STANDARDS – IFRS 16

The group adopted IFRS 16 during the current period, with the most significant impact on the accounting treatment of leases where the group is the lessee. The standard requires lessees to recognise a right-of-use asset (ROUA) and corresponding lease liability in respect of all leases that were classified as operating leases under IAS 17. The standard does allow for certain exemptions from this treatment for short-term leases and leases where the underlying asset is considered to be of low value.

As permitted by IFRS 16, the group did not restate comparative information and elected to apply the modified retrospective approach on the date of initial application (DIA), being 1 July 2019. On the DIA, a lease liability, measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at DIA, was recognised. The group elected to measure the ROUA at a value equal to the lease liability as calculated at the DIA, adjusted for any lease prepayments that were made, as well as any operating lease liabilities from the straight-lining of lease liabilities that were raised under IAS 17.

The table below reconciles the operating lease commitments recognised under IAS 17 to the lease liabilities recognised on the statement of financial position as at 1 July 2019.

R million	Note	Amount
Operating lease commitments disclosed as at 30 June 2019 under IAS 17	1	3 390
Less: short-term leases	2	(292)
Less: low-value leases	3	(46)
Less: variable rate leases (payments not based on a rate or index)	4	(47)
Add: adjusted treatment of extension and termination options	5	264
Total qualifying operating leases subject to IFRS 16		3 269
Less: discounting impact using the group's incremental borrowing rate	6	(435)
Additional lease liability recognised as at 1 July 2019 (included in other liabilities)		2 834

The table below sets out a breakdown of the total ROUA recognised as at 1 July 2019.

R million	Note	Amount
ROUA recognised on DIA (equal to the present value of lease liability)		2 834
Add: prepayments	7	39
Less: operating lease straight-lining liability	7	(103)
Less: FCTR and profit or loss impact for subsidiaries with December year-ends	8	(15)
ROUA recognised after adjustments		2 755
Property held under finance leases under IAS 17	9	998
Total ROUA as at 1 July 2019 (included in PPE)	9	3 753

The ROUA is classified as property and equipment (PPE). The recognition of additional assets of R2 755 million on the statement of financial position leads to additional capital requirements and resulted in an increase of 2 bps (on a fully loaded basis) in the CET1 ratio of the group.

The recognition of the lease liability and ROUA impacted the amounts recognised in the group's income statement from the DIA. Under IAS 17 a straight-lined operating lease charge was recognised in operating expenses.

From the DIA, the following amounts will be recognised in the income statement under IFRS 16:

- interest expense on the lease liability;
- depreciation charge on the ROUA recognised over the lease term; and
- rental charge recognised in operating expenses for variable rate leases and assets classified as short-term or low-value in terms of the group's policy.

The adoption of IFRS 16 had no impact on the amount of the net deferred tax recognised.

Restatement and changes in presentation of prior year numbers continued

Notes

<table>
<tr><th>NOTE</th><th>ADJUSTMENT</th><th>DESCRIPTION OF FIRSTRAND POLICY</th></tr>
<tr><td>1</td><td>Operating lease commitments under IAS 17</td><td>The group applied the practical expedient in IFRS 16 C3 and did not reassess the definition of a lease in its current, lease contracts but applied the requirements of IFRS 16 to all leases recognised as operating leases under IAS 17.</td></tr>
<tr><td>2</td><td>Short-term leases</td><td>IFRS 16 provides an exemption for leases that are short-term in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied per class of leases (i.e. leases of property, leases of vehicles, etc.). The group applied this exemption to all classes of leases at DIA and for new leases entered into after the DIA that meets the definition. The group defines short-term leases as any lease that has a term of 12 months or less and where the terms of the lease contain:
> no extension periods that the group is reasonably certain to exercise which would result in the lease term being longer than 12 months; and
> no purchase option.</td></tr>
<tr><td>3</td><td>Low-value leases</td><td>IFRS 16 provides an exemption for leases of assets that are low-value in nature. The exemption allows a lessee to not recognise a ROUA or lease liability. The exemption is applied on an asset-by-asset basis and is at the election of the lessee. This exemption has been applied to all classes of leases, excluding property, at DIA and to new leases entered into after the DIA that meet the group's definition of a low-value lease.</td></tr>
<tr><td>4</td><td>Variable rate leases (payments not based on a rate or index)</td><td>Under IAS 17, certain variable payments were included in the value of operating lease commitments disclosed in the annual financial statements. Under IFRS 16 variable lease payments that are not linked to a rate or an index are not capitalised and are expensed when incurred.</td></tr>
<tr><td>5</td><td>Extension and termination options</td><td>The group's policy is to include extension and termination options for certain property leases where there is a reasonably certain expectation that the lease will be renewed. As such the value of these extension and termination options are taken into consideration in the determination of the lease liability.
In assessing whether it is reasonably certain that the option will be exercised, past practices observed for similar types of leases and the economic reasons for electing those options are used to conclude whether it is reasonably certain that the option will be exercised or not.</td></tr>
<tr><td>6</td><td>Discounting using the group's incremental borrowing rate</td><td>IFRS 16 requires that the lease payments are discounted. The discounted amount is calculated using the incremental borrowing rate at DIA. The group used the practical expedient in IFRS 16 that allows the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
The range of incremental borrowing rates used is indicative of:
> duration of the lease;
> credit risk of the business that is the lessee; and
> currency of the lease for the subsidiaries and branches outside of South Africa.
The range of incremental borrowing rates can be broken down as follows based on the currency of the lease:
<table>
<tr><th>Currency</th><th>Range – lowest</th><th>Range – highest</th></tr>
<tr><td>Rand</td><td>7.87%</td><td>8.62%</td></tr>
<tr><td>Pound</td><td>2.13%</td><td>2.89%</td></tr>
<tr><td>US dollar</td><td>4.44%</td><td>4.46%</td></tr>
<tr><td>Namibian dollar</td><td>8.16%</td><td>10.23%</td></tr>
<tr><td>Pula</td><td>4.25%</td><td>6.32%</td></tr>
<tr><td>Kwacha</td><td>15.61%</td><td>17.36%</td></tr>
</table></td></tr>
</table>

NOTE	ADJUSTMENT	DESCRIPTION OF FIRSTRAND POLICY
7	Prepayments and operating lease straight-lining liability	The group adjusted the lease prepayments and operating lease liabilities from the straight-lining of lease liabilities that were raised under IAS 17 against the ROUA recognised on the DIA.
8	Foreign currency translation reserve (FCTR) and profit or loss impact for subsidiaries with December year-ends	This amount relates to the subsidiaries with December year-ends that transitioned to IFRS 16 on 1 January 2019. Given the immateriality of the impact, only the impact on the statement of financial position was reversed for consolidation at 30 June 2019. The equity impact therefore relates to the foreign exchange movements on the income statement impact of IFRS 16 that was not reversed for consolidation purposes.
9	Property held under finance leases under IAS 17	The group had property held under finance leases that was included in PPE within the leasehold premises category. No lease liabilities relating to the finance lease was recognised on property and equipment as the lease was prepaid. At transition to IFRS 16, the measurement was retained and the property held under finance lease was reclassified to ROUA.

Refer to pages 175 and 176 for an extract of the updated accounting policies that resulted from the implementation of IFRS 16.

IMPACT OF REVISED ACCOUNTING STANDARDS – IAS 12

The group adopted the amendments that were made to IAS 12 in the current financial period. The amendment clarifies that the tax consequences of dividends should be recognised in the income statement, other comprehensive income or equity according to where the past transactions or events were recognised that gave rise to the distributable reserves from which the dividends were declared. Therefore, if the dividends are declared from retained income arising from profits previously recognised in the income statement, the income tax consequences of the dividend distribution should be recognised in the income statement. The amendment to IAS 12 is required to be applied retrospectively and comparative information has been restated.

The amendment affects the recognition of the income tax deduction on the group's contingent convertible securities and Additional Tier 1 (AT1) instruments included within other equity instruments. The tax impact of the dividends on these instruments were previously recognised directly in equity and is now required to be recognised in the income statement. The amendment resulted in a restatement of income tax and profit attributable to other equityholders in the income statement, as well as the distributions on other equity instruments in the statement of changes in equity.

Dividends on the group's contingent convertible securities are payable annually in April and quarterly on the AT1 instruments. The group's AT1 instruments were issued in 2018 and 2019. The implementation of the amended requirements impacted the amounts published at 30 June 2019.

Refer to pages 175 and 176 for an extract of the updated accounting policies as a result of the implementation of IAS 12.

Restatement and changes in presentation of prior year numbers continued

IMPACT OF REVISED ACCOUNTING STANDARDS – OTHER

The following other new or revised standards became effective for the six months ended 31 December 2019 and had no impact on the group's reported earnings, financial position, reserves or accounting policies.

NEW/REVISED IFRS	DESCRIPTION OF CHANGE	IMPACT ON FIRSTRAND
IFRS 9 amendments	**Prepayment features with negative compensation** The International Accounting Standards Board (IASB) issued a narrow-scope amendment to IFRS 9 to enable companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected include some advances and debt securities which would otherwise be measured at fair value through profit or loss (FVTPL).	The amendment will be considered when the group issues instruments with these characteristics.
IAS 28	**Long-term interests in associates (amendments to IAS 28)** The amendment clarifies that an entity should apply IFRS 9, including impairment requirements, to long-term interests in associates and joint ventures that in substance form part of the net investment in the associate or joint venture.	The group assessed the impact of this amendment on the annual financial statements as part of the adoption of IFRS 9 and it currently complies with this amendment.
IFRIC 23	**Uncertainty over income tax treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency.	The group complies with the guidance issued by the IFRS-IC.
Annual improvements 2015 – 2017 cycle	These annual improvements include amendments to: > IFRS 3 and IFRS 11 – The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. > IAS 23 – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	The amendments to IFRS 3, IFRS 11 and IAS 23 are not applicable to the group.

RESTATEMENT OF PRIOR YEAR NUMBERS

Other equity instruments

For the financial period ending 30 June 2019, the following classes of equity were combined to form the equity class named other equity instruments on the face of the statement of financial position:

- non-cumulative non-redeemable (NCNR) preference shares;
- contingent convertible securities; and
- AT1 capital notes.

The NCNR and contingent convertible preference shares were disclosed as separate classes of equity on the face of the statement of financial position at 31 December 2018.

The AT1 instruments issued in November 2018 have been reclassified as equity and the coupon payments as dividends. Previously they were classified as financial liabilities and the coupon payments as NII. Contractually the redemption and coupon payments are at the discretion of the group, resulting in an equity classification in terms of IFRS, even though from an economic perspective, the group continues to view these AT1 instruments as liability in nature. The comparative information for 31 December 2018 has been restated. These instruments were reflected as other equity instruments as at 30 June 2019.

The income statement for the six months ending 31 December 2018 was adjusted for the coupon payment accrued. Since the instrument is now classified as equity and not as a financial liability, the coupon paid in February 2019 and May 2019 was recognised directly in retained earnings as dividends.

Changes in presentation

Management and fiduciary fees

As at 30 June 2019 the group updated the presentation of certain management fees earned. These fees were previously presented in insurance income and were reallocated to management and fiduciary fees, within fee and commission income, to better reflect the nature of the income.

Customer loyalty programme expenses

During the current financial period the nature of various expenses incurred by FNB relating to their customer loyalty programme was reassessed. This resulted in expenses previously recognised as lease charges in operating expenses and other non-interest revenue being reallocated to fee and commission expenses. This is in line with the treatment of other direct and incremental customer loyalty related expenses.

These changes in presentation had no impact on the profit or loss and only affected the presentation of items within non-interest revenue.

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

R million	As previously reported at 31 December 2018	Restatement for other equity instruments	Restatements from insurance income to management and fiduciary fees	Restatement for customer loyalty programme expenses	Restated 31 December 2018
Net interest income before impairment of advances	30 126	38	–	–	30 164
Impairment and fair value of credit on advances	(5 021)	–	–	–	(5 021)
Net interest income after impairment of advances	25 105	38	–	–	25 143
Non-interest revenue	23 513	–	–	(114)	23 399
– Net fee and commission income	15 632	–	143	(114)	15 661
– Fee and commission income	18 472	–	143	–	18 615
– Fee and commission expense	(2 840)	–	–	(114)	(2 954)
– Insurance income	2 072	–	(143)	–	1 929
– Fair value income	1 173	–	–	–	1 173
– Fair value gains or losses	3 487	–	–	–	3 487
– Interest expense on fair value activities	(2 314)	–	–	–	(2 314)
– Gains less losses from investing activities	3 317	–	–	–	3 317
– Other non-interest income	1 319	–	–	–	1 319
Income from operations	48 618	38	–	(114)	48 542
Operating expenses	(26 811)	–	–	114	(26 697)
Net income from operations	21 807	38	–	–	21 845
Share of profit of associates after tax	401	–	–	–	401
Share of profit of joint ventures after tax	86	–	–	–	86
Income before tax	22 294	38	–	–	22 332
Indirect tax	(795)	–	–	–	(795)
Profit before tax	21 499	38	–	–	21 537
Income tax expense	(5 162)	–	–	–	(5 162)
Profit for the period	16 337	38	–	–	16 375
Attributable to					
Ordinary equityholders	15 732	–	–	–	15 732
Other equity instrument holders	168	38	–	–	206
Equityholders of the group	15 900	38	–	–	15 938
Non-controlling interests	437	–	–	–	437
Profit for the period	16 337	38	–	–	16 375

RESTATED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS

R million	As previously reported at 31 December 2018	Restatement for other equity instruments	Restated 31 December 2018
Profit for the period	16 337	38	16 375
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	77	–	77
Gains arising during the period	500	–	500
Reclassification adjustments for amounts included in profit or loss	(393)	–	(393)
Deferred income tax	(30)	–	(30)
FVOCI debt reserve	(13)	–	(13)
Losses arising during the period	(21)	–	(21)
Reclassification adjustments for amounts included in profit or loss	(1)	–	(1)
Deferred income tax	9	–	9
Exchange differences on translating foreign operations	353	–	353
Gains arising during the period	353	–	353
Deferred income tax	–	–	–
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	29	–	29
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	–	–	–
Losses arising during the period	–	–	–
Remeasurement on defined benefit post-employment plans	(33)	–	(33)
Losses arising during the period	(47)	–	(47)
Deferred income tax	14	–	14
Other comprehensive income for the period	413	–	413
Total comprehensive income for the period	16 750	38	16 788
Attributable to			
Ordinary equityholders	16 139	–	16 139
Other equity instrument holders	168	38	206
Equityholders of the group	16 307	38	16 345
Non-controlling interests	443	–	443
Total comprehensive income for the period	16 750	38	16 788

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As previously reported at 31 December 2018	Restatement for other equity instruments	Restated 31 December 2018
Total assets	1 589 493	–	1 589 493
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provisions	19 832	38	19 870
Tier 2 liabilities	28 053	(2 303)	25 750
Other liabilities	1 408 273	–	1 408 273
Total liabilities	1 456 158	(2 265)	1 453 893
Equity			
Ordinary shares	56	–	56
Share premium	8 017	–	8 017
Reserves	115 488	–	115 488
Capital and reserves attributable to equityholders of the group	123 561	–	123 561
Other equity instruments	5 769	2 265	8 034
Contingent convertible securities	1 250	2 265	3 515
NCNR preference shares	4 519	–	4 519
Non-controlling interests	4 005	–	4 005
Total equity	133 335	2 265	135 600
Total equity and liabilities	1 589 493	–	1 589 493

RESTATED CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

R million	As previously reported at 30 June 2019	Restatements for IAS 12 amendments	Restatement for customer loyalty programme expenses	Restated 30 June 2019
Net interest income before impairment of advances	**60 457**	–	–	**60 457**
Impairment and fair value of credit on advances	**(10 500)**	–	–	**(10 500)**
Net interest income after impairment of advances	**49 957**	–	–	**49 957**
Non-interest revenue	**46 048**	–	(240)	**45 808**
– Net fee and commission income	**30 971**	–	(240)	**30 731**
– Fee and commission income	**36 533**	–	–	**36 533**
– Fee and commission expense	**(5 562)**	–	(240)	**(5 802)**
– Insurance income	**4 128**	–	–	**4 128**
– Fair value income	**4 587**	–	–	**4 587**
– Fair value gains or losses	**9 338**	–	–	**9 338**
– Interest expense on fair value activities	**(4 751)**	–	–	**(4 751)**
– Gains less losses from investing activities	**3 610**	–	–	**3 610**
– Other non-interest income	**2 752**	–	–	**2 752**
Income from operations	**96 005**	–	(240)	**95 765**
Operating expenses	**(54 283)**	–	240	**(54 043)**
Net income from operations	**41 722**	–	–	**41 722**
Share of profit of associates after tax	**946**	–	–	**946**
Share of profit of joint ventures after tax	**284**	–	–	**284**
Income before tax	**42 952**	–	–	**42 952**
Indirect tax	**(1 280)**	–	–	**(1 280)**
Profit before tax	**41 672**	–	–	**41 672**
Income tax expense	**(9 912)**	93	–	**(9 819)**
Profit for the year	**31 760**	93	–	**31 853**
Attributable to				
Ordinary equityholders	**30 211**	–	–	**30 211**
Other equity instrument holders	**667**	93	–	**760**
Equityholders of the group	**30 878**	93	–	**30 971**
Non-controlling interests	**882**	–	–	**882**
Profit for the year	**31 760**	93	–	**31 853**

Restatement and changes in presentation of prior year numbers continued

RESTATED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS

R million	As previously reported at 30 June 2019	Restatements for IAS 12 amendments	Restated 30 June 2019
Profit for the year	31 760	93	31 853
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	–	498
Gains arising during the year	829	–	829
Reclassification adjustments for amounts included in profit or loss	(137)	–	(137)
Deferred income tax	(194)	–	(194)
FVOCI debt reserve	(4)	–	(4)
Losses arising during the year	(2)	–	(2)
Reclassification adjustments for amounts included in profit or loss	(4)	–	(4)
Deferred income tax	2	–	2
Exchange differences on translating foreign operations	(444)	–	(444)
Losses arising during the year	(428)	–	(428)
Deferred income tax	(16)	–	(16)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	45	–	45
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	(2)	–	(2)
Losses arising during the year	(2)	–	(2)
Remeasurement on defined benefit post-employment plans	(229)	–	(229)
Losses arising during the year	(307)	–	(307)
Deferred income tax	78	–	78
Other comprehensive loss for the year	(136)	–	(136)
Total comprehensive income for the year	31 624	93	31 717
Attributable to			
Ordinary equityholders	30 068	–	30 068
Other equity instrument holders	667	93	760
Equityholders of the group	30 735	93	30 828
Non-controlling interests	889	–	889
Total comprehensive income for the year	31 624	93	31 717

The impact on the group's financial results as at 1 July 2019 (DIA for IFRS 16) is shown below. The amendment to IAS 12 had no impact on the statement of financial position at 30 June 2019. The income tax impact of the dividends on other equity instruments is recognised in the income statement, where previously it was recognised in reserves.

RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As previously reported at 30 June 2019	Restatement for IFRS 16	Restated 1 July 2019
ASSETS			
Accounts receivable	**8 578**	(39)	**8 539**
Property and equipment	**17 800**	2 755	**20 555**
Other assets	**1 642 684**	–	**1 642 684**
Total assets	**1 669 062**	2 716	**1 671 778**
EQUITY AND LIABILITIES			
Liabilities			
Creditors, accruals and provisions (straight-lining liability)	**21 922**	(103)	**21 819**
Current tax liability	**1 643**	–	**1 643**
Tier 2 liabilities	**24 191**	–	**24 191**
Other liabilities	**1 476 713**	2 834	**1 479 547**
Total liabilities	**1 524 469**	2 731	**1 527 200**
Equity			
Ordinary shares	**56**	–	**56**
Share premium	**8 023**	–	**8 023**
Reserves	**121 594**	(15)	**121 579**
Capital and reserves attributable to ordinary equityholders of the group	**129 673**	(15)	**129 658**
Other equity instruments	**10 734**	–	**10 734**
Non-controlling interests	**4 186**	–	**4 186**
Total equity	**144 593**	(15)	**144 578**
Total equity and liabilities	**1 669 062**	2 716	**1 671 778**

SUMMARY ACCOUNTING POLICIES

The following is an extract from the accounting policies that were updated as a result of the implementation of IFRS 16 and the IAS 12 amendments. The IFRS 16 policies only include the accounting policies where the group is the lessee, as IFRS 16 did not have an impact on the accounting policies for transactions where the group is the lessor.

Restatement and changes in presentation of prior year numbers continued

IFRS 16 – Contracts where the group is the lessee

The group leases a variety of properties, equipment and vehicles. Rental agreements typically include fixed periods over which the item is leased, that are individually negotiated and contain a wide range of different terms and conditions. The group assesses whether a contract is or contains a lease at inception of the contract.

Qualifying leases are recognised as a ROUA and a corresponding liability at the date at which the leased asset is made available for use by the group.

LEASES WHERE THE GROUP IS THE LESSEE	
At inception	The group recognises a ROUA and a corresponding lease liability for all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The group considers the following as low-value assets – printers, laptops, office furniture, coffee machines, water coolers, SIM cards, POS devices and segways. This assessment is based on the fact that: > the group can benefit from the use of the underlying asset on its own or together with other resources that are readily available to the group; > the underlying asset is not highly dependent on, or highly interrelated with, other assets; and > these assets have individual values that are not significant when compared to our other leased assets. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual group lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from Group Treasury. The ROUAs are measured at the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received is deducted from the cost. Post initial recognition, ROUAs are treated in line with other property and equipment.
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. For short-term and low-value leases, the group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.
Variable lease payments	Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in operating expenses in the consolidated income statement.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.

IAS 12 – Income taxes

The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates. Current income tax arising from distributions made to other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement.

Advances

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Category analysis				
Overdrafts and cash management accounts	**80 767**	81 936	(1)	82 642
Term loans	**71 832**	67 505	6	67 926
Card loans	**36 530**	31 907	14	35 516
Instalment sales, hire purchase agreements and lease payments receivable	**237 140**	228 783	4	232 103
Property finance	**430 408**	389 860	10	408 078
Personal loans	**55 755**	49 348	13	53 569
Preference share agreements	**50 292**	49 459	2	49 576
Assets under agreement to resell	**37 438**	43 430	(14)	45 315
Investment bank term loans	**150 363**	153 553	(2)	155 780
Long-term loans to group associates and joint ventures	**2 818**	2 714	4	2 473
Other	**44 832**	45 899	(2)	44 029
Marketable advances	**61 151**	60 720	1	62 907
Gross value of advances	**1 259 326**	1 205 114	4	1 239 914
Impairment and fair value of credit of advances	**(35 562)**	(32 570)	9	(34 162)
Net advances	**1 223 764**	1 172 544	4	1 205 752

Note: Refer to note 2 on page 178 for a further analysis of advances per class.

NOTE 1 – IMPAIRMENT OF ADVANCES

	Six months ended at 31 December						Year ended at 30 June		
	2019			2018			2019		
R million	**Total**	**Amortised cost**	**Fair value through profit or loss**	Total	Amortised cost	Fair value through profit or loss	Total	Amortised cost	Fair value through profit or loss
Increase in loss allowance	**(6 817)**	**(6 819)**	**2**	(6 095)	(6 089)	(6)	(12 415)	(12 346)	(69)
Recoveries of bad debts	**1 377**	**1 377**	**–**	1 351	1 351	–	2 548	2 548	–
Modification loss	**(494)**	**(494)**	**–**	(277)	(277)	–	(633)	(633)	–
Impairment of advances recognised during the period	**(5 934)**	**(5 936)**	**2**	(5 021)	(5 015)	(6)	(10 500)	(10 431)	(69)

Note: Refer to note 3 on pages 180 to 185 for a reconciliation of the loss allowance per class.

Advances continued

NOTE 2 – ANALYSIS OF ADVANCES PER CLASS

	As at 31 December 2019			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	221 254	223 979	–	(2 725)
Vehicle asset finance*	143 492	148 725	–	(5 233)
Total retail secured	364 746	372 704	–	(7 958)
Credit card	30 328	33 498	–	(3 170)
Personal loans	33 797	41 204	–	(7 407)
Other retail	15 312	18 214	–	(2 902)
Total retail unsecured	79 437	92 916	–	(13 479)
FNB commercial	103 311	107 372	30	(4 091)
WesBank corporate	29 492	29 855	–	(363)
RMB investment banking	267 317	202 176	68 494	(3 353)
RMB corporate banking	59 004	59 626	102	(724)
Total corporate and commercial	459 124	399 029	68 626	(8 531)
Rest of Africa	61 537	64 775	338	(3 576)
Group Treasury and other	37 537	37 325	896	(684)
Aldermore	221 383	222 717	–	(1 334)
Retail**	157 091	157 734	–	(643)
Commercial	64 292	64 983	–	(691)
Total advances	1 223 764	1 189 466	69 860	(35 562)

* *Includes MotoNovo VAF (UK) back book in FirstRand bank with closing balances of R42 020 million (£2 281 million); December 2018: R59 531 million (£3 249 million) and June 2019: R54 561 million (£3 034 million).*

** *Includes MotoNovo new book of R24 259 million (£1 317 million); June 2019: R6 639 million (£369 million).*

	As at 31 December 2018				As at 30 June 2019			
	Total	Amortised cost	Fair value through profit or loss	Loss allowance	Total	Amortised cost	Fair value through profit or loss	Loss allowance
	208 000	210 484	–	(2 484)	214 623	217 164	–	(2 541)
	159 797	165 215	–	(5 418)	155 260	160 703	–	(5 443)
	367 797	375 699	–	(7 902)	369 883	377 867	–	(7 984)
	26 745	29 113	–	(2 368)	29 560	32 443	–	(2 883)
	30 571	36 791	–	(6 220)	33 094	39 947	–	(6 853)
	14 394	16 982	–	(2 588)	15 183	17 908	–	(2 725)
	71 710	82 886	–	(11 176)	77 837	90 298	–	(12 461)
	93 982	97 474	72	(3 564)	101 319	105 057	74	(3 812)
	29 864	30 226	–	(362)	27 607	27 945	–	(338)
	280 050	211 614	71 753	(3 317)	282 665	206 751	79 147	(3 233)
	63 696	64 673	–	(977)	57 244	57 827	105	(688)
	467 592	403 987	71 825	(8 220)	468 835	397 580	79 326	(8 071)
	59 916	63 369	392	(3 845)	61 647	65 241	369	(3 963)
	33 490	33 587	554	(651)	37 028	37 166	577	(715)
	172 039	172 815	–	(776)	190 522	191 490	–	(968)
	113 847	114 066	–	(219)	128 686	129 072	–	(386)
	58 192	58 749	–	(557)	61 836	62 418	–	(582)
	1 172 544	1 132 343	72 771	(32 570)	1 205 752	1 159 642	80 272	(34 162)

Advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

	Fair value				Amortised cost		
					Retail secured		Retail unsecured
R million	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance	Credit card
Amount as at 1 July 2019	368	2	178	548	2 541	5 443	2 883
– Stage 1	124	2	176	302	360	980	631
– Stage 2	47	–	2	49	510	1 626	383
– Stage 3	197	–	–	197	1 671	2 837	1 869
Transfers between classes	–	–	–	–	(1)	15	1
Transfers to non-current assets held for sale	–	–	–	–	–	–	–
Disposal of advances	–	–	–	–	–	–	–
Exchange rate difference	–	–	–	–	–	26	–
Bad debts written off	–	–	–	–	(124)	(1 352)	(784)
Current period provision created/(released)*	2	–	(5)	(3)	279	979	1 000
– Stage 1	(30)	–	(5)	(35)	(126)	(515)	7
– Stage 2	32	–	–	32	264	585	264
– Stage 3	–	–	–	–	141	909	729
Interest on stage 3 advances	–	–	–	–	30	122	70
Amount as at 31 December 2019	370	2	173	545	2 725	5 233	3 170
– Stage 1	90	2	173	265	376	804	662
– Stage 2	84	–	–	84	585	1 607	402
– Stage 3	196	–	–	196	1 764	2 822	2 106

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

	Amortised cost										
	Retail unsecured		Corporate and commercial								
	Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
	6 853	2 725	3 812	338	2 865	688	3 961	537	386	582	33 614
	1 440	724	733	92	924	231	805	322	159	213	7 614
	979	464	776	67	1 419	364	804	150	51	109	7 702
	4 434	1 537	2 303	179	522	93	2 352	65	176	260	18 298
	(3)	(1)	–	(12)	(1)	–	–	4	(2)	–	–
	–	–	–	–	–	–	–	–	–	–	–
	(90)	–	–	–	(2)	–	–	–	–	–	(92)
	1	–	–	–	–	(4)	(84)	–	9	13	(39)
	(1 669)	(850)	(507)	(58)	–	–	(874)	–	(46)	(147)	(6 411)
	1 935	834	624	85	113	30	470	(30)	267	234	6 820
	(309)	(31)	(183)	(13)	(25)	(31)	(116)	22	142	67	(1 111)
	660	286	301	29	6	66	84	(47)	68	105	2 671
	1 584	579	506	69	132	(5)	502	(5)	57	62	5 260
	380	194	162	10	8	10	101	–	29	9	1 125
	7 407	2 902	4 091	363	2 983	724	3 574	511	643	691	35 017
	1 152	754	704	108	911	207	696	345	296	224	7 239
	1 246	520	699	66	1 500	314	867	105	103	155	8 169
	5 009	1 628	2 688	189	572	203	2 011	61	244	312	19 609

Advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS *continued*

	Fair value				Amortised cost		
					Retail secured		Retail unsecured
R million	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance	Credit card
Amount as at 1 July 2018	312	4	173	489	2 362	5 345	1 805
– Stage 1	92	4	173	269	269	1 180	535
– Stage 2	15	–	–	15	378	1 527	274
– Stage 3	205	–	–	205	1 715	2 638	996
Transfers between classes	–	–	–	–	–	–	–
Transfers to non-current assets held for sale	–	–	–	–	–	–	–
Disposal of advances	–	–	–	–	–	–	–
Exchange rate difference	–	–	–	–	118	9	(1)
Bad debts written off	–	–	–	–	(183)	(1 486)	(176)
Current period provision created/(released)*	6	–	–	6	135	1 363	692
– Stage 1	6	–	–	6	(118)	(196)	(53)
– Stage 2	–	–	–	–	159	463	206
– Stage 3	–	–	–	–	94	1 096	539
Interest on stage 3 advances	–	–	–	–	52	187	48
Amount as at 31 December 2018	318	4	173	495	2 484	5 418	2 368
– Stage 1	74	4	173	251	278	1 104	571
– Stage 2	44	–	–	44	386	1 558	287
– Stage 3	200	–	–	200	1 820	2 756	1 510

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

Amortised cost										
Retail unsecured		Corporate and commercial								
Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
4 732	2 023	3 457	333	2 876	945	3 598	476	185	452	28 589
1 267	637	680	93	570	163	726	326	80	193	6 719
1 017	546	879	91	1 330	723	685	150	29	103	7 732
2 448	840	1 898	149	976	59	2 187	–	76	156	14 138
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	4	–	–	–	4
–	–	–	–	–	–	–	–	–	–	–
2	(116)	(1)	2	15	1	(46)	(6)	–	5	(18)
(356)	(240)	(447)	(52)	(115)	–	(341)	–	(4)	(75)	(3 475)
1 732	791	409	81	215	11	439	8	38	175	6 089
159	129	(277)	(105)	133	(135)	(57)	(3)	39	78	(406)
378	204	362	125	(47)	(5)	92	–	4	56	1 997
1 195	458	324	61	129	151	404	11	(5)	41	4 498
110	130	146	(2)	8	20	187	–	–	–	886
6 220	2 588	3 564	362	2 999	977	3 841	478	219	557	32 075
1 486	834	695	102	719	42	605	328	111	207	7 082
929	385	764	83	1 277	543	794	150	33	130	7 319
3 805	1 369	2 105	177	1 003	392	2 442	–	75	220	17 674

Advances continued

NOTE 3 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS *continued*

	Fair value				Amortised cost		
					Retail secured		Retail unsecured
R million	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Residential mortgages	Vehicle asset finance	Credit card
Amount as at 1 July 2018	312	4	173	489	2 362	5 345	1 805
– Stage 1	92	4	173	269	269	1 180	535
– Stage 2	15	–	–	15	378	1 527	274
– Stage 3	205	–	–	205	1 715	2 638	996
Transfers between classes	–	–	–	–	–	(13)	–
Disposal of advances	–	–	–	–	–	–	–
Exchange rate difference	–	–	–	–	120	(11)	–
Bad debts written off	(10)	–	–	(10)	(362)	(3 092)	(611)
Current period provision created/(released)*	66	(2)	5	69	318	2 887	1 540
– Stage 1	(120)	(2)	(18)	(140)	(95)	(421)	16
– Stage 2	186	–	23	209	322	626	326
– Stage 3	–	–	–	–	91	2 682	1 198
Interest on stage 3 advances	–	–	–	–	103	327	149
Amount as at 30 June 2019	368	2	178	548	2 541	5 443	2 883
– Stage 1	124	2	176	302	360	980	631
– Stage 2	47	–	2	49	510	1 626	383
– Stage 3	197	–	–	197	1 671	2 837	1 869

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

Amortised cost										
Retail unsecured		Corporate and commercial								
Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking	Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
4 732	2 023	3 457	333	2 876	945	3 598	476	185	452	28 589
1 267	637	680	93	570	163	726	326	80	193	6 719
1 017	546	879	91	1 330	723	685	150	29	103	7 732
2 448	840	1 898	149	976	59	2 187	–	76	156	14 138
–	–	–	–	–	–	–	–	13	–	–
–	–	–	–	(3)	–	–	–	–	–	(3)
2	(120)	(7)	1	4	2	(155)	6	(6)	(7)	(171)
(1 570)	(885)	(751)	(104)	(358)	(322)	(638)	–	(8)	(211)	(8 912)
3 369	1 455	836	99	317	25	959	53	147	341	12 346
173	20	(214)	(36)	69	(51)	(62)	(12)	96	160	(357)
404	273	448	4	54	(77)	363	1	29	186	2 959
2 792	1 162	602	131	194	153	658	64	22	(5)	9 744
320	252	277	9	29	38	197	2	55	7	1 765
6 853	2 725	3 812	338	2 865	688	3 961	537	386	582	33 614
1 440	724	733	92	924	231	805	322	159	213	7 614
979	464	776	67	1 419	364	804	150	51	109	7 702
4 434	1 537	2 303	179	522	93	2 352	65	176	260	18 298

Fair value measurements

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 and relevant risk committees annually, or more frequently if considered appropriate.

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

Non-recurring fair value measurements

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

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

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

Financial instruments

When determining the fair value of a financial instrument where it 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 on page 202, 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	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 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 and credit spreads

Fair value measurements 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. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	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. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	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. 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 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 the underlying instruments
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 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 of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the case where the fair value of the credit is not significant period-on-period but may become significant in future and where the South African counterparties do not have actively traded or observable credit spreads, the group classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Credit inputs

Fair value measurements 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 flow	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	P/E model and 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.	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. 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.	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. 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 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 above, 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 period.

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.

	As at 31 December 2019			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	70	49 732	823	50 625
Advances	–	34 074	35 240	69 314
Investment securities	78 263	40 473	3 162	121 898
Non-recourse investments	–	12 881	–	12 881
Commodities	19 369	–	–	19 369
Investment properties	–	–	689	689
Total fair value assets – recurring	97 702	137 160	39 914	274 776
LIABILITIES				
Recurring fair value measurements				
Short trading positions	3 445	–	–	3 445
Derivative financial instruments	108	54 586	807	55 501
Deposits	1 685	51 066	710	53 461
Non-recourse deposits	–	12 881	–	12 881
Other liabilities	–	128	320	448
Policyholder liabilities under investment contracts	–	4 790	–	4 790
Total fair value liabilities – recurring	5 238	123 451	1 837	130 526

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

	As at 31 December 2018			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	796	34 109	820	35 725
Advances	1 102	43 745	27 429	72 276
Investment securities	76 867	16 569	3 176	96 612
Non-recourse investments	–	14 208	–	14 208
Commodities	17 815	–	–	17 815
Investment properties	–	–	814	814
Total fair value assets – recurring	96 580	108 631	32 239	237 450
LIABILITIES				
Recurring fair value measurements				
Short trading positions	6 056	–	–	6 056
Derivative financial instruments	603	40 857	489	41 949
Deposits	1 393	54 590	362	56 345
Non-recourse deposits	–	14 208	–	14 208
Other liabilities	–	211	401	612
Policyholder liabilities under investment contracts	3 996	–	–	3 996
Total fair value liabilities – recurring	12 048	109 866	1 252	123 166

	As at 30 June 2019			
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 HIERARCHY AND MEASUREMENTS *continued*

Transfers between fair value hierarchy levels

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

	As at 31 December 2019		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**–**	There were no transfers into level 1.
Level 2	**19**	**–**	Certain derivatives have been transferred to level 2 in the current period because the inputs used in the valuation have become observable as maturity is within 12 months.
Level 3	**–**	**(19)**	There were no transfers into level 3.
Total transfers	**19**	**(19)**	

	As at 31 December 2018		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	1 102	–	It is the group's policy to classify debt investment securities qualifying as HQLA, that are under the control of the Group Treasurer, as marketable advances. The underlying debt securities held in this specific portfolio of marketable advances are listed and actively traded. It is therefore more appropriate to reflect these advances in level 1 of the fair value hierarchy.
Level 2	37	–	Investment securities, derivatives and other liabilities were transferred into level 2 as the inputs used in determining their fair value became observable during the period.
Level 3	–	(1 139)	There were no transfers into level 3.
Total transfers	1 139	(1 139)	

	As at 30 June 2019		
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 longer observable. These changes in inputs resulted in a transfer out of level 2 to level 3.
Total transfers	279	(279)	

Fair value measurements 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 1 July 2019	**803**	**36 141**	**3 692**	**689**	**842**	**387**	**1 238**
Gains/(losses) recognised in profit or loss	**440**	**800**	**(37)**	**–**	**1 252**	**70**	**13**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**1**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(420)**	**(1 637)**	**(568)**	**–**	**(1 268)**	**(137)**	**(539)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**73**	**–**	**–**	**–**	**–**
Net transfer to level 3	**–**	**–**	**–**	**–**	**(19)**	**–**	**–**
Exchange rate differences	**–**	**(64)**	**1**	**–**	**–**	**–**	**(2)**
Balance as at 31 December 2019	**823**	**35 240**	**3 162**	**689**	**807**	**320**	**710**

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2018	563	171 237	2 394	754	630	1 586	514
IFRS 9 adjustment	–	(120 013)	781	–	–	–	–
Gains/(losses) recognised in profit or loss	(143)	1 428	(5)	–	(100)	(1 842)	4
Gains/(losses) recognised in other comprehensive income	–	4	–	–	–	–	–
Purchases, sales, issue and settlements	400	(24 216)	23	20	(33)	659	(158)
Acquisitions/disposals of subsidiaries	–	–	–	40	–	–	–
Net transfer to level 3	–	(1 102)	(27)	–	(8)	(2)	–
Exchange rate differences	–	91	10	–	–	–	2
Balance as at 31 December 2018	820	27 429	3 176	814	489	401	362

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 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 to 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 acquisition 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 at FVTPL and fair value through other comprehensive income (FVOCI) debt instruments, all gains or losses are recognised in non-interest revenue.

	Six months ended 31 December 2019		Six months ended 31 December 2018		Year ended 30 June 2019	
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	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets						
Derivative financial instruments	**292**	**–**	35	–	162	–
Advances*	**847**	**–**	1 121	–	2 183	–
Investment securities	**(36)**	**1**	15	–	1 340	1
Investment properties	**–**	**–**	–	–	–	–
Total	**1 103**	**1**	1 171	–	3 685	1
Liabilities						
Derivative financial instruments	**(489)**	**–**	(248)	–	37	–
Deposits	**3**	**–**	10	–	12	–
Other liabilities	**44**	**–**	(25)	–	144	–
Total	**(442)**	**–**	(263)	–	193	–

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

Fair value measurements 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*

	Reasonably possible alternative fair value								
	As at 31 December 2019			As at 31 December 2018			As at 30 June 2019		
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	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets									
Derivative financial instruments	**823**	**829**	**819**	820	820	816	802	815	792
Advances	**35 240**	**35 658**	**34 830**	27 429	27 594	27 268	36 141	36 350	35 935
Investment securities	**3 162**	**3 245**	**3 033**	3 176	3 296	2 513	3 692	3 848	3 492
Total financial assets measured at fair value in level 3	**39 225**	**39 732**	**38 682**	31 425	31 710	30 597	40 635	41 013	40 219
Liabilities									
Derivative financial instruments	**807**	**801**	**810**	489	484	494	842	836	846
Deposits	**710**	**704**	**717**	362	336	381	1 238	1 221	1 256
Other liabilities	**320**	**314**	**328**	401	393	411	387	377	397
Total financial liabilities measured at fair value in level 3	**1 837**	**1 819**	**1 855**	1 252	1 213	1 286	2 467	2 434	2 499

Fair value measurements 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.

	As at 31 December 2019	
R million	**Carrying value**	**Total fair value**
Assets		
Advances	**1 154 450**	**1 161 310**
Investment securities	**125 303**	**124 729**
Total financial assets at amortised cost	**1 279 753**	**1 286 039**
Liabilities		
Deposits	**1 372 247**	**1 374 300**
Other liabilities	**4 876**	**4 880**
Tier 2 liabilities	**24 381**	**25 043**
Total financial liabilities at amortised cost	**1 401 504**	**1 404 223**

	As at 31 December 2018	
R million	Carrying value	Total fair value
Assets		
Advances	1 100 269	1 107 473
Investment securities	113 308	110 963
Total financial assets at amortised cost	1 213 577	1 218 436
Liabilities		
Deposits	1 268 068	1 267 613
Other liabilities	5 100	5 138
Tier 2 liabilities*	25 750	26 004
Total financial liabilities at amortised cost	1 298 918	1 298 755

	As at 30 June 2019	
R million	Carrying value	Total fair value
Assets		
Advances	1 126 028	1 136 277
Investment securities	118 950	118 668
Total financial assets at amortised cost	1 244 978	1 254 945
Liabilities		
Deposits	1 324 426	1 318 847
Other liabilities	5 398	5 388
Tier 2 liabilities	24 191	24 752
Total financial liabilities at amortised cost	1 354 015	1 348 987

* *Restated, refer to pages 165 to 176 for details.*

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.

	As at 31 December		As at 30 June
R million	**2019**	2018	2019
Opening balance	**50**	54	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current period*	**199**	46	31
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(56)**	(8)	(35)
Closing balance	**193**	92	50

* *Impacted by refinements to the cash flow hedge accounting model following the adoption of IFRS 9.*

Contingencies and commitments

R million	As at 31 December 2019	As at 31 December 2018	% change	As at 30 June 2019
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**33 887**	38 000	(11)	38 273
Letters of credit	**9 170**	9 891	(7)	8 733
Total contingencies	**43 057**	47 891	(10)	47 006
Irrevocable commitments	**129 045**	128 629	–	136 580
Committed capital expenditure approved by the directors	**2 860**	1 981	44	4 034
Operating lease commitments	**–**	3 495	(100)	3 390
Other	**37**	141	(74)	136
Contingencies and commitments	**174 999**	182 137	(4)	191 146
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 and arise during the normal course of business.				
Provisions made for liabilities that are expected to materialise.	**430**	211	>100	192

Events after the reporting period

ACQUISITION OF GHANA HOME LOANS

On 18 February 2020 the SARB's PA approved the acquisition of 100% interest in GHL Bank plc in Ghana for c. R450 million. The effective date is still to be determined based on meeting the last outstanding conditions.

The group regards Ghana as an attractive market with long-term potential and it is currently pursuing an organic growth strategy. The acquisition of GHL adds immediate scale to First National Bank Ghana and will provide the foundation to a broader retail strategy going forward.

GHL has more than ten years' experience in the Ghanaian mortgage industry with an estimated market share of >50% in the domestic mortgage market.

Summary segment report

R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
For the six months ended 31 December 2019	FNB SA	FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB					
Profit for the period before tax	12 221	1 000	**13 221**	1 373	**14 594**	3 791	1 110	**4 901**	**1 096**	(1 141)	**19 450**	(39)	**19 411**
Total assets	436 094	58 893	**494 987**	141 262	**636 249**	463 935	66 246	**530 181**	**261 938**	288 017	**1 716 385**	(28)	**1 716 357**
Total liabilities*	428 679	58 126	**486 805**	139 060	**625 865**	456 561	66 046	**522 607**	**240 947**	176 631	**1 566 050**	–	**1 566 050**

* *Total liabilities are net of interdivisional balances.*

R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
For the six months ended 31 December 2018	FNB SA	FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB					
Profit for the period before tax	11 650	931	**12 581**	1 361	**13 942**	3 608	1 033	**4 641**	**1 369**	(1 492)	**18 460**	3 077	**21 537**
Total assets	403 162	58 453	**461 615**	139 567	**601 182**	445 782	74 419	**520 201**	**204 084**	263 995	**1 589 462**	31	**1 589 493**
Total liabilities*	396 620	58 493	**455 113**	137 854	**592 967**	437 894	74 242	**512 136**	**189 338**	159 452	**1 453 893**	–	**1 453 893**

* *Total liabilities are net of interdivisional balances.*

R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
For the year ended 30 June 2019	FNB SA	FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB					
Profit for the year before tax	23 847	1 681	**25 528**	2 580	**28 108**	7 851	2 008	**9 859**	**2 389**	(1 668)	**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	57 608	**459 371**	135 146	**594 517**	449 127	63 214	**512 341**	**205 626**	211 985	**1 524 469**	–	**1 524 469**

* *Total liabilities are net of interdivisional balances.*

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supplementary information

Headline earnings additional disclosure

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

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

	Six months ended 31 December			Year ended 30 June
R million	2019	2018	% change	2019
Aggregate cost of portfolio	**2 974**	2 231	33	2 232
Aggregate carrying value	**5 124**	3 968	29	4 298
Aggregate fair value*	**9 556**	8 248	16	8 457
Equity-accounted income**	**324**	260	25	773
Profit on realisation#	**–**	172	(100)	269

* *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

	Six months ended 31 December			Year ended 30 June
R million	2019	2018	% change	2019
Carrying value of investment properties	**689**	814	(15)	689
Fair value of investment properties	**689**	814	(15)	689

Number of ordinary shares in issue

	Six months ended 31 December				Year ended 30 June	
	2019		2018		2019	
	IFRS	**Normalised**	IFRS	Normalised	IFRS	Normalised
Shares in issue						
Opening balance as at 1 July	**5 609 102 039**	**5 609 488 001**	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(1 295 184)**	**–**	(325 902)	–	(385 962)	–
– Shares for client trading*	**(1 295 184)**	**–**	(325 902)	–	(385 962)	–
Number of shares in issue (after treasury shares)	**5 607 806 855**	**5 609 488 001**	5 609 162 099	5 609 488 001	5 609 102 039	5 609 488 001
Weighted average number of shares						
Weighted average number of shares before treasury shares	**5 609 102 039**	**5 609 488 001**	5 609 488 001	5 609 488 001	5 609 488 001	5 609 488 001
Less: treasury shares	**(923 233)**	**–**	(439 558)	–	(445 105)	–
– Shares for client trading*	**(923 233)**	**–**	(439 558)	–	(445 105)	–
Basic and diluted weighted average number of shares in issue	**5 608 178 806**	**5 609 488 001**	5 609 048 443	5 609 488 001	5 609 042 896	5 609 488 001

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

Key market indicators and share statistics

	Six months ended 31 December			Year ended 30 June
	2019	2018	% change	2019
Market indicators				
$/R exchange rate				
– Closing	**14.00**	14.38	(3)	14.13
– Average	**14.67**	14.15	4	14.17
£/R exchange rate				
– Closing	**18.42**	18.32	1	17.98
– Average	**18.48**	18.32	1	18.33
SA prime overdraft (%)	**10.00**	10.25		10.25
SA average prime overdraft (%)	**10.02**	10.05		10.15
SA average CPI (%)	**3.95**	4.95		4.64
JSE All Share Index	**57 084**	52 737	8	58 204
JSE Banks Index	**8 731**	9 162	(5)	9 720
Share statistics				
Share price				
– High for the year (cents)	**7 000**	7 195	(3)	7 195
– Low for the year (cents)	**5 486**	5 900	(7)	5 900
– Closing (cents)	**6 280**	6 556	(4)	6 855
Shares traded				
– Number of shares (millions)	**1 426**	1 413	1	2 717
– Value of shares (R million)	**90 075**	93 163	(3)	179 308
– Turnover in shares traded (%)	**25.43**	25.19		48.44
Share price performance				
FirstRand average share price (cents)	**6 355**	6 605	(4)	6 608
JSE Bank Index (average)	**8 929**	9 004	(1)	9 261
JSE All Share Index (average)	**56 086**	54 778	2	55 420

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, GG Gelink, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, AT Nzimande, LL von Zeuner, T Winterboer

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JSE SPONSOR

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NAMIBIAN SPONSOR

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Woodmead, Sandton
2052

Listed financial instruments of the group

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	FRJ022	ZAG000163775	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code
Structured notes	
FRS36	ZAG000077397
FRS37	ZAG000077793
FRS43	ZAG000078643
FRS46	ZAG000079807
FRS49	ZAG000081787
FRS51	ZAG000086117
FRS62	ZAG000090614
FRS64	ZAG000092529
FRS81	ZAG000100892
FRS85	ZAG000104985
FRS87	ZAG000105420
FRS90	ZAG000106410
FRS100	ZAG000111634
FRS101	ZAG000111774
FRS103	ZAG000111840
FRS104	ZAG000111857
FRS108	ZAG000113515
FRS109	ZAG000113564
FRS110	ZAG000113663
FRS112	ZAG000115395
FRS114	ZAG000116070
FRS119	ZAG000118951
FRS120	ZAG000119298
FRS121	ZAG000120643
FRS122	ZAG000121062
FRS123	ZAG000121328
FRS124	ZAG000122953
FRS126	ZAG000125188
FRS127	ZAG000125394
FRS129	ZAG000125865
FRS131	ZAG000126186
FRS132	ZAG000126194
FRS133	ZAG000126541
FRS134	ZAG000126574
FRS135	ZAG000126608
FRS136	ZAG000126780
FRS137	ZAG000127549
FRS138	ZAG000127556
FRS142	ZAG000130782
FRS143	ZAG000130790
FRS145	ZAG000134263
FRS146	ZAG000134636
FRS147	ZAG000135724
FRS149	ZAG000136573
FRS150	ZAG000136615
FRS151	ZAG000136987
FRS152	ZAG000136995
FRS153	ZAG000137670
FRS158	ZAG000145012
FRS159	ZAG000145020
FRS160	ZAG000145038
FRS161	ZAG000145046
FRS162	ZAG000145111
FRS163	ZAG000145129
FRS164	ZAG000145160
FRS165	ZAG000145178
FRS167	ZAG000145764
FRS168	ZAG000145772
FRS169	ZAG000145780
FRS170	ZAG000145954
FRS171	ZAG000147448
FRS172	ZAG000147455
FRS173	ZAG000148180
FRS174	ZAG000148198
FRS175	ZAG000149451
FRS176	ZAG000149444
FRS177	ZAG000152885
FRS180	ZAG000154147
FRS182	ZAG000154386
FRS183	ZAG000154568
FRS184	ZAG000155490
FRS186	ZAG000156522
FRS187	ZAG000156514
FRS188	ZAG000156506
FRS192	ZAG000157850
FRS193	ZAG000157892
FRS194	ZAG000160516
FRS195	ZAG000160524
FRS197	ZAG000161373
FRS198	ZAG000161365
FRS199	ZAG000161381
FRS200	ZAG000161571
FRS201	ZAG000162025
FRS202	ZAG000162066
FRS204	ZAG000162538
FRS205	ZAG000162546
FRS206	ZAG000163304
FRS207	ZAG000164385
FRS208	ZAG000164377
FRS209	ZAG000164344
RMBI01	ZAG000050865
RMBI02	ZAG000052986
Credit-linked notes	
FRC169	ZAG000104852
FRC178	ZAG000107897
FRC181	ZAG000108549
FRC207	ZAG000117649
FRC208	ZAG000117656
FRC209	ZAG000118613
FRC212	ZAG000121054
FRC213	ZAG000121047
FRC221	ZAG000121229
FRC225	ZAG000121435
FRC233	ZAG000128752
FRC234	ZAG000130816
FRC236	ZAG000135211
FRC237	ZAG000135203
FRC238	ZAG000135237
FRC239	ZAG000135245
FRC240	ZAG000135252

Listed financial instruments of the group continued

Bond code	ISIN code
Credit-linked notes *continued*	
FRC241	ZAG000135393
FRC242	ZAG000135401
FRC243	ZAG000135419
FRC244	ZAG000135427
FRC245	ZAG000135468
FRC246	ZAG000135476
FRC247	ZAG000135484
FRC248	ZAG000135450
FRC249	ZAG000135542
FRC250	ZAG000135559
FRC251	ZAG000141813
FRC252	ZAG000142225
FRC254	ZAG000144825
FRC256	ZAG000145806
FRC257	ZAG000146564
FRC258	ZAG000146580
FRC261	ZAG000147653
FRC262	ZAG000147646
FRC264	ZAG000149345
FRC265	ZAG000149485
FRC267	ZAG000150004
FRC271	ZAG000151556
FRC272	ZAG000151564
FRC274	ZAG000151952
FRC275	ZAG000152372
FRC276	ZAG000152430
FRC277	ZAG000153552
FRC278	ZAG000153560
FRC279	ZAG000153578
FRC280	ZAG000153776
FRC282	ZAG000154063
FRC283	ZAG000154394
FRC284	ZAG000154642
FRC285	ZAG000155201
FRC286	ZAG000156548
FRC287	ZAG000156860
FRC288	ZAG000156852
FRC289	ZAG000157108
FRC290	ZAG000157447
FRC291	ZAG000157629
FRC292	ZAG000157777
FRC293	ZAG000158783
FRC294	ZAG000158791
FRC295	ZAG000159310
FRC296	ZAG000159369
FRC297	ZAG000159351
FRC298	ZAG000159427
FRC299	ZAG000159575
FRC300	ZAG000159674
FRC301	ZAG000159872
FRC302	ZAG000160029
FRC303	ZAG000160425
FRC304	ZAG000160565
FRC305	ZAG000160920
FRC306	ZAG000160938
FRC307	ZAG000161597
FRC308	ZAG000161605
FRC309	ZAG000161738
FRC310	ZAG000161936
FRC311	ZAG000161977
FRC312	ZAG000161985
FRC313	ZAG000161993
FRC314	ZAG000162033
FRC315	ZAG000163155
FRC316	ZAG000163460
FRC317	ZAG000163551
FRC318	ZAG000163684
FRC319	ZAG000163700
FRC320	ZAG000163718
FRC321	ZAG000163759
FRC322	ZAG000163783
FRC323	ZAG000163874
FRC324	ZAG000164021
FRC325	ZAG000164302
FRC326	ZAG000164310
FRC327	ZAG000164880
FRC328	ZAG000164898

Preference share

Bond code	ISIN code
Class A cumulative redeemable non-participating preference shares	
FRBP01	ZAE000279469

Other

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK02	ZAE000275533	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
Senior unsecured
ZAG000142803
ZAG000142902

NSX

Domestic medium-term note programme

ISIN code
Senior unsecured
NA000A188PY8
NA000A19FKU3
NA000A188PW2
NA000A19FKV1

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Irish Stock Exchange

ISIN code
Contingent convertible securities
XS1150025549

OTHER

Issuer: FirstRand Bank Limited

JSE

Instrument code	ISIN code
Exchange traded funds	
DCCUSD	ZAE000234977
DCCUS2	ZAE000251179
KCCGLD	ZAE000195830

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
FNBB010	BW 000 000 2377

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

Listed financial instruments of the group continued

SECURITISATIONS AND CONDUITS LISTED DEBT

Issuer: Nitro Securitisation 6 (RF) Limited

JSE

Bond code	ISIN code
N6B26	ZAG000150533
N6C26	ZAG000150541
N6D26	ZAG000150558
N6E26	ZAG000150566
N6F26	ZAG000150574
N6G26	ZAG000150582

Issuer: iVuzi

JSE

Bond code	ISIN code
IVA975	ZAG000162330
IVA977	ZAG000162306
IVA978	ZAG000162298
IVA979	ZAG000163189
IVA980	ZAG000163585
IVA981	ZAG000163767
IVA982	ZAG000164088
IVA983	ZAG000164278
IVA985	ZAG000164989
IVA987	ZAG000164971
IVF407	ZAG000162165

Issuer: Turbo Finance 7 plc

Irish Stock Exchange

ISIN code
XS1496112662
XS1496112829
XS1496113041
XS1520294627

Issuer: Nitro Programme (RF) Limited – Nitro 7

JSE

Bond code	ISIN code
N7A20	ZAG000159021
N7B25	ZAG000159039
N7C25	ZAG000159047
N7D25	ZAG000159054
N7E25	ZAG000159062

Issuer: iNguza

JSE

Bond code	ISIN code
ING383	ZAG000154048
ING394	ZAG000155755

Issuer: Turbo Finance 8 plc

Irish Stock Exchange

ISIN code
XS1892532141
XS1892541647
XS1892541993
XS1892542298
XS1892542371
XS1894621827

Issuer: MotoPark Finance plc

Irish Stock Exchange

ISIN code
XS1755432876
XS1755432959
XS1755433098
XS1755433171

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
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period.
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
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
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Accrued and fair value
ALM	Asset and liability management
ALSI	All-share index
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BCBS	Basel Committee on Banking Supervision
BEE	Black economic empowerment
BSE	Botswana Stock Exchange
C&TB	Corporate and transactional banking
CAGR	Compound annual growth rate
Capex	Capital expenditure
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
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
EC	Economic capital
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
FCC/GTSY	FirstRand Corporate Centre and Group Treasury
FCTR	Foreign currency translation reserve
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
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
GDPR	General Data Protection Regulations
GHL	Ghana Home Loans
HQLA	High-quality liquid assets
IB	Investment banking
IB&A	Investment banking and advisory
IFRS	International Financial Reporting Standards
IFRS-IC	IFRS Interpretation Committee
IM	Investment management
INV	Investing
ISP	Interest in suspense
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LSE	London Stock Exchange
LTV	Loan to value
M&S	Markets and structuring
Moody's	Moody's Investors Service
MTM	Mark-to-market
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
PBT	Profit before tax
P/E	Price/earnings
PPE	Property and equipment
ROA	Return on assets
ROE	Return on equity
ROUA	Right-of-use asset
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium enterprises
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
WIM	Wealth and investment management

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

STUDIO ⑤

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