



FirstRand

2019

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

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Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers.

This analysis is available on the group's website:

www.firstrand.co.za

Email questions to
investor.relations@firstrand.co.za

contents

01

Overview of results

- 03 Simplified group and shareholding structure
- 05 Track record
- 06 Key financial results, ratios and statistics – normalised
- 08 Condensed consolidated financial statements – normalised
- 14 Overview of results
- 34 Segment report
- 46 Additional segmental disclosure – WesBank
- 47 Additional segmental disclosure – Aldermore
- 49 Additional segmental disclosure – MotoNovo standalone
- 50 Additional disclosure – insurance activities

02

Income statement analysis

- 54** Net interest income (before impairment of advances)
- 61** Credit highlights
- 78** Non-interest revenue
- 87** Operating expenses

03

Balance sheet analysis and financial resource management

- 92** Economic view of the balance sheet
- 93** Gross advances
- 94** Credit
- 125** Deposits
- 126** Funding and liquidity
- 134** Capital
- 140** Regulatory update
- 141** Performance measurement
- 144** Credit ratings

04

IFRS information

- 146** Presentation
- 148** Condensed consolidated financial statements – IFRS
- 154** Statement of headline earnings – IFRS
- 155** Reconciliation from headline to normalised earnings
- 156** Reconciliation of normalised to IFRS condensed consolidated income statement and statement of financial position
- 165** Restatement and changes in presentation of prior year numbers
- 177** Advances
- 186** Fair value measurements
- 204** Contingencies and commitments
- 204** Events after reporting period
- 205** Summary segment report

05

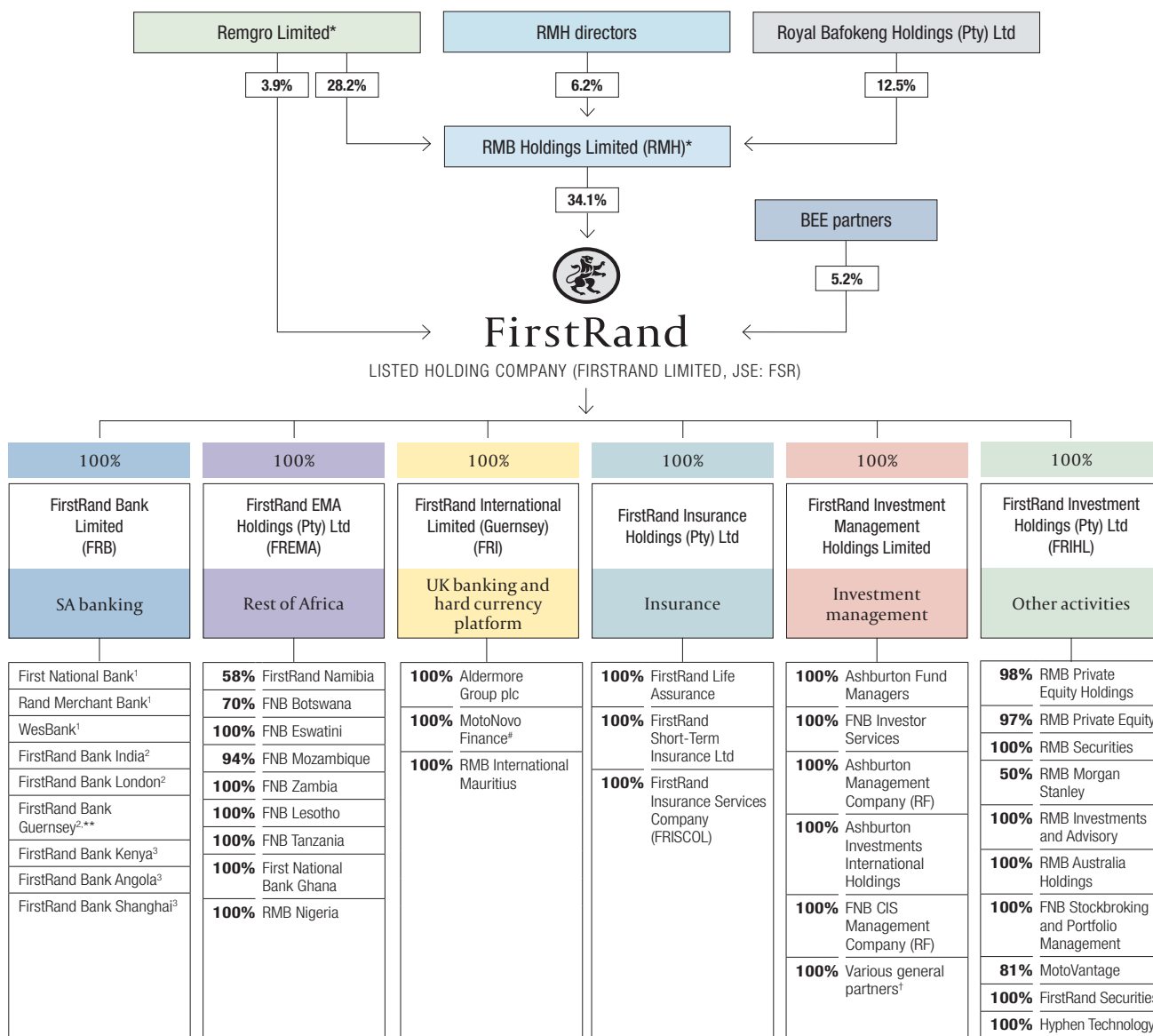
Supplementary information

- 208** Headline earnings additional disclosure
- 209** Number of ordinary shares in issue
- 210** Key market indicators and share statistics
- 211** Company information
- 212** Listed financial instruments of the group
- 217** Definitions
- 218** Abbreviations
- 219** Abbreviations of financial reporting standards

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.

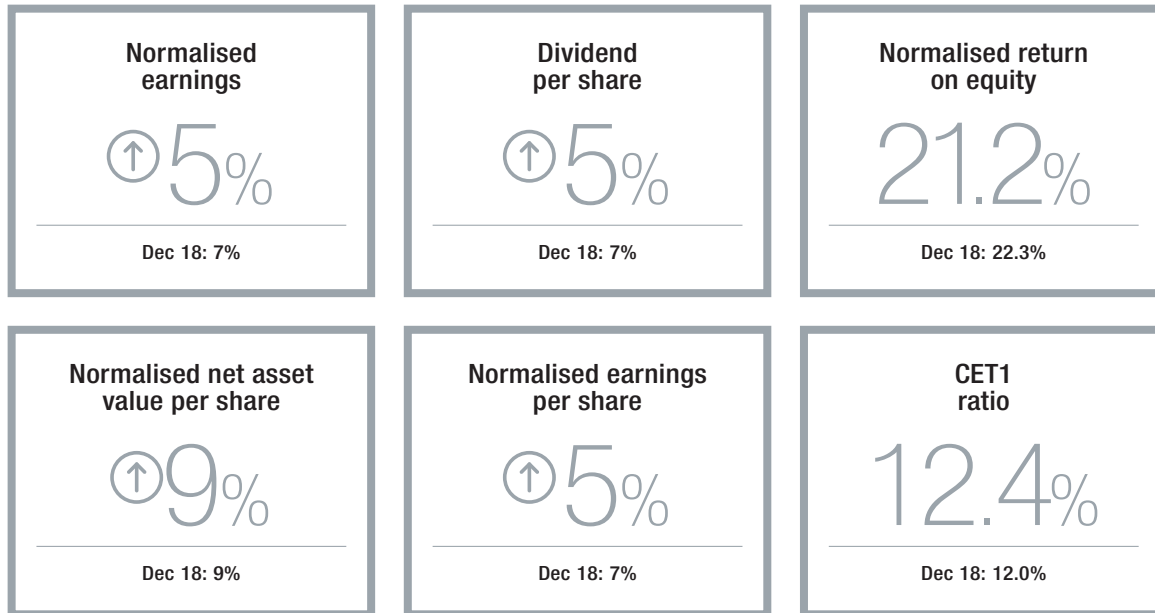
Structure shows effective consolidated shareholding

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.



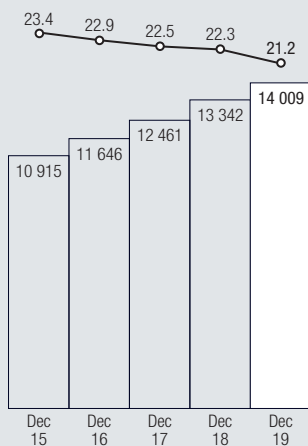
FirstRand

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.

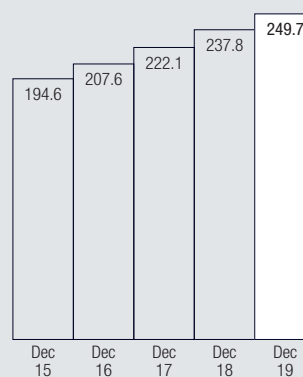


Track record

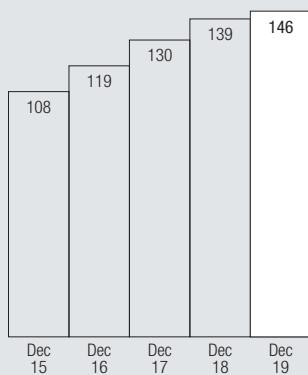
**NORMALISED EARNINGS (R million)
AND ROE (%)**
CAGR 6%



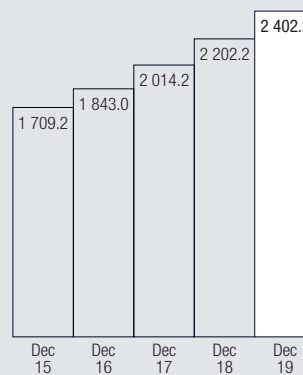
**DILUTED NORMALISED
EARNINGS PER SHARE (cents)**
CAGR 6%



**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.

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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.

<i>R million</i>	As at 31 December		% change	As at 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	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

<i>R million</i>	As at 31 December		As at 30 June
	2019	2018	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

	December 2019 vs June 2019	December 2018 vs 1 July 2018	June 2019 vs 1 July 2018
<i>R million</i>	6-month movement	6-month movement	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

<i>R million</i>	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					Other equity instruments**	Non-controlling interests	Total equity
	Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	Reserves attributable to ordinary equityholders			
	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

<i>R million</i>	Six months ended 31 December					Year ended 30 June	
	2019	% com- position	2018	% com- position	% change	2019	% com- position
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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		%	Year ended 30 June
	2019	2018		change
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

<i>Segments</i>	Deposit growth		Advances growth	
	%	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

<i>Six months ending</i>	Rolling 6-month advances growth rate	
	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.

<i>R million</i>	As at 31 December		%	As at
	2019	2018		30 June
			change	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

<i>Thousands of transactions</i>	Six months ended 31 December		%	Year
	2019	2018		ended
			change	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

<i>Customer segment</i>	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

<i>R million</i>	Six months ended 31 December		% change	Six months ended 30 June	% change June 2019 to December 2019
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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*

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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).

<i>£ million</i>	Six months ended 31 December		% change
	2019	2018	
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

<i>R million</i>	Aldermore group (including MotoNovo front book)			
	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>£ million</i>	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

<i>£ million</i>	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

<i>R million</i>	Six months ended 31 December					Year ended 30 June	
	2019	% com- position	2018	% com- position	% change	2019	% com- position
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.

%	Internal targets	Group		Bank*	
		As at 31 December			
		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

<i>Cents per share</i>	Six months ended 31 December	
	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

<i>Cents per share</i>	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
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

9 March 2020

Segment report

for the six months ended 31 December 2019

	Retail and commercial								
	FNB								
	Retail								
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial	
<i>R million</i>									
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			Aldermore**	FCC (including Group Treasury and other*)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	2 145 (422)	19 097 (4 266)	2 621 (859)	21 718 (5 125)	3 047 (90)	1 459 (28)	4 506 (118)	3 368 (480)	2 301 (211)	31 893 (5 934)	(291) –	31 602 (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 (2 787)	31 396 (17 827)	3 425 (2 185)	34 821 (20 012)	6 372 (2 993)	2 789 (1 671)	9 161 (4 664)	3 324 (2 133)	709 (1 549)	48 015 (28 358)	(174) 131	47 841 (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 (73)	13 604 (383)	1 416 (43)	15 020 (426)	3 888 (97)	1 118 (8)	5 006 (105)	1 196 (100)	(1 038) (103)	20 184 (734)	(39) –	20 145 (734)
	1 000 (317)	13 221 (3 739)	1 373 (385)	14 594 (4 124)	3 791 (1 061)	1 110 (311)	4 901 (1 372)	1 096 (267)	(1 141) 1 272	19 450 (4 491)	(39) 13	19 411 (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							
<i>R million</i>	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			Aldermore**	FCC (including Group Treasury) and other [#]	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	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

	Retail and commercial								
	FNB								
	Retail								
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial	
<i>R million</i>									
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			Aldermore**	FCC (including Group Treasury and other*)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	2 039 (434)	17 488 (3 254)	2 629 (856)	20 117 (4 110)	2 689 (214)	1 342 (19)	4 031 (233)	2 925 (192)	2 371 (486)	29 444 (5 021)	720 –	30 164 (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 (2 631)	29 723 (16 732)	3 333 (2 083)	33 056 (18 815)	5 983 (2 676)	2 667 (1 627)	8 650 (4 303)	2 929 (1 479)	754 (2 018)	45 389 (26 615)	3 153 (82)	48 542 (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 (73)	13 052 (471)	1 406 (45)	14 458 (516)	3 686 (78)	1 040 (7)	4 726 (85)	1 454 (85)	(1 383) (109)	19 255 (795)	3 077 –	22 332 (795)
	931 (293)	12 581 (3 555)	1 361 (381)	13 942 (3 936)	3 608 (1 010)	1 033 (290)	4 641 (1 300)	1 369 (334)	(1 492) 1 095	18 460 (4 475)	3 077 (687)	21 537 (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 (2)	(668) 208	13 342 206	2 390 –	15 732 206
	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 (2 388)	15 732 (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							
<i>R million</i>	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			Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	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							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	Retail	Commercial
<i>R million</i>								
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			Aldermore**	FCC (including Group Treasury and other*)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	4 096 (878)	35 866 (6 764)	5 215 (1 985)	41 081 (8 749)	5 609 (373)	2 714 (39)	8 323 (412)	5 830 (430)	5 065 (909)	60 299 (10 500)	158 –	60 457 (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 (5 283)	60 091 (33 855)	6 359 (4 123)	66 450 (37 978)	12 857 (5 972)	5 296 (3 274)	18 153 (9 246)	5 806 (3 255)	2 201 (3 420)	92 610 (53 899)	3 155 (144)	95 765 (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 (145)	26 358 (830)	2 588 (8)	28 946 (838)	7 998 (147)	2 022 (14)	10 020 (161)	2 560 (171)	(1 558) (110)	39 968 (1 280)	2 984 –	42 952 (1 280)
	1 681 (578)	25 528 (7 247)	2 580 (722)	28 108 (7 969)	7 851 (2 193)	2 008 (563)	9 859 (2 756)	2 389 (568)	(1 668) 2 141	38 688 (9 152)	2 984 (667)	41 672 (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

	Retail and commercial							
	FNB							
	Retail							
<i>R million</i>	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			Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
		WesBank*	Retail and commercial	RMB								
FNB rest of Africa	Total FNB			Investment banking	Corporate banking	Total RMB						
	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

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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

		Six months ended 31 December 2019							
<i>R million</i>	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	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.

		Six months ended 31 December 2018							
<i>R million</i>	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	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.

		Year ended 30 June 2019							
<i>R million</i>	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	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*

Six months ended 31 December 2019									
<i>£ million</i>	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.

Six months ended 31 December 2018									
<i>£ million</i>	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.

Year ended 30 June 2019									
<i>£ million</i>	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*

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>£ million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>Thousands</i>	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

<i>R million</i>	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*

<i>R million</i>	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)*

<i>Thousands</i>	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
	2019	2018	2019
<i>% of sales</i>			
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
	2019	2018	2019
<i>% of sales</i>			
Point of sale	61	64	64
Telesales	29	25	26
Other	10	11	10
Total	100	100	100

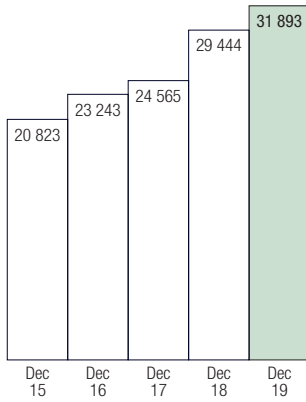
02

income
statement
analysis

Net interest income (before impairment of advances)

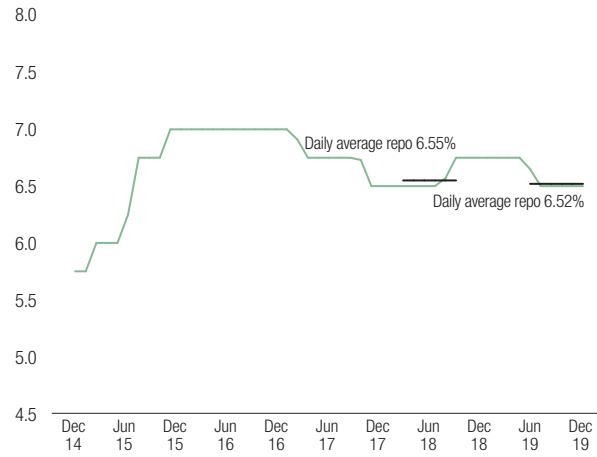
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 8%

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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018*		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

<i>R million</i>	Notes	December 2019			December 2018		
		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

<i>R million</i>	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

<i>R million</i>	December 2019		December 2018	
	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

<i>R million</i>	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)

<i>R million</i>	Six months ended 31 December				% change	Year ended 30 June
	Back book*	New book**	2019	2018		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)

<i>£ million</i>	Six months ended 31 December				% change	Year ended 30 June
	Back book*	New book**	2019	2018		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

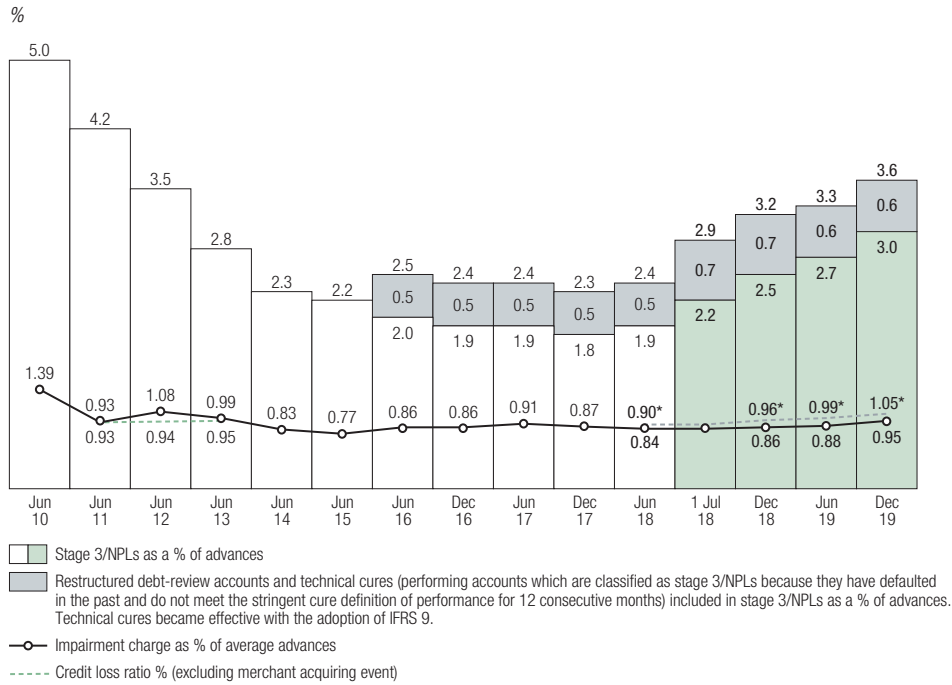
* Included in Group Treasury.

** Included in Aldermore.

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

Credit highlights continued

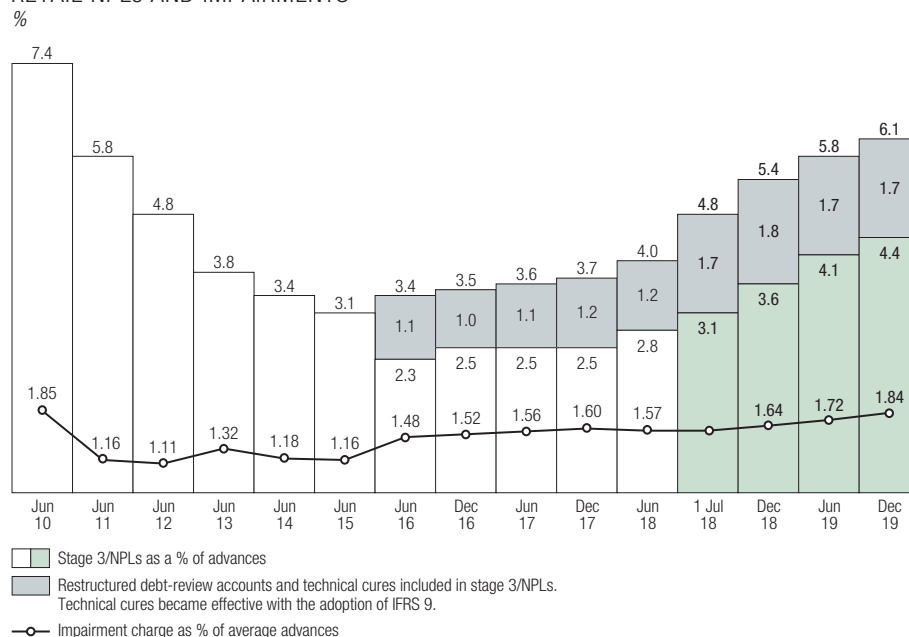
NPL AND IMPAIRMENT HISTORY



* Impairment charge excluding Aldermore.

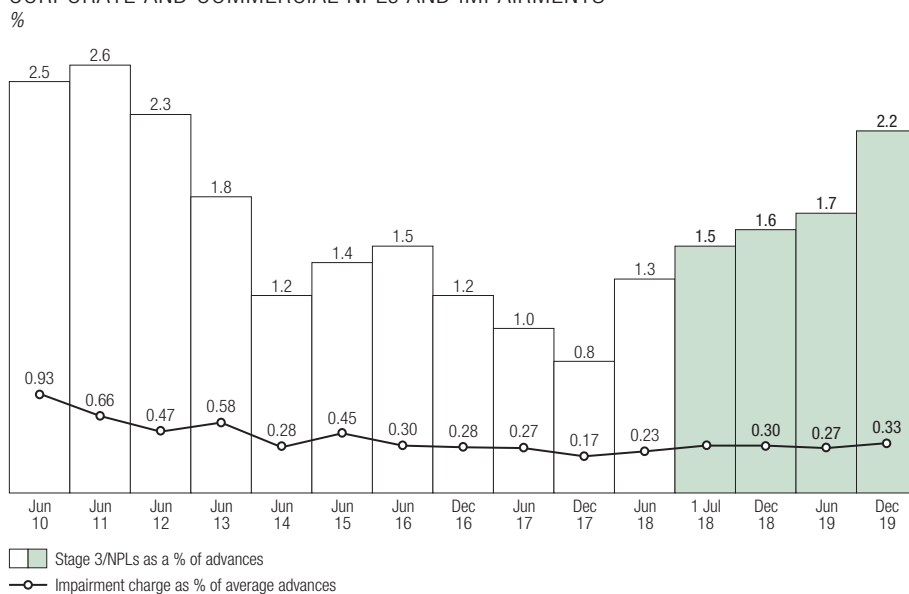
Note: June 2010 to June 2018 figures are prepared on an IAS 39 basis, whilst 1 July 2018 figures were restated and therefore 1 July 2018 to December 2019 figures are presented on an IFRS 9 basis.

RETAIL NPLs AND IMPAIRMENTS*



* Excludes Aldermore.

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS*



* 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	<ul style="list-style-type: none"> > 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	<ul style="list-style-type: none"> > Total residential mortgages increased 6% period-on-period, above nominal house price inflation of 3.5% driven by: <ul style="list-style-type: none"> – 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)	<ul style="list-style-type: none"> > 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	<p>> 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.</p>	
DirectAxis loans	<p>> Resilient advances growth of 4% despite increased market competition. The business continues to focus on lower-risk segments and repeat business.</p>	
Retail other	<p>> Driven by cross-sell against the increases in transactional banking accounts (primarily overdrafts).</p>	
FNB rest of Africa		
Namibia	<p>> Residential mortgages remained flat, due to the subdued macro environment, resulting in overall advance growth of 2%.</p>	
Botswana	<p>> Retail advances grew 8% in pula period-on-period, reflecting macros and cautious lending.</p>	
Ghana	<p>> Ghana reflected strong advances growth of 30% off a low base, benefiting from growth across the portfolio.</p>	

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	<ul style="list-style-type: none"> > 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*	<ul style="list-style-type: none"> > 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)	<ul style="list-style-type: none"> > 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)	<ul style="list-style-type: none"> > 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)	<ul style="list-style-type: none"> > 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
<p>> 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.</p>	<p>> 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.</p>
<p>> 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.</p>	<p>> 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.</p>
<p>> 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.</p>	<p>> 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.</p>
<p>> 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.</p>	<p>> 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).</p>
<p>> 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.</p>	<p>> 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.</p>

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.

<i>R million</i>	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	
<i>R million</i>					
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*

<i>R million</i>	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.

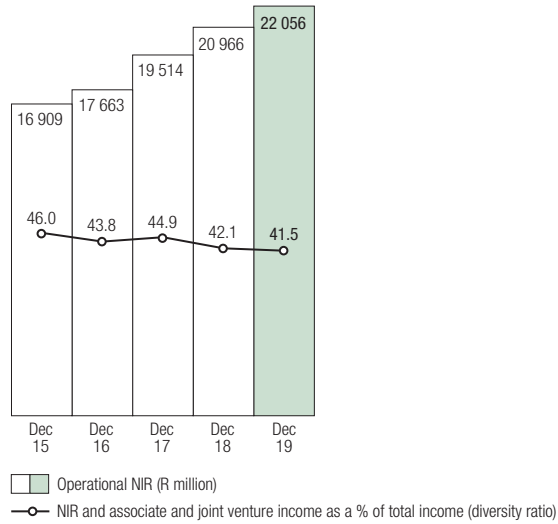
	Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
	8 638	9	8	29	–	6
	2 272	>100	94	1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

<i>R million</i>	Notes	Six months ended 31 December		% change	Year ended 30 June
		2019	2018		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%

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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%

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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%

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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%

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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%

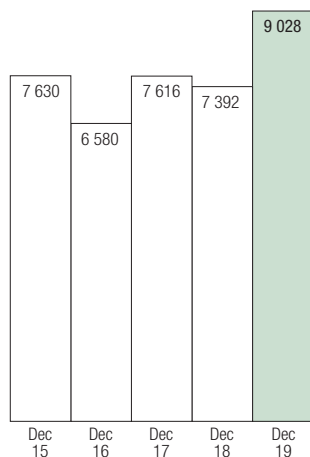
KEY DRIVERS

- > 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%

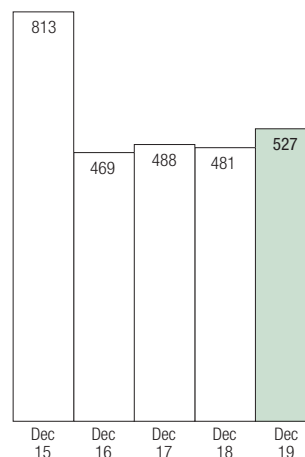
INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

R million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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.

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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.

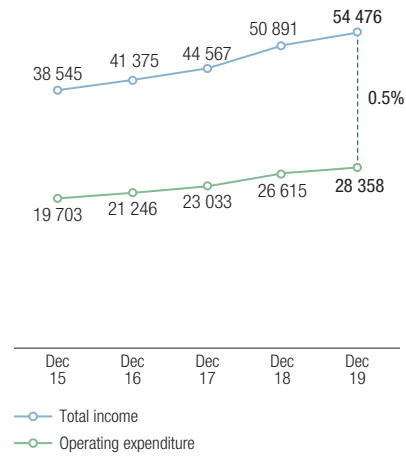
** Refer to investment income analysis on page 84.

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

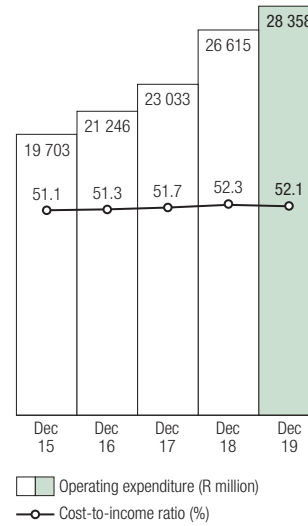
Operating expenses

OPERATING EXPENSES – UP 7%

OPERATING JAWS *R million*



OPERATING EFFICIENCY



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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018*		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.

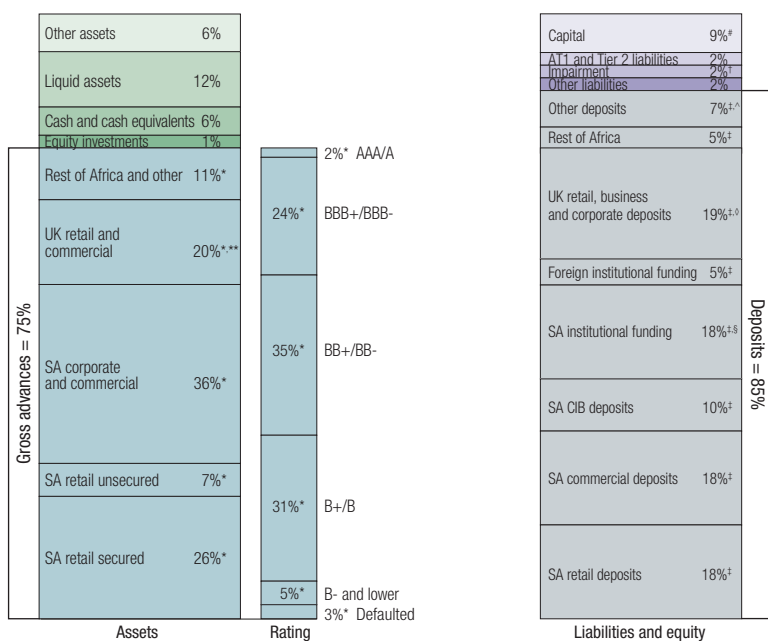
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 75% of total assets. The composition of the gross advances portfolio consists of SA retail secured (26%), SA retail unsecured (7%), SA corporate and commercial (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.

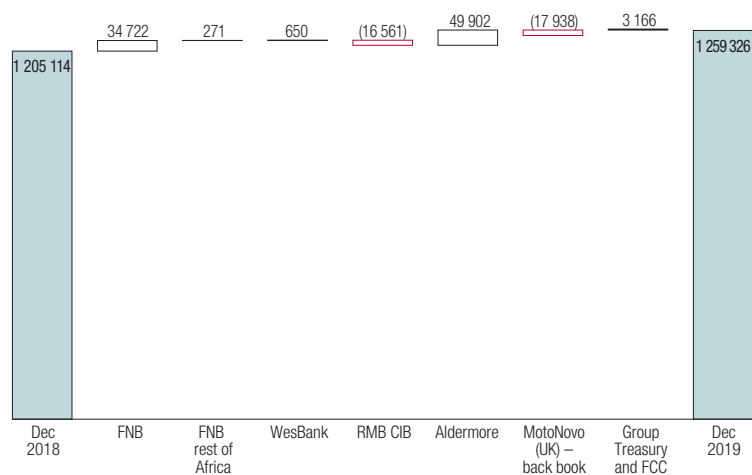
Note: Non-recourse deposits have been netted off against assets.

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

Gross advances – up 4%

GROSS ADVANCES GROWTH BY BUSINESS

R million



ADVANCES

R million	As at 31 December		% change	As at 30 June
	2019	2018		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

<i>R million</i>	Advances						
	As at 31 December		% change	As at 31 December			
	2019	2018		2019			
				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				% composition 2019	As at 30 June
2018			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.

<i>R million</i>	Advances				
	As at 31 December		% change	% com- position 2019	As at
	2019	2018*			30 June 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

<i>R million</i>	Advances				
	As at 31 December		% change	% com- position 2019	As at
	2019	2018			30 June 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

<i>R million</i>	Advances				
	As at 31 December		% change	% com- position 2019	As at
	2019	2018			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).

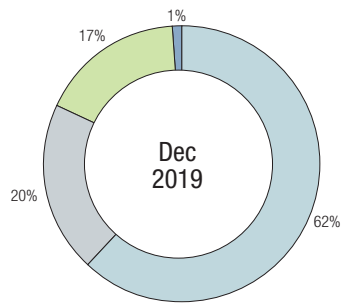
<i>R million (EAD)</i>	As at 31 December	
	2019	% of total
Upstream oil and gas facilities*,**	12 816	49
Non-renewable power	7 608	29
Downstream oil and gas facilities#	4 644	18
Thermal coal mines and related infrastructure	1 103	4
Fossil fuel-related exposure	26 171	100
% of corporate lending portfolio (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.

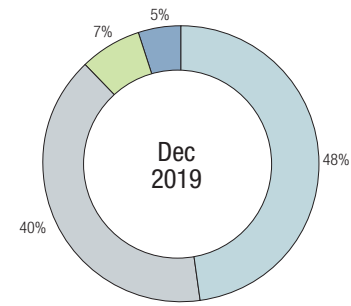
Committed facilities to companies who are part of the marketing and distribution of products.

RMB'S RENEWABLE ENERGY PORTFOLIO PER TYPE



- Solar
- Wind
- Other
- Hydro

RMB'S FOSSIL FUEL EXPOSURE BY REGION



- West Africa
- South Africa
- Southern Africa (ex SA)
- North Africa

Credit *continued***NOTE 2: ANALYSIS OF STAGE 3/NPLs**

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

<i>R million</i>	Stage 3/NPLs				
	As at 31 December		% change	% composition 2019	As at 30 June
	2019	2018			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

<i>R million</i>	Stage 3/NPLs					As at 30 June 2019
	As at 31 December		% change	% composition 2019	As at 30 June 2019	
	2019	2018				
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

Retail
Retail – secured
Residential mortgages
VAF
– WesBank (SA)
– MotoNovo (UK)
Retail – unsecured
Card
– FNB
– Discovery
Personal loans
– FNB
– DirectAxis loans
– MotoNovo (UK)
Retail other
Corporate and commercial
FNB commercial
WesBank corporate
RMB investment banking*
RMB corporate banking*
HQLA corporate advances**
Rest of Africa
FNB
RMB (corporate and investment banking)
FCC (including Group Treasury)
Securitisation notes
Other
Total excluding Aldermore
Aldermore
– Retail excluding MotoNovo
– MotoNovo (new book)
– Commercial
Total including Aldermore

As at 31 December 2019		
Stage 3/NPLs	Security held and expected recoveries	Specific impairment
28 494	15 165	13 329
17 425	12 839	4 586
9 086	7 322	1 764
8 339	5 517	2 822
7 287	4 883	2 404
1 052	634	418
11 069	2 326	8 743
2 798	692	2 106
2 659	678	1 981
139	14	125
6 212	1 203	5 009
4 123	686	3 437
2 085	517	1 568
4	–	4
2 059	431	1 628
10 215	6 367	3 848
5 787	3 099	2 688
537	348	189
2 970	2 202	768
921	718	203
–	–	–
3 649	1 638	2 011
3 648	1 638	2 010
1	–	1
–	(61)	61
–	–	–
–	(61)	61
42 358	23 109	19 249
2 677	2 121	556
1 584	1 382	202
94	52	42
999	687	312
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**

<i>R million</i>	Total impairment charge			
	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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)**

<i>R million</i>	Total portfolio impairments						
	As at 31 December		% change	As at 31 December			
	2019	2018		2019		2018	
				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**

<i>R million</i>	Total stage 3/specific impairments			
	As at 31 December		% change	As at 30 June
	2019	2018		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	2018	As at 30 June 2019
	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	2018	% change	2019		
				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.

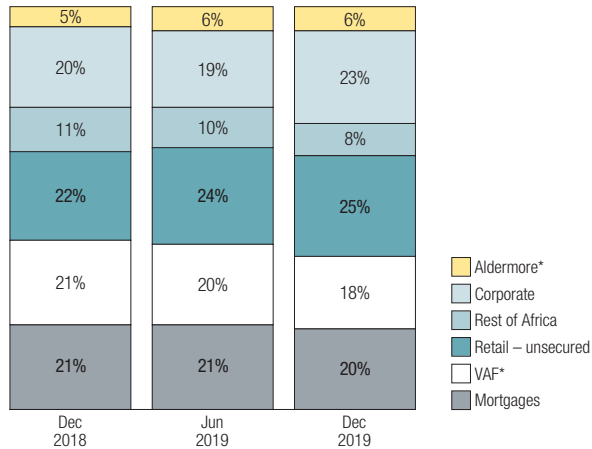
Balance sheet impairments

As at 31 December				As at 30 June	Coverage ratios (% of stage 3/NPLs)		
2018			2019		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 2019	2018	As at 30 June 2019	As at 31 December 2019	2018	As at 30 June 2019	As at 31 December 2019	2018	As at 30 June 2019
<i>R million</i>									
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

<i>R million</i>	As at 31 December		% change	As at 30 June
	2019	2018		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.

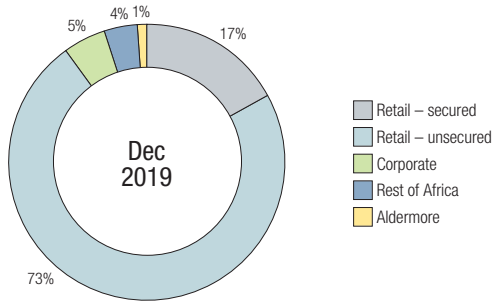
<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Specific impairment charge	5 262	4 492	17	9 744
– Specific impairment charge – amortised cost	5 262	4 492	17	9 744
– Credit fair value adjustments – non-performing book	–	–	–	–
Portfolio impairment charge	1 555	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

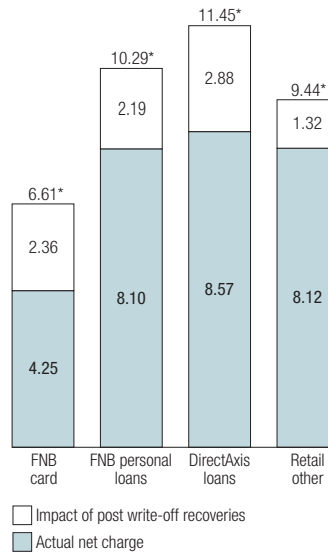
IMPACT OF POST WRITE-OFF RECOVERIES

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 %



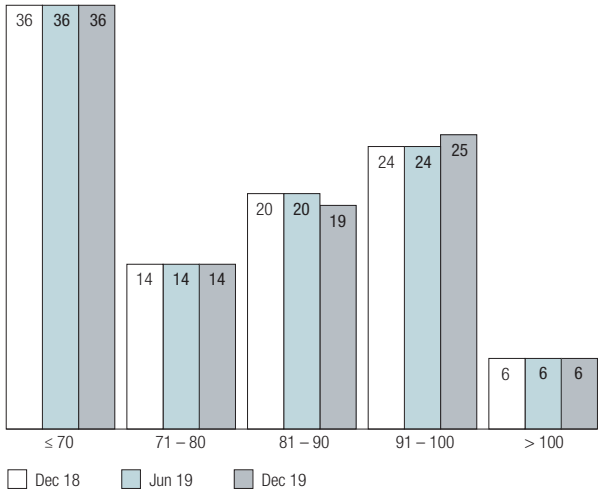
* Gross of recoveries (%).

RISK ANALYSIS

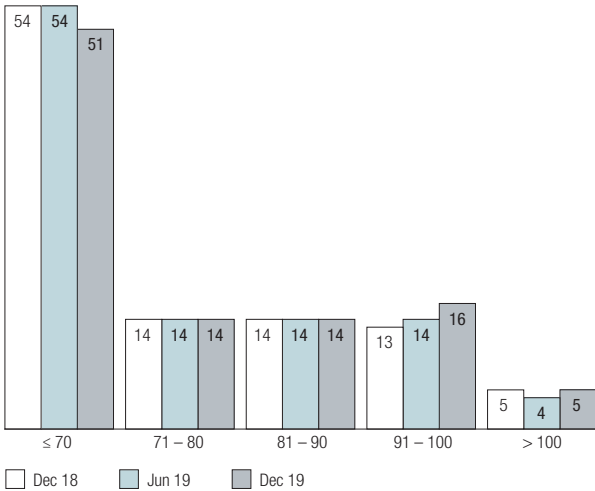
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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.

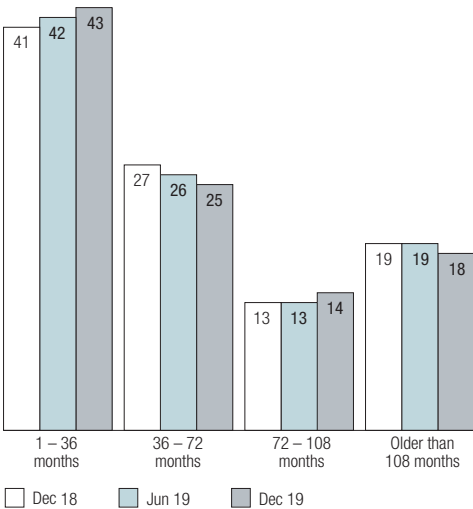
**FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE**
%



**FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE**
%



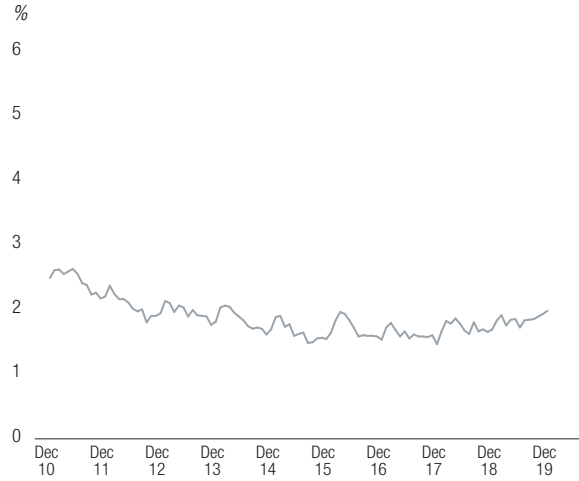
**FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION**
%



Credit continued

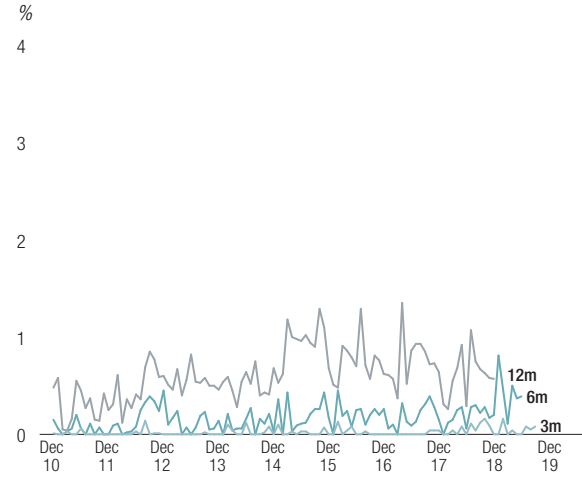
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances.

FNB HOMELOANS ARREARS



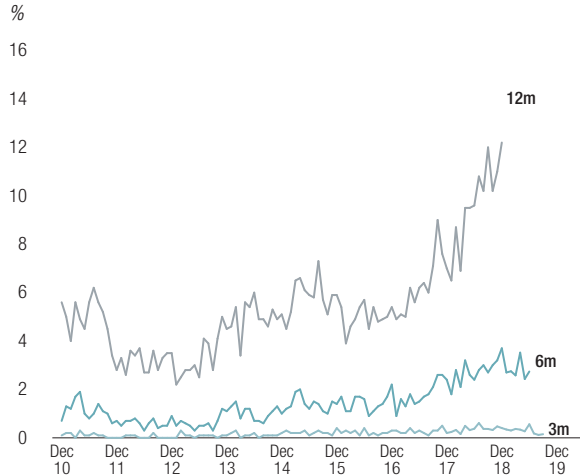
Vintages in FNB HomeLoans have remained stable as collections continued to be strong, normalisation is expected given historic book growth.

FNB HOMELOANS VINTAGE ANALYSIS



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.

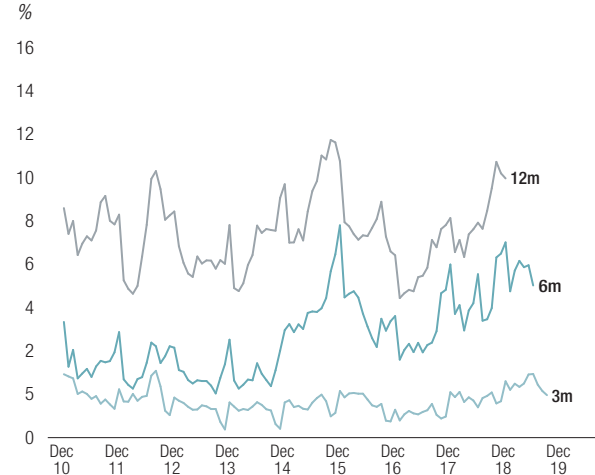
FNB CARD VINTAGE ANALYSIS



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 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 PERSONAL LOANS VINTAGE ANALYSIS

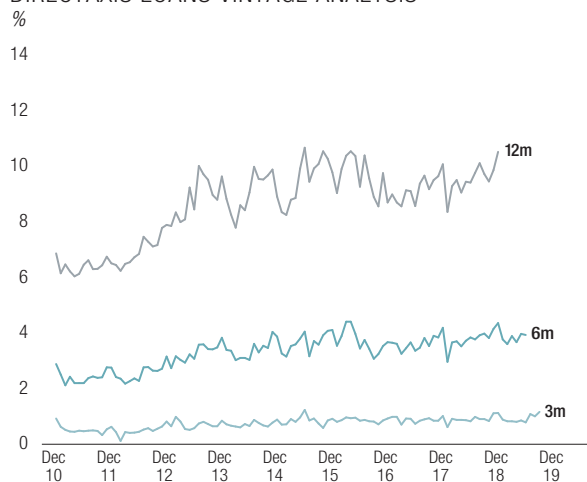


Note: Personal loans vintage have been restated to normalise for "take a break" (in January customers do not need to make a payment). The vintage points were therefore restated to accommodate fewer payments due when the period includes a "take a break" month.

Credit continued

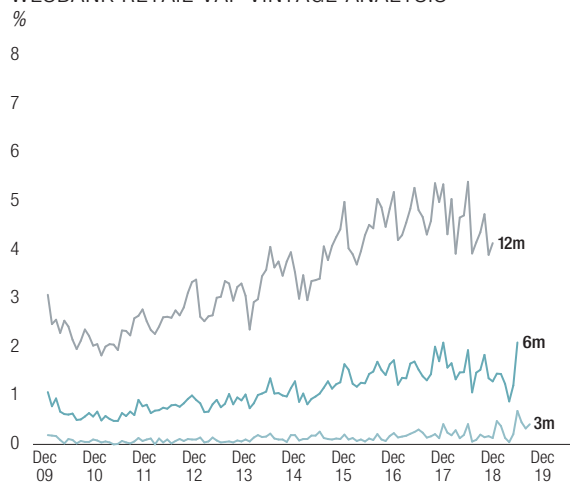
Despite increased volatility in performance, on an annualised basis, DirectAxis loans vintages have continued to perform in line with TTC expectations since December 2013, while the business continued to see growth in disbursements. This is due to active credit origination management within the portfolio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

DIRECTAXIS LOANS VINTAGE ANALYSIS

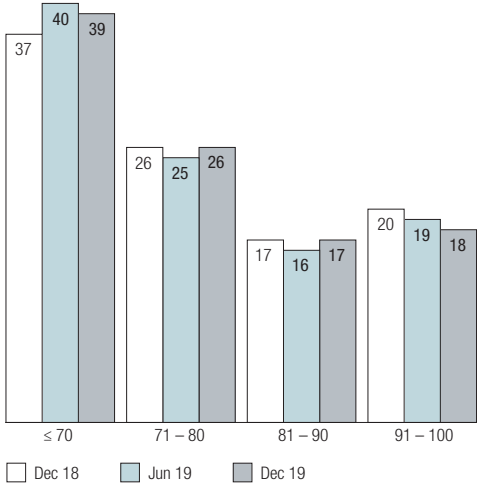


The retail SA VAF experienced an increase in the volume of customers with balloons reaching the end of term during 2019 and requesting to refinance the balloon. Refinancing balloons is a time-consuming and operationally intensive process and in several instances the refinance was only concluded after 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.

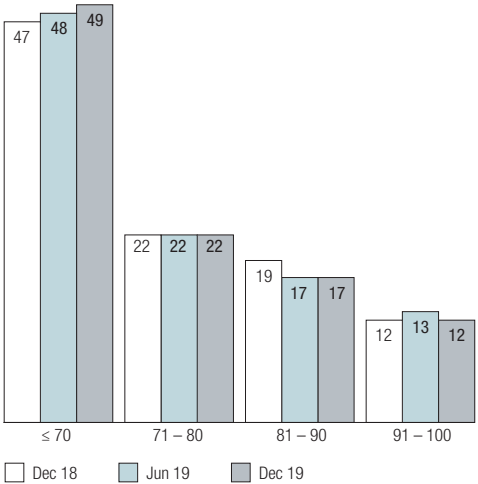
WESBANK RETAIL VAF VINTAGE ANALYSIS



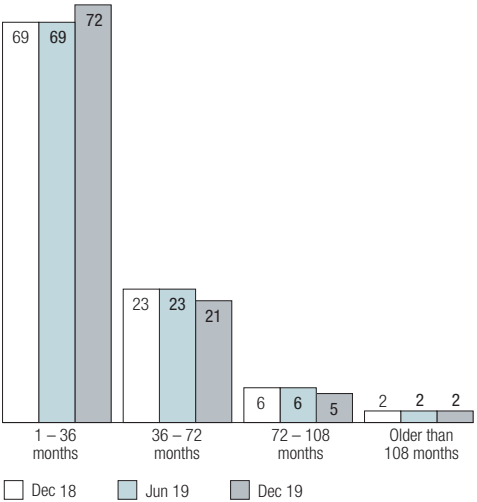
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
CURRENT BALANCE-TO-MARKET VALUE
%

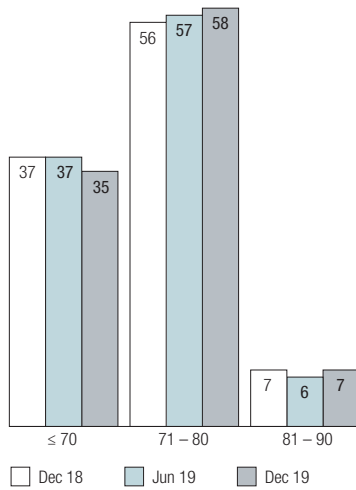


ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%

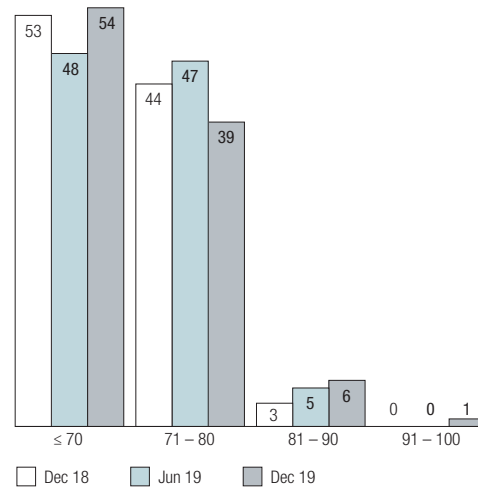


Credit continued

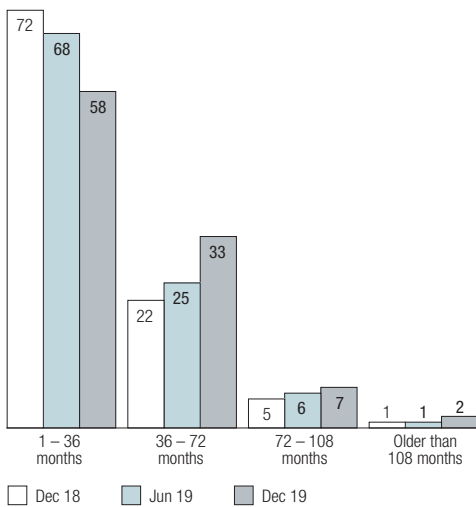
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%



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

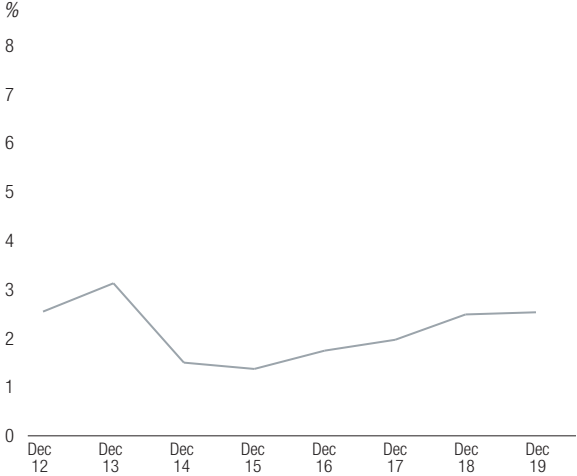


ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%



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.

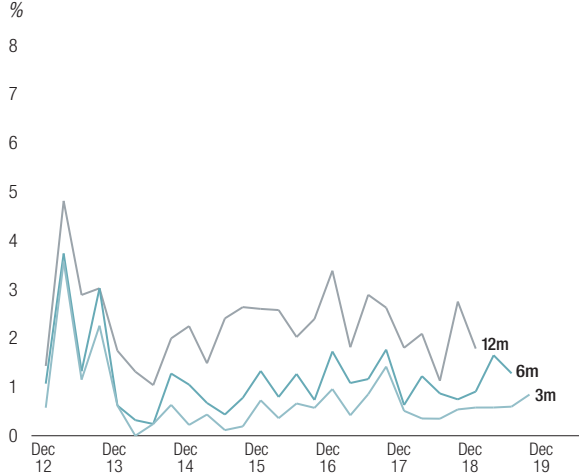
ALDERMORE RESIDENTIAL MORTGAGES ARREARS



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

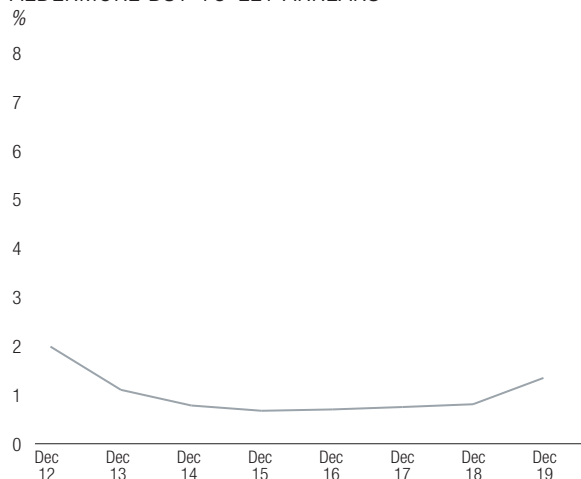


Credit continued

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.

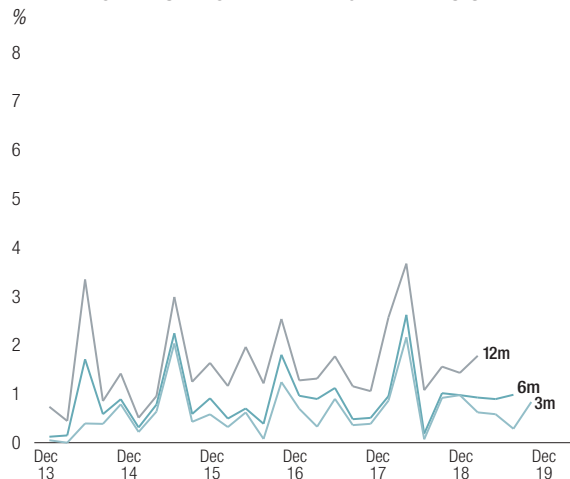
ALDERMORE BUY-TO-LET ARREARS



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.

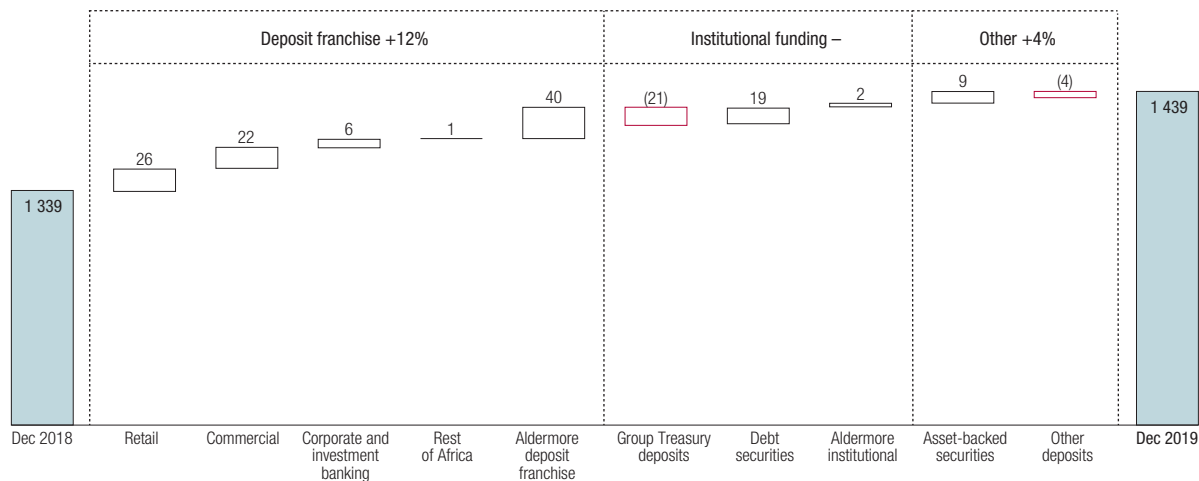
ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



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:

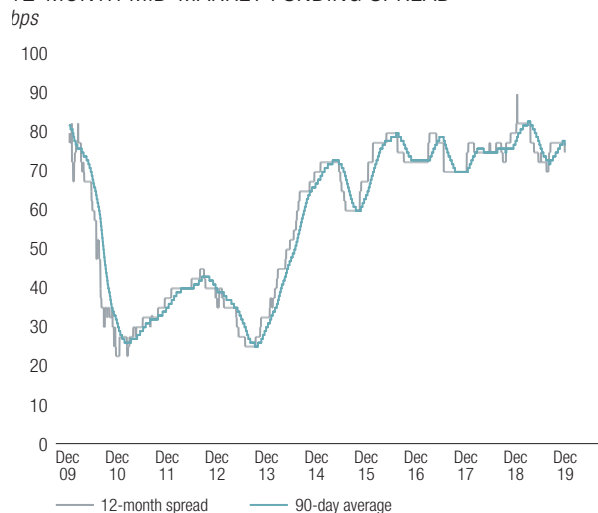
- > concentration of customer current accounts with the large South African banks;
- > South Africa's closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- > prudential exchange control framework; and
- > low dependency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

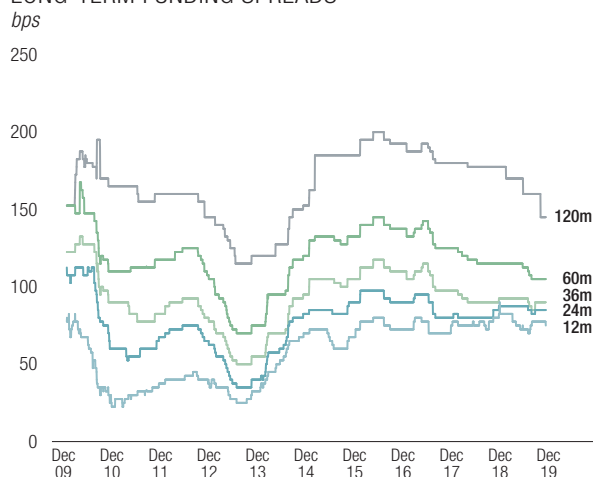
12-MONTH MID-MARKET FUNDING SPREAD



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%).

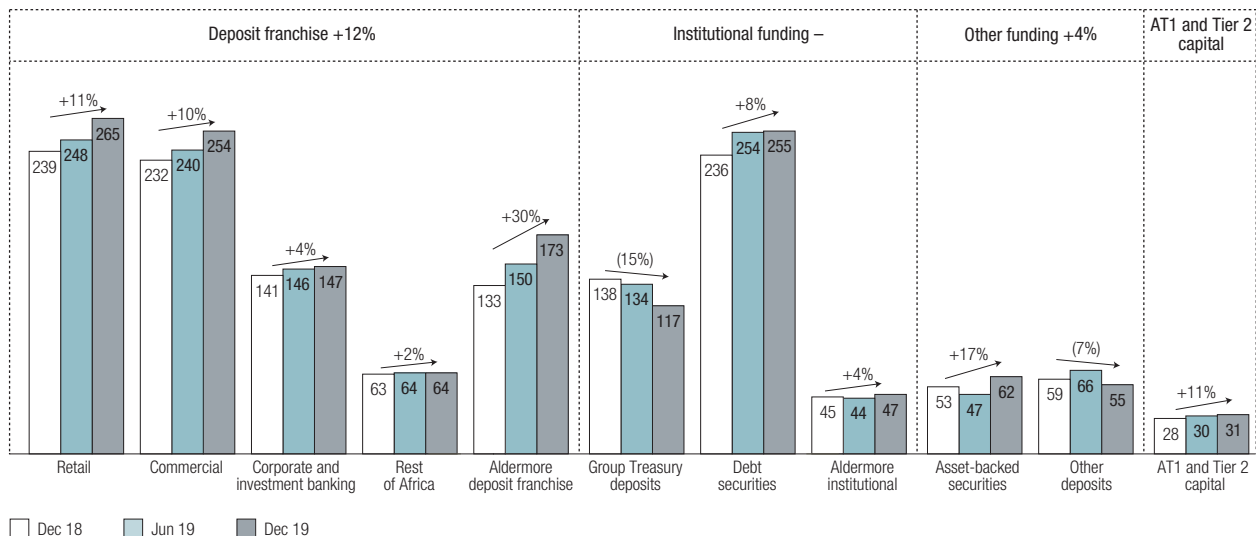
The primary focus remains on growing the group's deposit franchise across all market segments, with continued emphasis on savings and investment products. The group continues to develop and refine its product offering to attract a greater proportion of available liquidity with improved risk-adjusted 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

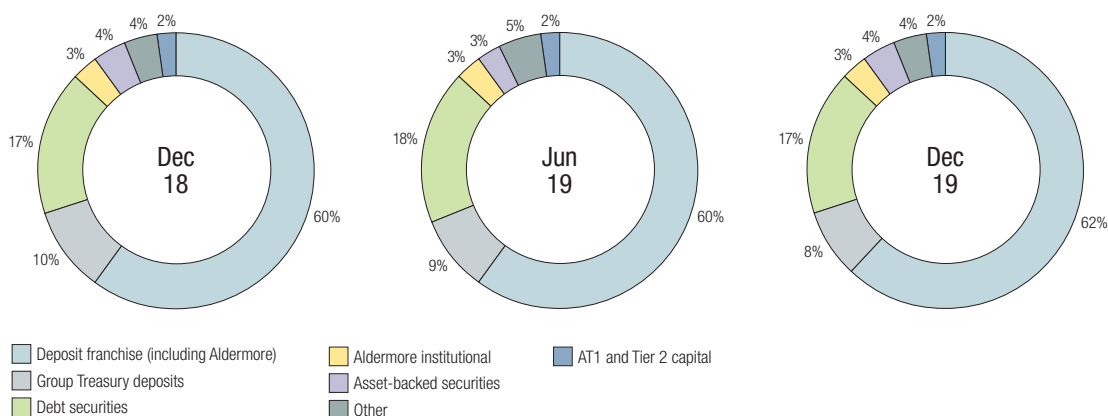


Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

Note 2: Asset-backed securities include Aldermore's securitisation transactions.

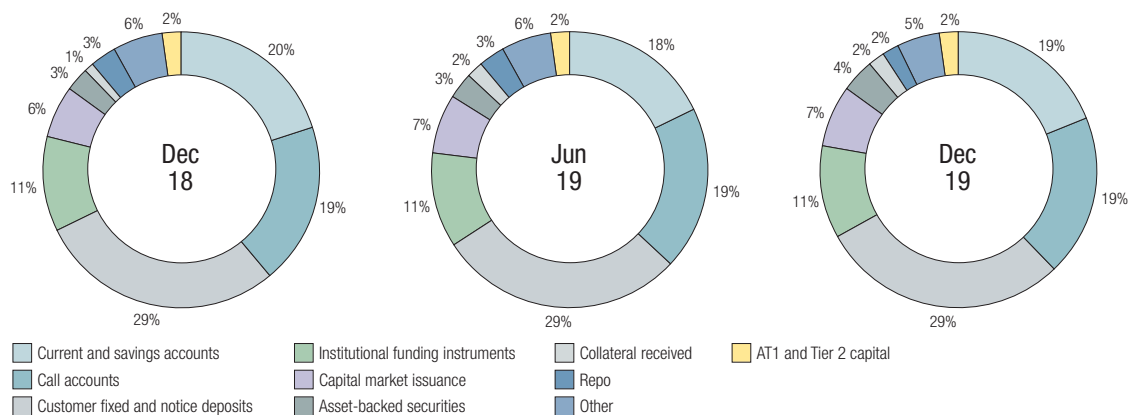
The graphs below show that the group's funding mix has remained relatively stable over the last year.

FUNDING MIX



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

FUNDING BY INSTRUMENT TYPE



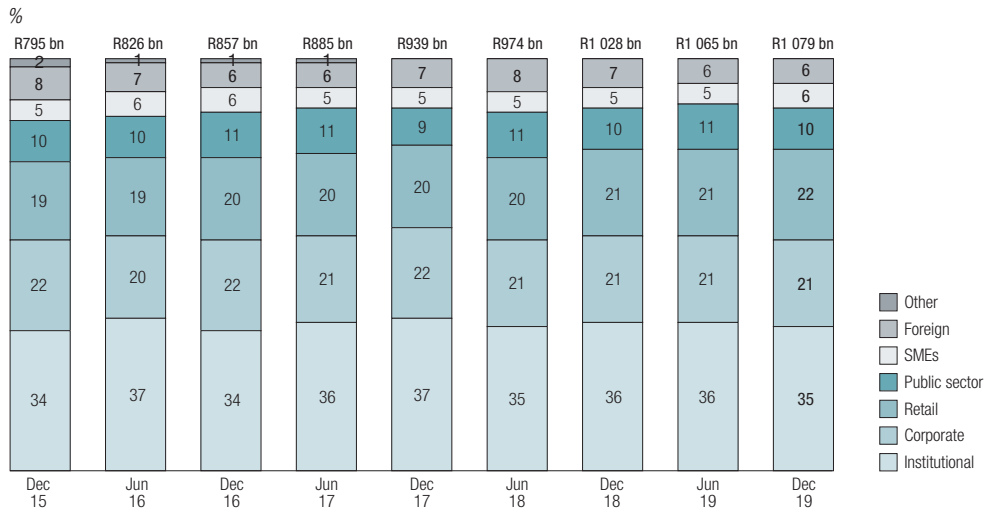
The group's strategy to grow its deposit and transactional banking franchise naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's transactional and savings requirements, when viewed in aggregate, 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.

% of funding liabilities	As at 31 December				As at June	
	2019				2018	2019
	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

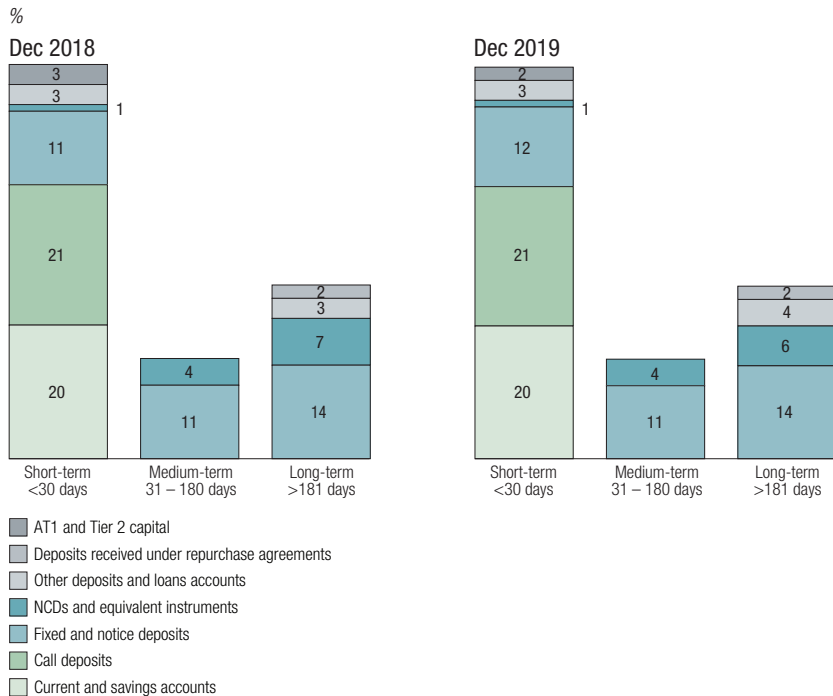
Funding and liquidity *continued*

FUNDING ANALYSIS FOR FIRSTRAND BANK BY SOURCE*



* Excludes foreign branches.

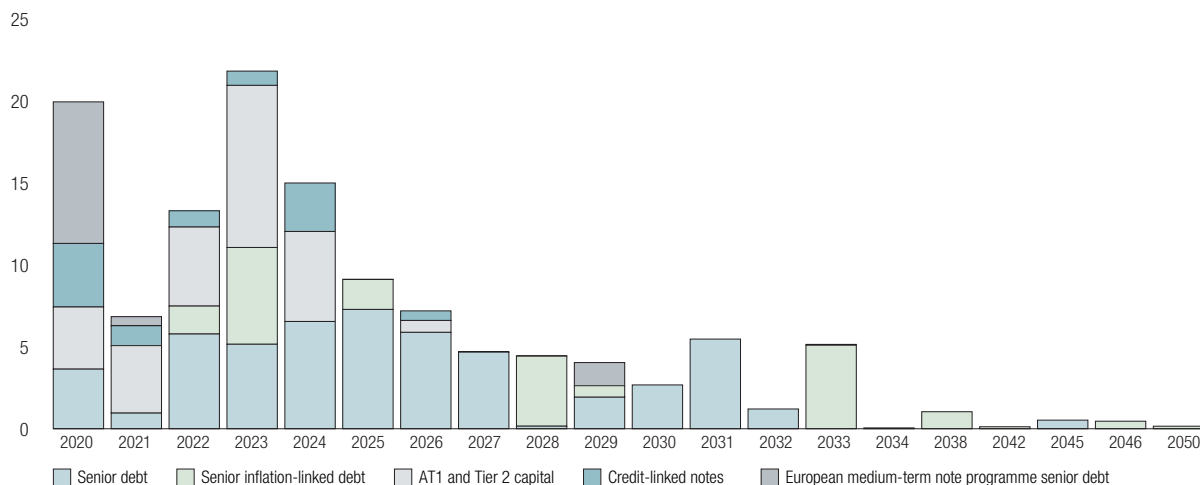
GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

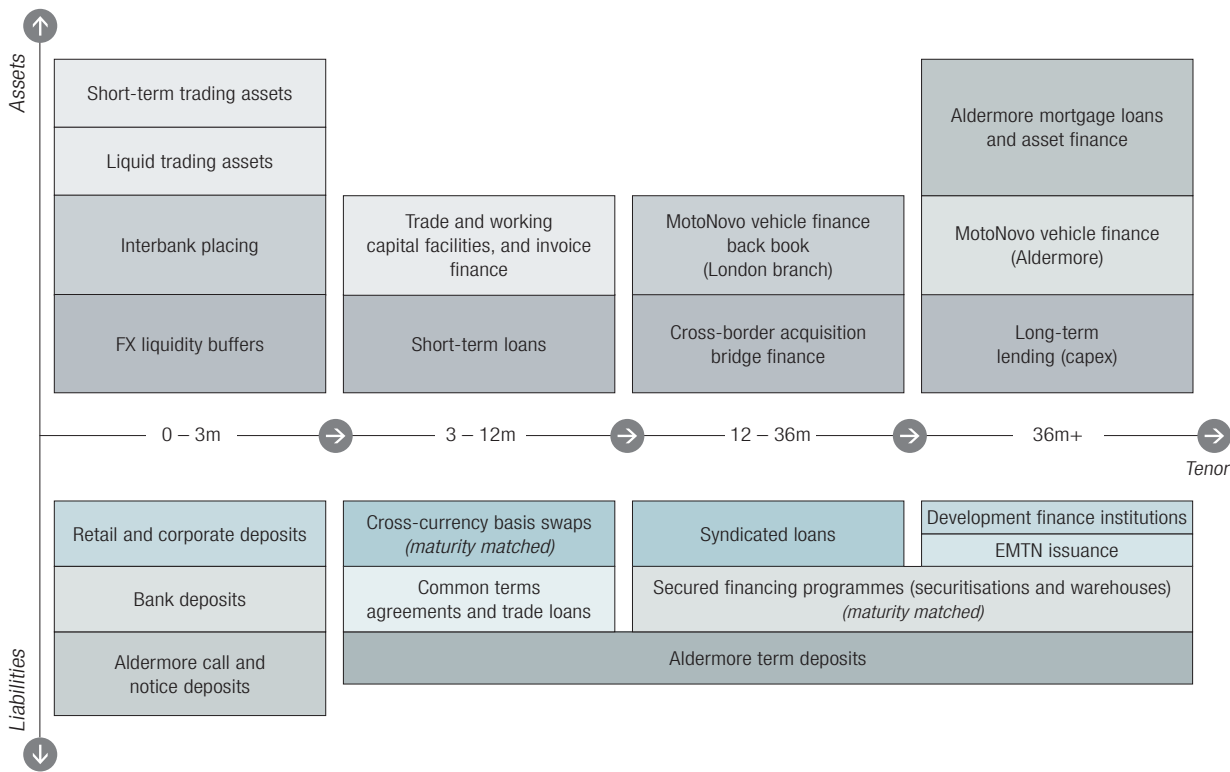
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 6/2010*, issued 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	
	2019	2018
<i>R billion</i>		
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:

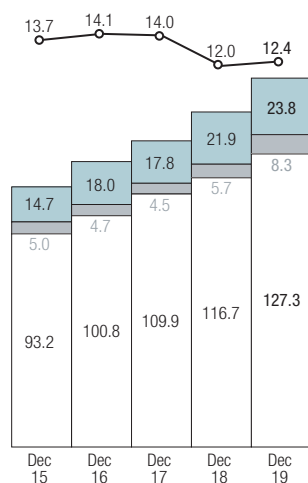
- > the deteriorating macros; and
- > the higher minimum capital requirement following the increase in the counter-cyclical buffer for UK exposures.

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.

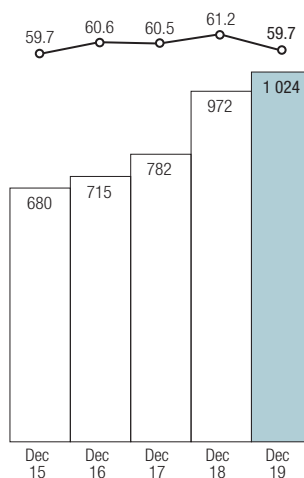
CAPITAL ADEQUACY*



■ Tier 2 capital (R billion)
■ AT1 capital (R billion)
■ CET1 capital (R billion)
—○— CET1 ratio (%)

* Includes unappropriated profits.

RWA HISTORY



■ RWA (R billion)
—○— RWA as a % of total assets (%)

Leverage

LEVERAGE*



—○— Actual (%)
- - - - Target (%)

* 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*

<i>R million</i>	As at 31 December		As at 30 June
	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.

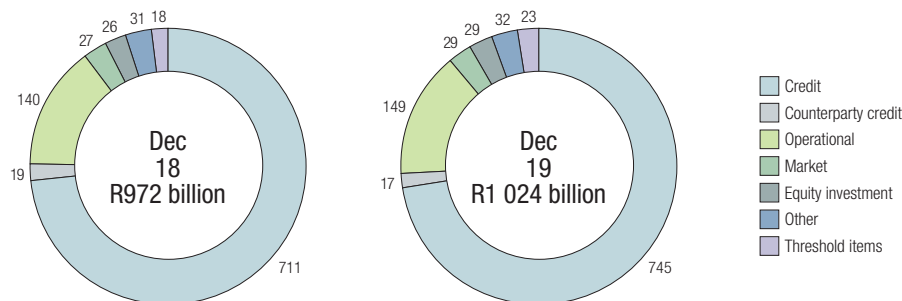
KEY DRIVERS: DECEMBER 2019 vs DECEMBER 2018

CET1		<ul style="list-style-type: none"> > 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 (\pmR2.3 billion) included in December 2018.
AT1		<ul style="list-style-type: none"> > 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		<ul style="list-style-type: none"> > 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:

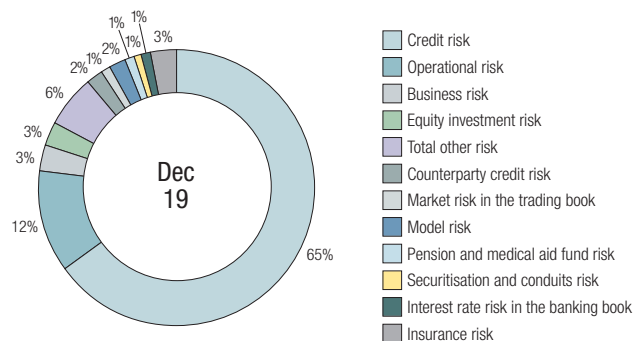
- > the risk universe;
- > consistent standards and measurements for each risk type, where relevant;
- > continuous refinements of risk drivers, sensitivities and correlations;
- > transparency and verifiable results, subject to rigorous governance processes; and
- > alignment and integration with the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

<p style="text-align: center;">BASEL III REFORMS</p>	<p>The PA issued <i>Guidance Note 6 of 2019, Proposed implementation dates in respect of specified regulatory reforms</i>. 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.</p> <p>The following reforms are effective 1 October 2020:</p> <ul style="list-style-type: none"> > 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. <p>The proposed implementation dates for the revised securitisation framework and large exposures framework is January 2021.</p>
<p style="text-align: center;">LCR</p>	<p>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.</p> <p>To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). <i>Guidance Note 5 of 2019, Continued provision of a committed liquidity facility by South African Reserve Bank to banks</i>, 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.</p>
<p style="text-align: center;">RESOLUTION FRAMEWORK</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p style="text-align: center;">FINANCIAL CONGLOMERATES</p>	<p>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.</p> <p>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.</p>

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

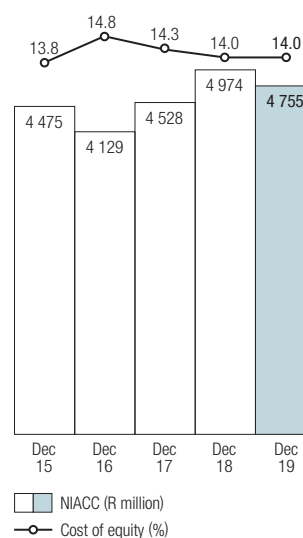
R million	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		2019
Normalised earnings attributable to ordinary shareholders	14 009	13 342	5	27 894
Capital charge*	(9 254)	(8 368)	11	(17 165)
NIACC**	4 755	4 974	(4)	10 729
Average ordinary shareholders' equity and reserves	132 201	119 546	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

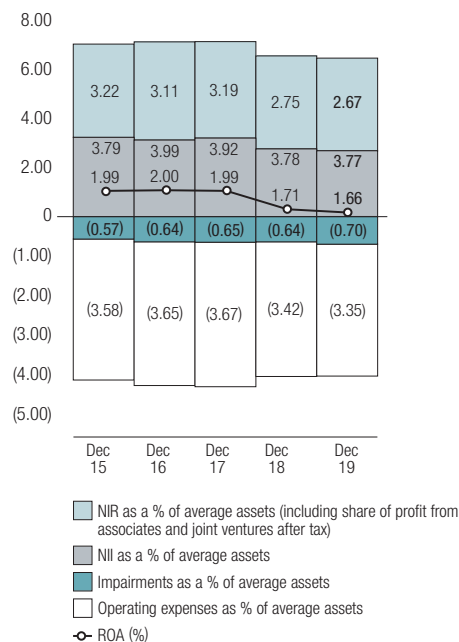
The table below shows the decomposition of the ROE into the ROA and gearing. Decomposition of the ROE indicates that the reduction in ROE was driven by the decrease in gearing and lower ROA, as illustrated in the table below.

	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

R million	Six months ended 31 December				Year ended 30 June	
	2019		2018		2019	
	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

	Outlook	Counterparty rating*		National scale rating		Standalone credit rating**
		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

	Outlook	Counterparty rating*		National scale rating	
		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	As at 31 December		As at 30 June
	2019	2018	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

<i>R million</i>	Six months ended 31 December		Year ended 30 June
	2019	2018	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

<i>R million</i>	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	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				Reserves attributable to ordinary equityholders	Other equity instruments**	Non-controlling interests	Total equity
	Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings				
	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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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.

<i>R million</i>	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.

<i>R million</i>	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

NOTE	ADJUSTMENT	DESCRIPTION OF FIRSTRAND POLICY																					
1	Operating lease commitments under IAS 17	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.																					
2	Short-term leases	<p>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:</p> <ul style="list-style-type: none"> > 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. 																					
3	Low-value leases	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.																					
4	Variable rate leases (payments not based on a rate or index)	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.																					
5	Extension and termination options	<p>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.</p> <p>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.</p>																					
6	Discounting using the group's incremental borrowing rate	<p>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.</p> <p>The range of incremental borrowing rates used is indicative of:</p> <ul style="list-style-type: none"> > 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. <p>The range of incremental borrowing rates can be broken down as follows based on the currency of the lease:</p> <table border="1"> <thead> <tr> <th>Currency</th> <th>Range – lowest</th> <th>Range – highest</th> </tr> </thead> <tbody> <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> </tbody> </table>	Currency	Range – lowest	Range – highest	Rand	7.87%	8.62%	Pound	2.13%	2.89%	US dollar	4.44%	4.46%	Namibian dollar	8.16%	10.23%	Pula	4.25%	6.32%	Kwacha	15.61%	17.36%
Currency	Range – lowest	Range – highest																					
Rand	7.87%	8.62%																					
Pound	2.13%	2.89%																					
US dollar	4.44%	4.46%																					
Namibian dollar	8.16%	10.23%																					
Pula	4.25%	6.32%																					
Kwacha	15.61%	17.36%																					

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	<p>Prepayment features with negative compensation</p> <p>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).</p>	The amendment will be considered when the group issues instruments with these characteristics.
IAS 28	<p>Long-term interests in associates (amendments to IAS 28)</p> <p>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.</p>	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	<p>Uncertainty over income tax treatments</p> <p>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.</p>	The group complies with the guidance issued by the IFRS-IC.
Annual improvements 2015 – 2017 cycle	<p>These annual improvements include amendments to:</p> <ul style="list-style-type: none"> ➤ 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**

<i>R million</i>	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

<i>R million</i>	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**

<i>R million</i>	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

<i>R million</i>	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**

<i>R million</i>	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

<i>R million</i>	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	<p>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:</p> <ul style="list-style-type: none"> > 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. <p>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.</p> <p>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.</p>
Over the life of the lease	<p>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.</p> <p>The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses.</p> <p>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.</p> <p>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.</p> <p>The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.</p>
Variable lease payments	<p>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.</p>
Presentation	<p>The lease liability is presented in other liabilities in the consolidated statement of financial position.</p> <p>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.</p>

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

<i>R million</i>	As at 31 December		% change	As at 30 June
	2019	2018		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

<i>R million</i>	Six months ended at 31 December						Year ended at 30 June		
	2019			2018			2019		
	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

<i>R million</i>	As at 31 December 2019			
	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

<i>R million</i>	Fair value				Amortised cost			
	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Retail secured		Retail unsecured	
					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					Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking						
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*

<i>R million</i>	Fair value				Amortised cost			
	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Retail secured		Retail unsecured	
					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					Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking						
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*

<i>R million</i>	Fair value				Amortised cost			
	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value	Retail secured		Retail unsecured	
					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					Rest of Africa	Group Treasury and other	Aldermore retail	Aldermore commercial	Total amortised cost
Personal loans	Other retail	FNB Commercial	WesBank corporate	RMB investment banking	RMB corporate banking						
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 <i>continued</i>			
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 <i>continued</i>			
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 <i>continued</i>			
Investments in funds and unit trusts	Third-party valuations	<p>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.</p> <p>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.</p>	Third-party valuations used, minority and marketability adjustments
Investment properties	Adjusted market prices	<p>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.</p> <p>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.</p>	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.

<i>R million</i>	As at 31 December 2019			Total fair value
	Level 1	Level 2	Level 3	
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*

<i>R million</i>	As at 31 December 2018			Total fair value
	Level 1	Level 2	Level 3	
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			
<i>R million</i>	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			
<i>R million</i>	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			
<i>R million</i>	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			
<i>R million</i>	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.

<i>R million</i>	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

<i>R million</i>	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

<i>R million</i>	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.

<i>R million</i>	Six months ended 31 December 2019		Six months ended 31 December 2018		Year ended 30 June 2019	
	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*

<i>R million</i>	Reasonably possible alternative fair value								
	As at 31 December 2019			As at 31 December 2018			As at 30 June 2019		
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
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.

<i>R million</i>	As at 31 December 2019	
	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

<i>R million</i>	As at 31 December 2018	
	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

<i>R million</i>	As at 30 June 2019	
	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.

<i>R million</i>	As at 31 December		As at 30 June
	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

<i>R million</i>	As at 31 December		% change	As at 30 June
	2019	2018		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

For the six months ended 31 December 2019													
R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	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.

For the six months ended 31 December 2018													
R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	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.

For the year ended 30 June 2019													
R million	FNB			WesBank	Retail and commercial	RMB			Aldermore	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	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.

05

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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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

<i>R million</i>	Six months ended 31 December		% change	Year ended 30 June
	2019	2018		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		% change	Year ended 30 June
	2019	2018		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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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	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS133	ZAG000126541	FRS175	ZAG000149451
FRS37	ZAG000077793	FRS134	ZAG000126574	FRS176	ZAG000149444
FRS43	ZAG000078643	FRS135	ZAG000126608	FRS177	ZAG000152885
FRS46	ZAG000079807	FRS136	ZAG000126780	FRS180	ZAG000154147
FRS49	ZAG000081787	FRS137	ZAG000127549	FRS182	ZAG000154386
FRS51	ZAG000086117	FRS138	ZAG000127556	FRS183	ZAG000154568
FRS62	ZAG000090614	FRS142	ZAG000130782	FRS184	ZAG000155490
FRS64	ZAG000092529	FRS143	ZAG000130790	FRS186	ZAG000156522
FRS81	ZAG000100892	FRS145	ZAG000134263	FRS187	ZAG000156514
FRS85	ZAG000104985	FRS146	ZAG000134636	FRS188	ZAG000156506
FRS87	ZAG000105420	FRS147	ZAG000135724	FRS192	ZAG000157850
FRS90	ZAG000106410	FRS149	ZAG000136573	FRS193	ZAG000157892
FRS100	ZAG000111634	FRS150	ZAG000136615	FRS194	ZAG000160516
FRS101	ZAG000111774	FRS151	ZAG000136987	FRS195	ZAG000160524
FRS103	ZAG000111840	FRS152	ZAG000136995	FRS197	ZAG000161373
FRS104	ZAG000111857	FRS153	ZAG000137670	FRS198	ZAG000161365
FRS108	ZAG000113515	FRS158	ZAG000145012	FRS199	ZAG000161381
FRS109	ZAG000113564	FRS159	ZAG000145020	FRS200	ZAG000161571
FRS110	ZAG000113663	FRS160	ZAG000145038	FRS201	ZAG000162025
FRS112	ZAG000115395	FRS161	ZAG000145046	FRS202	ZAG000162066
FRS114	ZAG000116070	FRS162	ZAG000145111	FRS204	ZAG000162538
FRS119	ZAG000118951	FRS163	ZAG000145129	FRS205	ZAG000162546
FRS120	ZAG000119298	FRS164	ZAG000145160	FRS206	ZAG000163304
FRS121	ZAG000120643	FRS165	ZAG000145178	FRS207	ZAG000164385
FRS122	ZAG000121062	FRS167	ZAG000145764	FRS208	ZAG000164377
FRS123	ZAG000121328	FRS168	ZAG000145772	FRS209	ZAG000164344
FRS124	ZAG000122953	FRS169	ZAG000145780	RMBIO1	ZAG000050865
FRS126	ZAG000125188	FRS170	ZAG000145954	RMBIO2	ZAG000052986
FRS127	ZAG000125394	FRS171	ZAG000147448		
FRS129	ZAG000125865	FRS172	ZAG000147455		
FRS131	ZAG000126186	FRS173	ZAG000148180		
FRS132	ZAG000126194	FRS174	ZAG000148198		
Credit-linked notes					
FRC169	ZAG000104852	FRC212	ZAG000121054	FRC236	ZAG000135211
FRC178	ZAG000107897	FRC213	ZAG000121047	FRC237	ZAG000135203
FRC181	ZAG000108549	FRC221	ZAG000121229	FRC238	ZAG000135237
FRC207	ZAG000117649	FRC225	ZAG000121435	FRC239	ZAG000135245
FRC208	ZAG000117656	FRC233	ZAG000128752	FRC240	ZAG000135252
FRC209	ZAG000118613	FRC234	ZAG000130816		

Listed financial instruments of the group *continued*

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

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



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