FirstRand

'19

ANNUAL
INTEGRATED
REPORT

owner-manager philosophy : innovation : entrepreneurship : franchise value

about this report

This integrated report describes the operational and financial performance and activities of FirstRand Limited for the year to 30 June 2019.

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

Of particular note:

- The remuneration report has been significantly revised following direct engagement with shareholders on this topic.
- Further refinement of the group's strategic framework and operating model are outlined in the CEO's report.
- Two spreads that seek to demonstrate how the operations of the group positively impact the broader needs of society.
- A visual representation of the re-articulated FirstRand philosophy in the CEO's report.

The commentary and financial results in the chairman's, CEO's and CFO's reports and the operational reviews are based on the normalised results of the group. The normalised results have been derived from the IFRS financial results. A detailed description of the differences between normalised and IFRS results and detailed reconciliation between normalised and IFRS results are provided on pages 250 to 257.

FirstRand

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

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firstrand group

about the group

purpose

FirstRand commits to building a future of **shared prosperity** through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create superior returns for shareholders.

portfolio

FirstRand is a portfolio of integrated financial services businesses and offers a universal set of **transactional, lending, investment and insurance products and services**. FirstRand can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel licence and operating platform available within the portfolio.

strategy

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

track record

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

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

FNB RMB WesBank Aldermore ASHBURTON INVESTMENTS

integrated highlights

financial

Normalised earnings
↑ 6%
2018: 8%

Dividend per share
↑ 6%
2018: 8%

Normalised return on equity
22.8%
2018: 23.0%

Normalised net asset value per share
↑ 7%
2018: 11%

Normalised earnings per share
↑ 6%
2018: 8%

CET1 ratio
12.1%
2018: 11.5%

FNB
Normalised earnings
↑ 11%

RMB
Normalised earnings
↓ 4%

WesBank
Normalised earnings
↓ 2%

social

Total employees

48 780

2018: 46 284

South African employees

40 233

2018: 37 958

% ACI employees (SA operations)

79%

2018: 77%

B-BBEE status

Level 1

2018: Level 1

Procurement from black-owned companies

R5.1bn

2018: R3.7bn

Education grants

R338m

2018: R243m

Carbon emissions (SA operations) (tonnes)

↓ 3%

2019: 216 726 | 2018: 224 190

Economic value added to society (R million)

↑ 24%

2019: 155 951 | 2018: 125 970

operational

FNB customer numbers

↑ 4%

2018: 8.15m

FNB digital transactions represent

72%

of total FNB transactions

FNB sold

3.7m

policies on group life licence

RMB M&A advised on

R87.2bn

worth of deals

RMB Morgan Stanley is

#1

JSE equity trading values

WesBank finances

1 in 3

vehicles in SA

firstrand's integrated reporting framework

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

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

PURPOSE

Build a future of shared prosperity through enriching the lives of its customers, employees and the societies it serves. This is the foundation to a sustainable future and will preserve the group's enduring promise to create long-term value and superior returns for its shareholders.

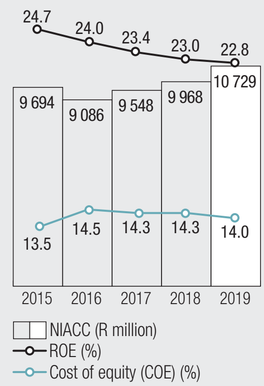
18 CEO's report
30 CFO's report

Group report to society
www.firstrand.co.za/society/firstrand-contract-with-society/

Measurement

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

On pages 08 to 11 the group has measured the social impact of certain of its activities.



PORTFOLIO MANAGEMENT

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

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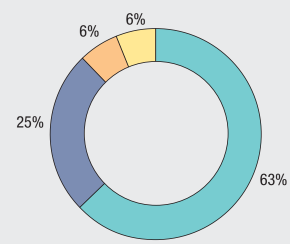
179 Risk report

Measurement

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



BUSINESS DIVERSIFICATION*
(based on normalised earnings)

* *Excluding FCC (including Group Treasury), FirstRand company, consolidation adjustments and dividends on other equity instruments.*

** *Including MotoNovo new book originated since May 2019.*

SUSTAINABLE RETURNS

Through its financial resource management framework, the group allocates capital, funding and risk capacity on a through-the-cycle basis to deliver sustainable returns within acceptable levels of earnings volatility.

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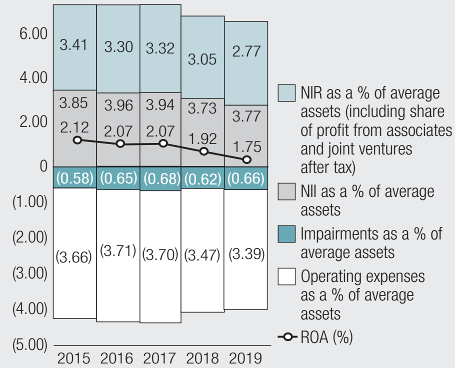
Measurement

The group's **superior ROE** reflects the relative size of its transactional franchise and mix of advances. These are direct outcomes of strategic decisions supported by the group's financial resource management methodology.



ROA ANALYSIS

CULTURE

The group has a deeply embedded business philosophy which underpins its track record of innovation. This philosophy was re-launched in 2019.

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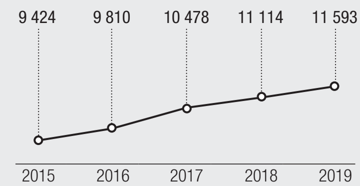
Measurement

The group runs innovation programmes which have resulted in 11 500 innovations implemented in the past five years.



CUMULATIVE INNOVATIONS IMPLEMENTED CAGR 5%

STAKEHOLDERS

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

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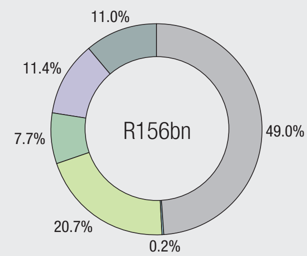
Measurement

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



ECONOMIC VALUE DISTRIBUTION (%)

GOVERNANCE

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

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Measurement

Review governance processes to ensure ongoing improvement.

measuring social impact

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

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

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

For more detail on FirstRand's contract with society and its progress to date, refer to the group's report to society at www.firstrand.co.za/society/firstrand-contract-with-society/.

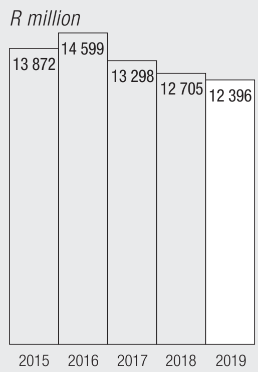
How the *group's balance sheet* drives economic growth and inclusion

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

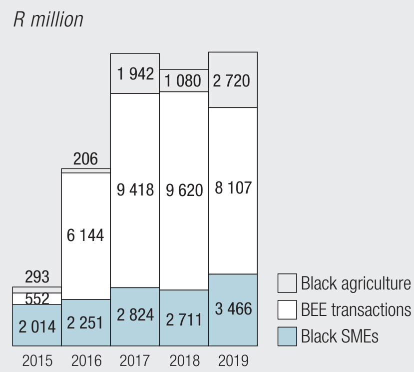
How the *group's transactional platforms* benefit the broader community

RMB has funded projects contributing to the **development of the country's infrastructure, particularly in the renewables sector.**

FNB has provided **R38 billion** in funding to the SME sector, which is a major contributor to **economic growth and job creation.**



Transformational infrastructure



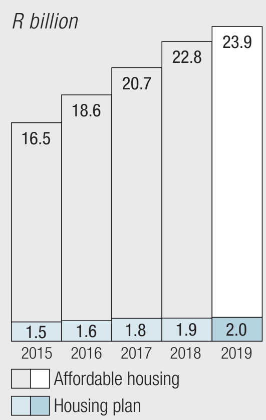
Lending to black SMEs, BEE transactions and black agriculture

Through providing credit to individuals, FNB has enabled home ownership across all social spectrums.

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

The group's affordable housing book has grown to R25.9 billion representing 103 186 customers

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



Deepening access through the provision of electronic channels

Overall FNB has **6.4 million** (2018: 6.1 million) active users of its eWallet product

Send money value up **23%** to R25.9 billion (2018: R21.1 billion)

Send money volumes up **19%** to 46.1 million transactions (2018: 38.6 million)

How the group *treats its customers*

CONSUMER FINANCIAL EDUCATION

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

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

SYSTEMIC SOCIAL INVESTING

Through its foundations, the group adopts a systemic social investing approach, designed to confront the root causes of social problems (not only the symptoms) through strategic interventions.

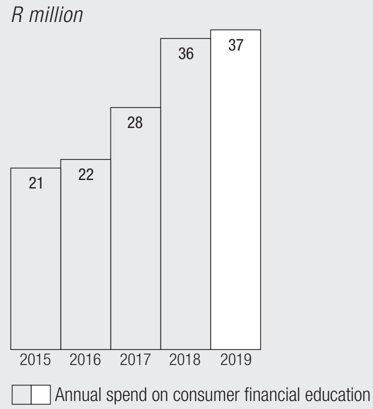
How the group is *addressing transformation and employment equity*

WORKFORCE DIVERSITY

Approximately **79%** of the group's South African workforce is composed of African, Coloured and Indian employees. Whilst significant progress has been made at junior levels, further improvement on the **42%** ACI representation at senior management level is required.

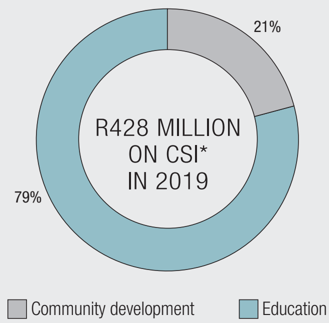
Approximately **59%** of the group's workforce is female.

During the year
R37 million
was committed to these initiatives, representing a
3% increase
on the prior year



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

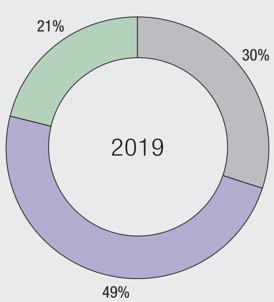
Since 2014 FirstRand's foundations have granted over
R1.6 billion
for social investment projects



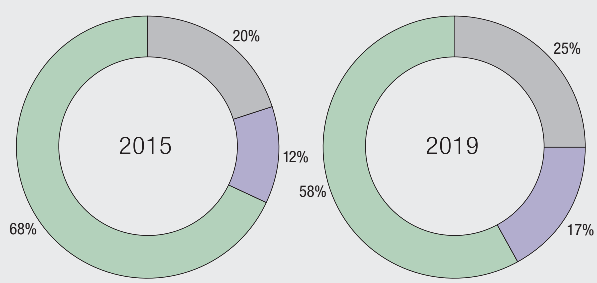
* *FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust*

The FirstRand Empowerment Foundation, created from the group's BEE transaction, represents one of the **largest endowments in South Africa at**
R7 billion
and is black controlled

SA WORKFORCE DIVERSITY



SENIOR MANAGEMENT DIVERSITY



ACI male   ACI female   White and foreign national

Diversity in senior management shows a **positive trend since 2015**

ROGER JARDINE :: *chairman*

"Twenty-five years ago people could be excused for not knowing much, or doing much, about climate change. Today we have no excuse. No more can it be dismissed as science fiction; we are already feeling the effects."

Desmond Tutu

chairman's report

There is no doubt climate change is one of the most singularly profound risks facing the world as we know it. The science is compelling. No one can deny the evidence, as polar ice caps and glaciers millions of years old melt before our eyes. Closer to home on the African continent, researchers have found that nine of the 13 oldest baobab trees and five of the six biggest ones have partially or completely died in the past 12 years. These trees, located in Zimbabwe, Namibia, South Africa, Botswana and Zambia, date back to the times of the ancient Greeks.

Since the end of the Second World War, we have seen a rapid rise in global industrialisation and rampant population growth, placing serious pressure on the world's resources. This is starkly demonstrated by the recently published Earth Overshoot Day (the day when humanity has used up nature's resource budget for the year). Published by Global Footprint, an international sustainability organisation, 2019's Earth Overshoot Day occurred on 29 July. In 1973, that date was 31 December. Tellingly, over that same period, the world's population almost doubled from 4 billion to 7.7 billion.

It should therefore not be surprising to any of us, given what I have outlined above, that scientists, environmentalists and NGOs are pushing hard for urgent change.

This topic is not new. So why does it feel like it has only recently become such a big agenda item? Maybe it's because baby boomers are ageing and questioning their legacy, whilst their children and grandchildren are worrying about their futures. Or perhaps more cynically, corporates and politicians are finally waking up to the real risk to their sustainability that global warming represents.

It is certainly the case that shareholders are becoming increasingly focused on the risk that climate change poses to the sustainability of many of their investment holdings. Environmental and social governance has been rapidly adopted in investment decision-making, and corporates in the energy sector have come under particularly severe scrutiny. The United Nations (UN) secretary-general recently announced that the UN pension fund – which manages $68 billion in assets – has publicly committed to divesting from investments in publicly traded companies in the coal energy sector and will not make any new investments in it.

This scrutiny is now rightly moving to financial institutions supporting the energy sector through lending activities. Institutions, such as FirstRand, face increasingly tough questions about our appetite for lending to fossil fuel sectors, however, as in everything, the answers are not simple. Our country's current base-load energy mix is around ninety percent coal. Coal mining accounts for approximately 24% of South Africa's mining industry and employs approximately 85 000 people, with around 200 000 employed in related industries like transport and logistics. In 2018, coal exports totalled R80 billion, which represents 6.4% of total exports, although these are forecast to decline materially in the coming years as countries increasingly scale down coal plants and adopt alternative and more sustainable approaches to the energy mix. This means that as a country, we must develop a detailed transition plan to prepare for the impact of this global shift away from coal and fossil fuels. Our future energy mix objectives must reflect the projected cost and time frame associated with this complex transition, as well as the creation of new jobs in the energy economy of the future.

It is not sensible, given the backdrop described above, to argue for the immediate withdrawal from coal, given how integral it is to the energy fabric of our country, nor is it sensible to argue that banks must be forced to continue funding coal. The reality in South Africa, and many other emerging markets, is that coal capacity is still needed in the short to medium term, particularly when balancing social, economic and environmental considerations. A clear and detailed national transition plan and timetable must be urgently agreed.

The group recently published its policy on lending to the South African thermal coal sector, which required a deep-dive assessment of the economic net impact of transitioning to a low-carbon economy. As the country navigates the journey from coal-centered energy to a more sustainable energy mix, FirstRand will consider thermal coal financing for new capacity (greenfield mining or power generation), subject to international emissions standards and other factors. However, because we consider these projects sensitive and high risk, we will limit that financing to below 0.5% of our total loans and advances. The total coal portfolio, including new coal financing, will, over the next s, be limited to below 2% of total group loans. This means lending to the coal industry is now non- strategic for the group and we are committed to a longer-term thermal coal divestment strategy.

While we have taken a pragmatic position on coal (and we plan to publish a full fossil fuel policy by the end of next year), given the social and economic dynamic that must be managed as part of the transition, we remain deeply cognizant that banks have an important role to play if the commitments of the Paris Agreement are to be met. South Africa is, however, already facing many economic challenges, including an unacceptable level of unemployment and incredibly low growth. These will be key considerations for policy-makers as we navigate the transition.

Which brings me to my second topic: South Africa's fiscal vulnerabilities and the urgent need for structural reform.

It's hard to know where to start when unpacking the myriad of challenges our country faces. We all know the numbers: 29% unemployment, 0.3% GDP growth, a looming budget deficit of 6% and a debt-to-GDP ratio of 58%, and climbing. They all make for grim reading. Yet the response by government and policy-makers is, to be frank, perplexing – particularly its current allocation of the country's scarce resources.

Effective resource allocation matters profoundly to developing countries, especially when there is little to waste. It's obvious that expenditure must be reined in, and each rand spent needs to generate either a social or an economic return (ideally both). Sadly, too much of government's expenditure delivers neither and, if we continue on this road, it will bankrupt the country.

The list of reforms that are necessary has been debated for too long. It includes: policy certainty, increasing competition, reforming state-owned enterprises (SOEs), improving education, improving health care, stabilising the electricity supply, expanding road networks, allocating spectrum, developing the tourism industry, developing the agriculture sector, and the list goes on. We could also add incentives to lift exports and decrease imports, and provide title deeds to more South Africans. More than one plan to deliver on these reforms has been drawn up and debated, only to be replaced by yet another plan.

Perhaps the time has come to acknowledge that a South African developmental state for the twenty-first century must strongly position the private sector as a key partner to the state in the industrial transformation of our country. South Africa's skills and expertise are concentrated in the private sector. It provides 79% of the country's employment and contributes approximately 50% to the fiscal purse through corporate tax (≈19%) and personal income tax paid by its employees (≈31%). FirstRand Bank alone paid R8.5 billion in tax this year. Leveraging private sector balance sheets for infrastructure initiatives can work, as shown by the Renewable Energy Independent Power Producer Procurement programme, where R210 billion was mobilised from the private sector.

To be able to provide a sustainable improvement in living standards for all South Africans, it's time for government to partner with the private sector to drive the developmental agenda. The private sector has the incentive, skills and resources to build businesses that employ people and build the wealth of the country. It cannot, however, do it on its own. It needs a government that creates policy certainty, is not distracted by trying to keep failing SOEs afloat and/or running sectors of the economy that can be done more efficiently by the private sector. Concurrently, deep reform in the public service must also be implemented. The ability of any state to deliver on its agenda is directly determined by the strength of the public bureaucracy. A reform programme that has at its centre a public/private partnership-driven developmental agenda will have a better chance of delivering the economic reforms needed to address the challenges of low growth and high unemployment.

There is no plausible plan for South Africa to prosper without the private sector playing a strong role in creating sustainable growth.

Government's apparent unwillingness to champion the private sector as a growth engine is mystifying. There are many examples where partnership between the private sector and government is effective. Private-sector skills, technology, capital and innovation can help provide better public services through improved operational efficiency. There is no plausible plan for South Africa to prosper without the private sector playing a strong role in creating sustainable growth.

However, instead of partnering with the private sector, government has demonstrated a desire for state-led solutions, and one example of this is the current proposal for national health insurance (NHI).

I am reasonably confident that it will be very hard to find a South African who does not agree on the desirability of universal access to health care. It is, however, incomprehensible that government can propose new NHI legislation without a detailed grasp of its full financial impact on the country. This is particularly of great concern given the fragility of the country's finances. Important elements of the new policy remain unknown and this creates risk to further investment in the sector. Moreover, the country's public healthcare system is in disarray and the private healthcare industry can play a major role in achieving universal access. A meaningful dialogue between government and the private healthcare sector is required to agree on the mix of policy, regulation and incentives to provide all who live in South Africa access to necessary care without financial or other impediments.

Another policy initiative gaining increasing political currency is the introduction of prescribed assets. We seldom talk about pension fund liabilities (particularly with the emergence of defined-contribution funds), but it's the pension liabilities that are the real issue. The average net replacement ratio in SA pension funds stands at 17% – meaning a pensioner can expect to receive only 17% of their final monthly gross salary when they retire. On this basis alone it is reckless to contemplate prescribed assets (often with misaligned risk and return) when we are under-saved as a country.

Despite the concerns I have expressed above, I do want to acknowledge the President's sustained public commitment to rooting out the corruption that has played its part in the country's fiscal and economic decline. The work of the Zondo Commission should be applauded, as well as the new leadership at key state institutions like SARS and the National Prosecuting Authority, and new boards at SOEs marking a decisive break with the past. However, an anti-corruption strategy is not a growth strategy. Notwithstanding the key interventions made to date, government needs to move swiftly with further and substantial reforms to accelerate growth. These could include:

- Implementing the Eskom restructure plan as proposed in the recent *Economic Strategy Paper* presented by National Treasury.
- Increase competition in the telecommunication and transport sectors (including the ports) by breaking up public sector monopolies and allowing the private sector to provide services (also proposed in the National Treasury paper).
- Design and introduce policies that will incentivise a meaningful lift in domestic savings (so that we can fund infrastructure development).

All the topics I have covered so far are profoundly important to our business. FirstRand is a systemic business as an employer, a taxpayer, a lender and, most critically, a keeper of the country's deposits. Eighty per cent of our earnings are generated from our activities in South Africa, and we need this country to prosper and thrive. However, we also need to work with our fellow Africans, which is why the recent attacks on foreigners are deeply concerning. We have witnessed terrible incidents of violence in communities resulting in several deaths and damage to property.

In our country with so much poverty, inequality and unemployment, deep social tensions invariably arise. Undoubtedly, strong implementable policies that address economic growth and poverty alleviation, as well as an urgent plan to fix our porous borders, are required. However, general criminality and targeted attacks on foreign nationals from the rest of the continent are unacceptable.

Like many other South African companies, FirstRand is growing its presence in several markets in the rest of Africa. We employ 6 085 people on the rest of the continent. South African companies cannot, however, expect to peacefully expand and grow our businesses, creating demand for South African goods and services on the rest of the continent, while fostering a hostile environment for citizens from those markets here at home.

The rule of law is a precondition in any society where its people, citizens and visitors alike, feel that they can live in an environment of peace and security. It is also a precondition in any society where businesses, small and large alike, feel that they operate in an environment in which they can grow and thrive. A free democratic society can never tolerate lawlessness.

It is actually remarkable that, given all the economic pressures we faced as a business in the year under review, and the high earnings base created in the previous financial year by significant private equity realisations, FirstRand's portfolio of businesses produced such resilient and high-quality topline growth. Normalised earnings for the year increased 6% with a normalised ROE of 22.8%. A detailed analysis of the performance can be found in the CFO's report on page 30.

Looking briefly at each of our businesses, FNB generated a very strong operating performance from its domestic franchise, driven by healthy non-interest revenue growth on the back of ongoing customer gains and increased transactional volumes, and high-quality net interest income growth, particularly from deposit generation. The performance of FNB's rest of Africa portfolio improved significantly.

RMB's results were impacted year-on-year by the non-repeat of significant private equity realisations in the second half of the year to June 2018, however, the rest of its portfolio delivered a resilient performance driven by growth in earnings and solid operational leverage. WesBank delivered a subdued performance. The group's performance to June 2019 includes a full 12 months' contribution of post-tax earnings of R1 658 million from Aldermore, which continues to track slightly better than our original expectations when we acquired the business.

Given the group's high return profile and strong capital generation, the board maintained the dividend cover at 1.7x, which remains below its stated long-term cover range of 1.8x to 2.2x. We have, however, indicated that we will revisit the cover range, should capital demand increase to support sustainable balance sheet growth and/or macro risks worsen against the group's current core view.

Government needs to move swiftly with further and substantial reforms to accelerate growth.

This performance is the result of careful and consistent execution of several very specific growth strategies, with the objective to deliver superior value creation for our shareholders. I firmly believe that this group's ability to generate superior NIACC, which is our key performance metric, is testament to a unique business model, a portfolio of stand-out customer franchises, our high-quality talent and absolute discipline in allocating financial resources.

I have always believed that the group's remuneration practices were well aligned to shareholders, in that we ensured that management has never done better than shareholders. The group's remuneration policy did not, however, receive full support from shareholders last year and this gave us cause to undertake some deep introspection.

In this year's remuneration committee report (page 109), which has been completely overhauled, we outline the process we went through to understand the issues, which we saw as partly design and partly disclosure. We engaged with investors and analysed proxy voter services' reports on design and commissioned independent research to benchmark our disclosure relative to local and international peers. We have made significant changes to both, and I hope this better demonstrates that true alignment between management and shareholders does exist.

In closing, I would like to acknowledge our board colleagues Lulu Gwagwa and Ethel Matenge-Sebesho, who will retire as directors at the annual general meeting, and Jannie Durand, who resigns as an alternate director. They have been incredibly valuable members of the group's board and will be sorely missed. I thank them for being wise and hard-working colleagues and wish them well in their future endeavours.

I would also like to thank each and every employee and customer of the group for their commitment, loyalty and trust. We would not be a successful business without you.

ROGER JARDINE
Chairman

ALAN PULLINGER :: *CEO*

"As a systemic business in South Africa, the group is also cognizant that its growth strategies need to create both economic and social value for a broader set of stakeholders, including clients, employees and society at large."

ceo's report

INTRODUCTION

For the year to 30 June 2019, FirstRand delivered real growth in earnings, maintained its return profile above the upper end of the group's long-term target range of 18% to 22%, and increased dividends in line with earnings, continuing its track record of shareholder value creation.

This was a resilient performance given the constrained macroeconomic backdrop and the high earnings base created in the previous year by significant private equity realisations. A detailed explanation of the group's financial performance is provided in the CFO's report, and detailed financial and operating reviews of the underlying businesses can be found on pages 54 to 76.

This report provides commentary on the operating environment, updates to the group's strategic framework and operating model and progress on execution of the specific growth strategies FirstRand is pursuing across the three geographic regions within which it operates (South Africa, rest of Africa and UK).

OPERATING ENVIRONMENT

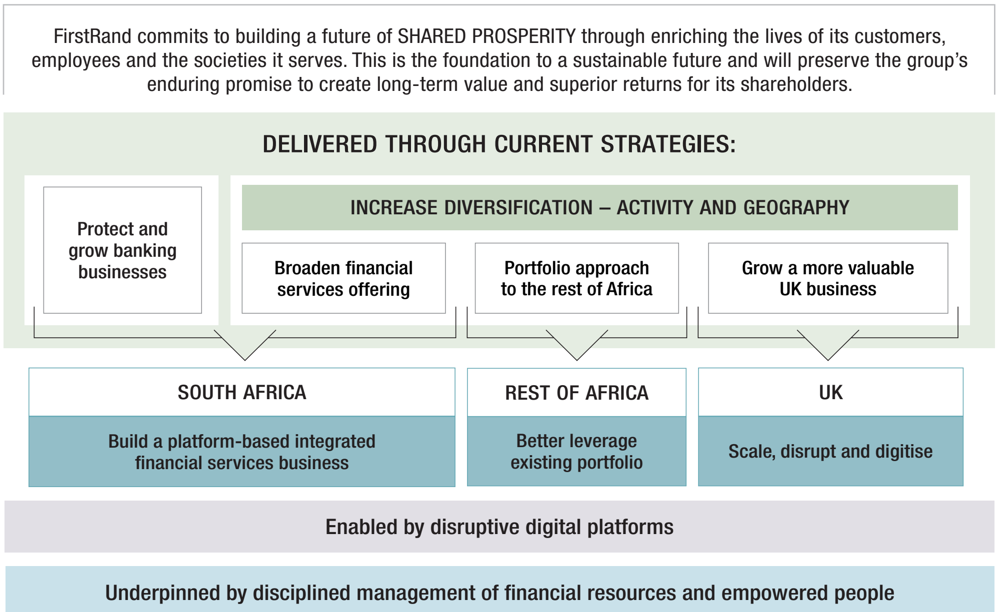
The prevailing operating environment remained challenging, with material macro risks including:

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

STRATEGIC FRAMEWORK

The group remains focused on delivering real earnings growth and premium returns to its shareholders. As a systemic business in South Africa, the group is also cognizant that its growth strategies need to create both economic and social value for a broader set of stakeholders, including clients, employees and society at large. It has therefore reshaped its purpose statement to include a broader set of promises to those stakeholders.

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



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

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

FURTHER PROGRESS IN BUILDING A PLATFORM-BASED INTEGRATED FINANCIAL SERVICES BUSINESS IN SOUTH AFRICA

The group has continued to protect and grow its domestic banking businesses, as outlined in the operating reviews of FNB, RMB and WesBank.

Through the effective utilisation of the origination capabilities, operating platforms and distribution networks of its banking operations, FirstRand is busy transforming into a financial services business with a fully integrated, platform-based, customer-centric approach in South Africa.

The group is incrementally capturing a larger share of profits from providing savings, insurance and investment products to its customers, and the growth opportunity is significant given the annual flows to other providers from FNB's customer base alone. Some examples of traction are outlined below.

FirstRand is busy transforming into a financial services business with a fully integrated, platform-based, customer-centric approach in South Africa.

The growth in the group's deposit franchise has continued to outperform money supply growth over several years, driven by strong growth in FNB's retail and commercial segments. This was the result of product innovation in investment products, client acquisition, and cross-sell and up-sell into its customer base. FNB is now the number one household deposit franchise in South Africa.

The wealth and investment management (WIM) business which moved from Ashburton Investments last year is now successfully leveraging FNB's client ecosystem, platform execution and distribution channels. WIM is focused on creating investment solutions to meet customers' needs, and revenues benefited from improved contributions from the fiduciary business and FNB share investing areas. FNB Horizon series funds showed improved performance, however, despite this, there were net outflows for the year as customers opted for lower-risk asset classes. Assets under advice benefited from an uptick in customer numbers and sales on the listed investments services provider (LISP) platform. Platform developments activated during the period included online wills, robo-advice and the investment tab in online banking. The group remains confident that its WIM activities will continue to scale in the years ahead.

FNB Life, which was launched four years ago, is already a meaningful player in the SA insurance market. On the basis of an independent survey, the Swiss Re Individual Risk Market New Business Volume Survey 2018, FNB Life was voted:

- number 1 in life in terms of digital distribution;
- number 2 in life by number of policies;
- number 3 in life by annual premium equivalent (APE); and
- number 4 in life by sum assured.

The product range also continues to scale as shown in the graphic below.

FNB LIFE PRODUCT SET

Retail		Commercial
Non-underwritten	**Underwritten**	
Credit life	Individual life cover	Key-person insurance cover
Funeral	Critical illness	Business credit protect
Health cash product	Disability	Employer funeral plan
Accidental death cover	Income protection	Group schemes
Pay protect		

FNB Life had another strong year with new business annual premium equivalent (APE) up 34% and growth in the in-force APE of 26% compared to the prior year. In the retail segment, credit life and funeral continued to grow strongly, and it was particularly pleasing to see the acceleration of in-force APE relating to other non-underwritten (core life) products (up 94%) and underwritten products predominantly to premium segment customers (up 84%). Sales of insurance products to commercial segment customers have commenced and early signs are promising. FNB Life's overall number of policies increased 11% to >4.1 million, the value of new business (VNB) increased 21% and gross embedded value (EV) grew 45%.

The group also activated its short-term insurance business, FNB Insure, following the granting of its short-term insurance licence last year.

MotoVantage, the value-added products and services (VAPS) business, remains the largest contributor to WesBank's insurance activities. MotoVantage's gross written premium and polices increased 1% in an environment characterised by declining vehicle sales. The majority of VAPS sales continue to occur at point of sale.

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

Ashburton's strategy is to disrupt in alternative investments as regulatory changes have allowed clients to invest in private market and alternative assets. RMB's track record in origination and structuring presents Ashburton with the opportunity to offer investors participation 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 assets under management (AUM) increased marginally to R103 billion, with good flows into the fixed-income range due to the market cycle and the strong performance in this range. This was offset by outflows in the offshore multi-asset range as well as structured products and these products are in the process of being restructured to further align to client needs in current markets.

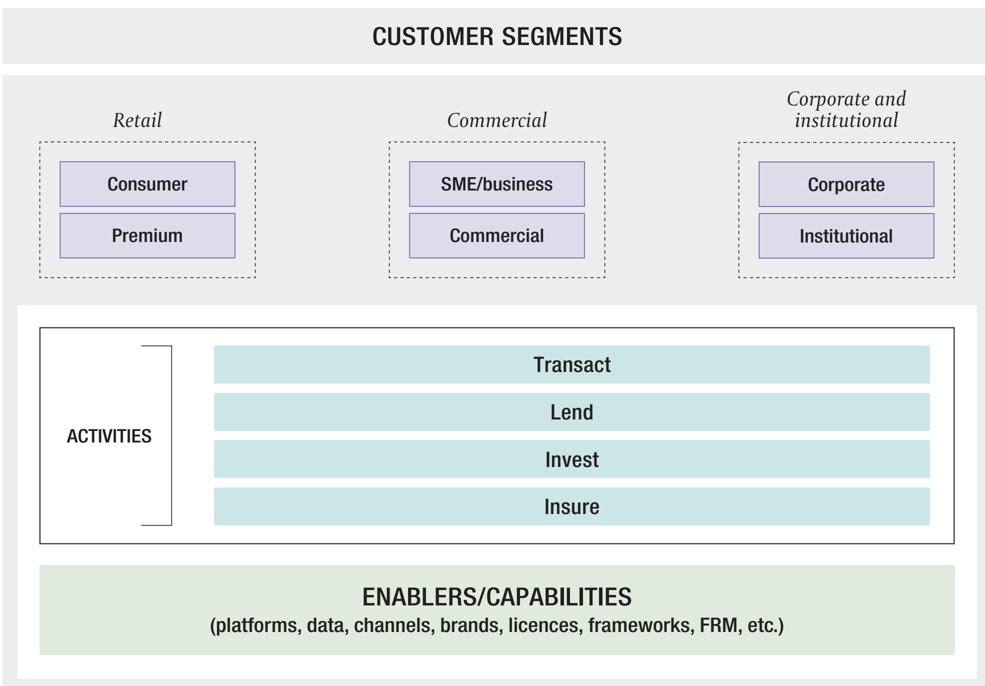
The private markets business continued to deliver inflows on the back of winning new mandates. Despite a tough year for local financial markets, investment performance remained resilient, with the majority of funds delivering solid performances relative to peer groups.

The group has a long track record of incrementally building new businesses, where it believes over the longer term shareholder value can be unlocked. It will take time and patience to scale Ashburton, however, the group considers asset management an important component of its diversification strategy as it accesses additional financial profit pools.

OPERATING MODEL

In 2018, the group changed its internal operating model in order to better execute on its integrated financial services objectives. The group believes that real customer centricity is necessary to effectively deliver integrated offerings. In South Africa, where the group was previously structured around business silos, it is now structured around customer segments – i.e. putting the customer at the centre of business. In the year under review, this model continued to evolve and an updated depiction is shown below.

Operating model in South Africa to deliver integrated financial services



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

The group continues to build out its platform strategy with the overall objective to create a single, customer-centric, integrated financial services platform ecosystem, supporting all operating businesses, segments and jurisdictions. In FNB's retail segment, efficient fulfilment on digital platforms drove cross-sell into credit card, personal loans and overdrafts in the year under review, whilst platform adoption continued to increase in FNB commercial, reflected in strong growth in active online and app customers and monthly logins.

BUILDING OUT THE REST OF AFRICA PORTFOLIO

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

The group follows a portfolio approach to its nine subsidiaries in the rest of Africa, as outlined in the schematic below.

STRATEGIC GOAL	GROWING FINANCIAL SERVICES BUSINESSES	GROWING UNIVERSAL BANKS	GROWING A SPECIALIST BANK
Activity view	Lend ✓ Transact ✓ Insure ✓ Invest ✓	Lend ✓ Transact ✓	Lend ✓ Transact ✓
Region	Namibia Botswana eSwatini	Mozambique Ghana Tanzania Lesotho Zambia	Nigeria
Client focus	All customer segments and product offerings	Focused on CCIB and the related retail ecosystem	All customer segments and product offerings

In the growing financial services businesses category (Botswana, Namibia and eSwatini), the focus is on:

- protecting and growing the banking businesses;
  - digitisation and cost control; and
  - customer acquisition and cross-sell;
- broadening financial services offerings (insurance and asset management); and
- optimising returns.

In the growing universal banks portfolio (Ghana, Lesotho, Mozambique, Tanzania and Zambia), the focus areas are:

- repositioning growth strategies to align with commercial, corporate and investment banking (CCIB), which is the immediate opportunity;
- building lending, transactional and deposit client franchises;
- corporate banking and global markets offerings; and
- retail strategies leveraging the CCIB ecosystem.

In Ghana, the group injected GH₵280 million (approximately R850 million) additional capital to meet the increased minimum regulatory requirements during the year under review. The group is investigating strategies to scale this business appropriately.

In Nigeria, the group is growing a specialist bank, operating with an investment banking licence. Nigeria is a profitable CIB business focused on building a sustainable client franchise, consistently tracking ahead of business case and able to fund its own growth.

GROWING A MORE VALUABLE UK BUSINESS

In the UK, the integration of MotoNovo with Aldermore was completed in May 2019, and the business is now focused on scaling its existing offerings and unlocking synergies between MotoNovo and Aldermore.

The 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.

FirstRand believes it now has a more diversified UK business, with an established and scalable local funding platform, which represents a more sustainable and less volatile business model. The group's financial resource management methodology has also been introduced with the objective to optimise capital and funding deployment for growth in economic profits and sustainable returns.

RELAUNCH OF THE FIRSTRAND PHILOSOPHY

The group has seen a great deal of strategic and structural change over the past two years. The evolution of the operating model from a siloed structure to a segment structure, and the delivery of a platform business and integrated financial services, have required a significant shift in behaviour, particularly towards greater collaboration. This in turn has required high levels of trust and maturity, particularly as individuals have given up profit pools, teams and, in some cases, entire business units.

As a result of all this change, the group has been very focused on retaining talent and reinforcing values and culture. As part of this process, the group relaunched the FirstRand philosophy.

The principles of the philosophy were created by the group's founders, entrepreneurs who understood the value of treating their employees like owners so that every employee, regardless of their position, is fully empowered to make a real contribution to the group's success. This was the underpin to the group's owner-manager culture, which required commitment and accountability and has been the cornerstone to FirstRand's sustained outperformance.

The FirstRand philosophy guides how the group's people need to behave to deliver the best results for customers, society, shareholders and each other. The new iteration is captured in a set of promises.

be **deeply invested.**

Care for the business as if it were your own.

Take initiative and be a leader in your own right. Put your time, passion and energy into serving our customers' needs, knowing that you are empowered, entrusted and accountable.

value our **differences.**

Continue to build an ***environment that values differences,*** an environment where everyone's views and contributions can be heard and seen. Stay focused on the talent and ability of those around you, and not only their similarity to you. Be ***inclusive, gracious, decent and humble.*** Listen, reflect and only then respond.

build **trust,** not territory.

Create a culture of sharing.
Work together and build trust into all your relationships. We are team players who act for the long-term interests of the group, not self-interest or the short term. Everyone is encouraged to contribute outside their area of expertise, so we can **unlock our collective wisdom** and achieve the very best results.

have COURAGE.

Nothing limits our imagination like fear.

We've built a **culture of bravery** by speaking our minds and encouraging others to do the same. We enable bravery with a tolerance for failure, resilience, the courage to speak up and express and share opinions, and a spirit that is adventurous and ambitious.

always do the right thing.

Question **behaviours that are inconsistent with our beliefs.**

Fight for ***ethical conduct*** and ***transparency,*** both inside and outside FirstRand. Champion honourable behaviour and excellent service and treat your customers, colleagues and partners fairly, to build value for our communities and shareholders.

stay curious.

Think differently.

Believe in insight, creativity and its power to unlock value. Encourage curiosity, avoid intellectual laziness and make an effort to question the status quo, even when it is uncomfortable.

OUTLOOK REMAINS CHALLENGING, HOWEVER, THE GROUP IS WELL POSITIONED

As the chairman has articulated in his report to shareholders this year, the South African macroeconomic environment faces some deep-rooted, systemic issues. The group, however, continues to strive for outperformance and the momentum in the business, driven by the current strategies as outlined above, should drive long-term growth and sustainable returns.

With regard to the rest of Africa, there are signs that economic activity is improving in some of the other sub-Saharan countries in which FirstRand operates, and the portfolio's performance is expected to incrementally improve.

With respect to the UK, Brexit uncertainties continues. Aldermore and MotoNovo are small operations in a very large market with deep financial services profit pools, which provides optionality and the ability to respond and adapt as market conditions change.

ALAN PULLINGER
CEO

HARRY KELLAN :: *CFO*

"The group's key measure of shareholder value creation, NIACC, increased to R10.7 billion."

cfo's report

INTRODUCTION

FirstRand delivered a resilient financial performance for the year to 30 June 2019, improving normalised earnings and maintaining a return on equity above the group's stated long-term target range.

The group's key measure of shareholder value creation, NIACC, also increased to R10.7 billion. This was achieved even as economic conditions continued to deteriorate.

The 6% growth in normalised earnings was underpinned by quality topline growth, and the group's ROE at 22.8% remained above the stated long-term target range of 18% to 22%.

Total revenue increased 7% (excluding Aldermore), driven by the group's strong client franchise, which accounts for 97% of all income. The group maintained a healthy balance between net interest income (NII) and non-interest revenue (NIR).

Strong growth in advances and deposits, and the inclusion of Aldermore for the full year, drove the solid increase in NII, whilst on the NIR side, fee and commission income, fair value income and insurance income drove growth.

The credit performance reflects the introduction of IFRS 9, with key impacts relating to extending the write-off period for retail unsecured NPLs from six months to 12 months, and more conservative curing rules for all retail portfolios, whereby 12 consecutive payments must occur before the account is rehabilitated.

The group therefore differentiates between the IFRS 9 impact and the underlying performance of the book, which it defines as operational NPLs.

NPLs are unpacked on this basis in the table below.

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

The group's credit loss ratio of 99 bps (88 bps including Aldermore) deteriorated, but remains below the group's through-the-cycle (TTC) range of 100 to 110 bps. The group remains prudently provided, with portfolio impairments as a percentage of the performing book at 150 bps (excluding Aldermore), exceeding the annual credit charge.

The group continues to invest in strategies for growth, and systems and platforms to extract further efficiencies. As a consequence, the cost-to-income ratio increased to 51.8% from 51.2% previously.

FirstRand's Common Equity Tier 1 (CET1) ratio is well in excess of internal targets, driven by internal cash generation and profits from the one-off Discovery card transaction. This, combined with the sustainability of the group's return profile, allowed the board to maintain the dividend cover at 1.7 times, which is below the long-term cover range of 1.8 to 2.2 times. The board will revisit the cover range:

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

WORSENING MACROECONOMIC ENVIRONMENT

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

In South Africa, the government continued to make some progress with implementing governance and institutional reforms, although this did not translate into an improvement in economic conditions. The real economy remained weak on account of high government indebtedness, ongoing inefficiencies in the large SOEs and a lack of government capacity, combined with low private sector confidence and investment. Electricity supply interruptions and the global slowdown placed additional pressure on real GDP growth, which remained below 1%. These conditions in turn placed significant and sustained pressure on both household and corporate income.

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

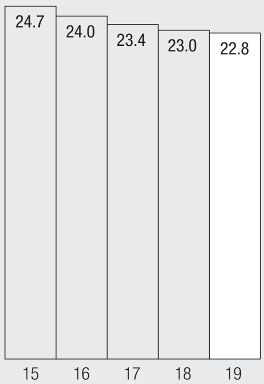
In the UK, the macroeconomic narrative was dominated by the protracted Brexit uncertainty. Although this has weighed somewhat on UK economic activity, the unemployment rate remained low and wages stable. This allowed consumer demand and house prices to hold up reasonably well.

The rest of this report looks at the key income statement and balance sheet drivers of this performance.

KEY PERFORMANCE METRICS

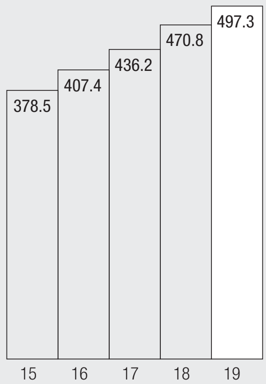
Despite the challenging backdrop, FirstRand maintained its track record of delivering sustainable growth in earnings and superior returns to shareholders, as shown below.

ROE
%



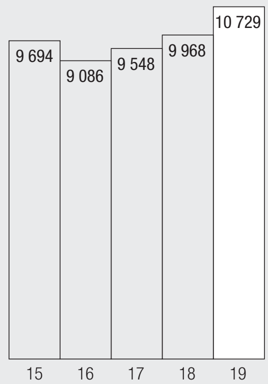
When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

DILUTED NORMALISED EPS
cents



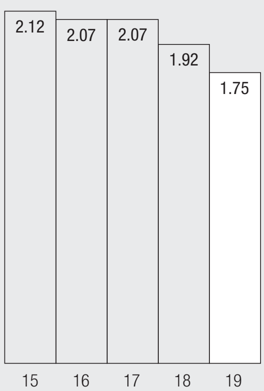
The group targets earnings growth of nominal GDP growth (defined as real GDP growth plus CPI) plus >0% to 3%.

NIACC
R million



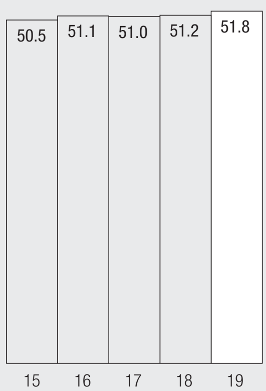
NIACC is the group's internal benchmark for assessing performance. The group continues to achieve returns above its cost of equity, resulting in NIACC growth despite higher levels of capital.

ROA
%



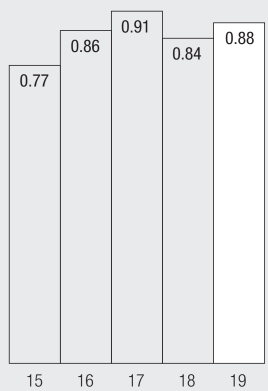
Maximising ROA is a key objective in creating shareholder returns. Although the group's ROA reduced with the acquisition of Aldermore, it remains structurally higher due to portfolio mix and strategic choices.

COST-TO-INCOME RATIO
%



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

CREDIT LOSS RATIO
%



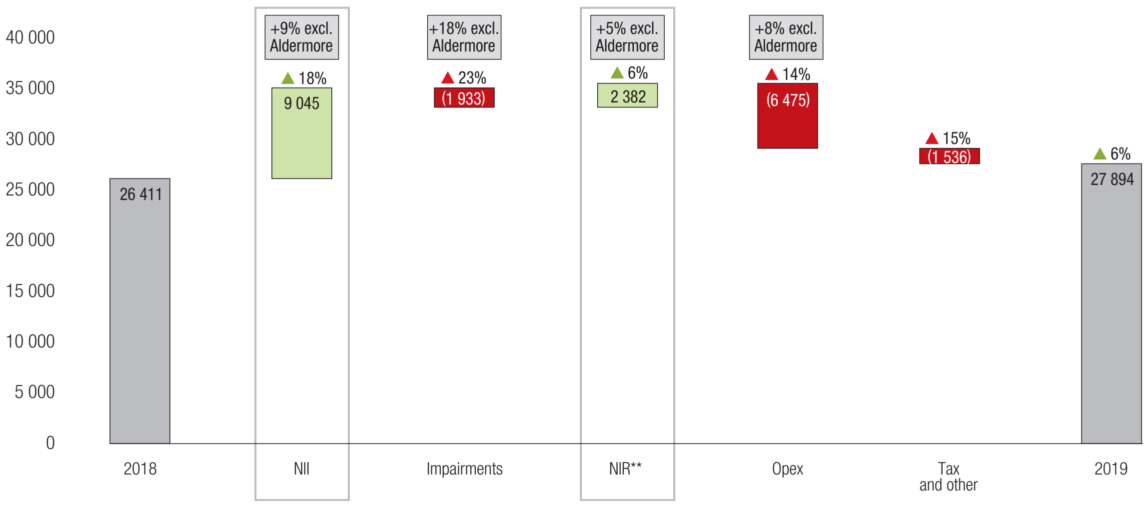
The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range (excluding Aldermore) of 100 to 110 bps.

QUALITY TOPLINE GROWTH WAS MAINTAINED

The chart below shows a high-level breakdown of the income statement movements for the year under review. Despite the tough macroeconomic backdrop, the group produced quality topline growth of 7%. Aldermore only had a three-month contribution in the prior year, therefore the income statement movements excluding Aldermore are also shown in the chart below.

NORMALISED EARNINGS*

R million

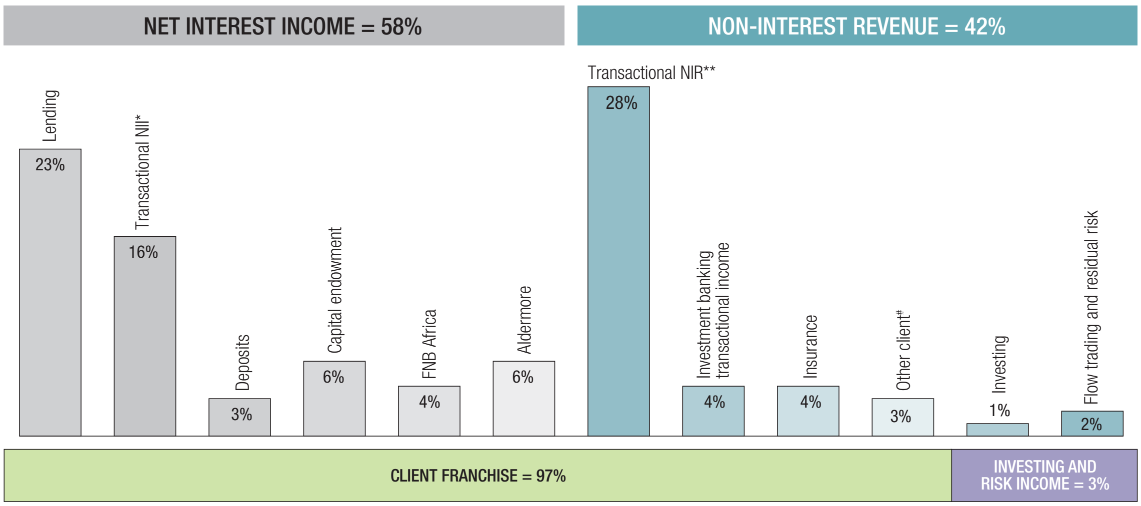


* *Including Aldermore.*

** *Including income from associates and joint ventures.*

REVENUE GROWTH MAINTAINED

The group has maintained a good balance between NII and NIR as shown in the following chart.



* *Includes transactional accounts and related deposit endowment, overdrafts and credit card.*

** *From retail, commercial and corporate banking.*

\# *Includes all associates other than those relating to Private Equity.*

All revenue drivers are showing good gains, with the valuable transact and lending activities still driving the overall 7% (excluding Aldermore) growth in revenue. Insurance activities are also gaining traction.

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

R million	2019	2018*	% change
Lending	**24 160**	21 774	11
Transactional**	**16 818**	14 975	12
Deposits	**3 340**	3 034	10
Capital endowment	**6 425**	5 895	9
Group Treasury	**(1 095)**	311	(>100)
FNB rest of Africa	**4 002**	3 728	7
Other NII in operating businesses	**819**	313	>100
Total NII excluding Aldermore	**54 469**	50 030	9
Aldermore#	**5 830**	1 224	>100
Total NII including Aldermore	**60 299**	51 254	18

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

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

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

Growth in lending NII, excluding Aldermore, was a credible 11%, supported by strong advances growth of 9%.

Transactional NII relating to overdrafts, credit cards and transactional deposits grew strongly at 12% and reflects RMB and FNB's attractive transactional offerings.

Robust growth in deposits, the capital endowment and FNB's rest of Africa businesses also delivered healthy contributions to the group's overall NII growth.

Group Treasury was negatively impacted by interest forgone on the deployment of capital for the Aldermore acquisition, as well as the effects of holding higher levels of high-quality liquid assets (HQLA).

MARGINS DRIFTED DOWN

As expected, the margin has trended down due to deposit pricing pressure and the HQLA build-up, although there was some support from changes in the balance sheet advances mix and the capital and deposit endowment.

As indicated in the prior year, the inclusion of Aldermore results in a structural shift in the group's net interest margin, given the large proportion of lower-margin secured advances on its balance sheet. Its deposit market is also quite rate-sensitive. The chart below summarises the drivers of the group's net interest margin year-on-year.

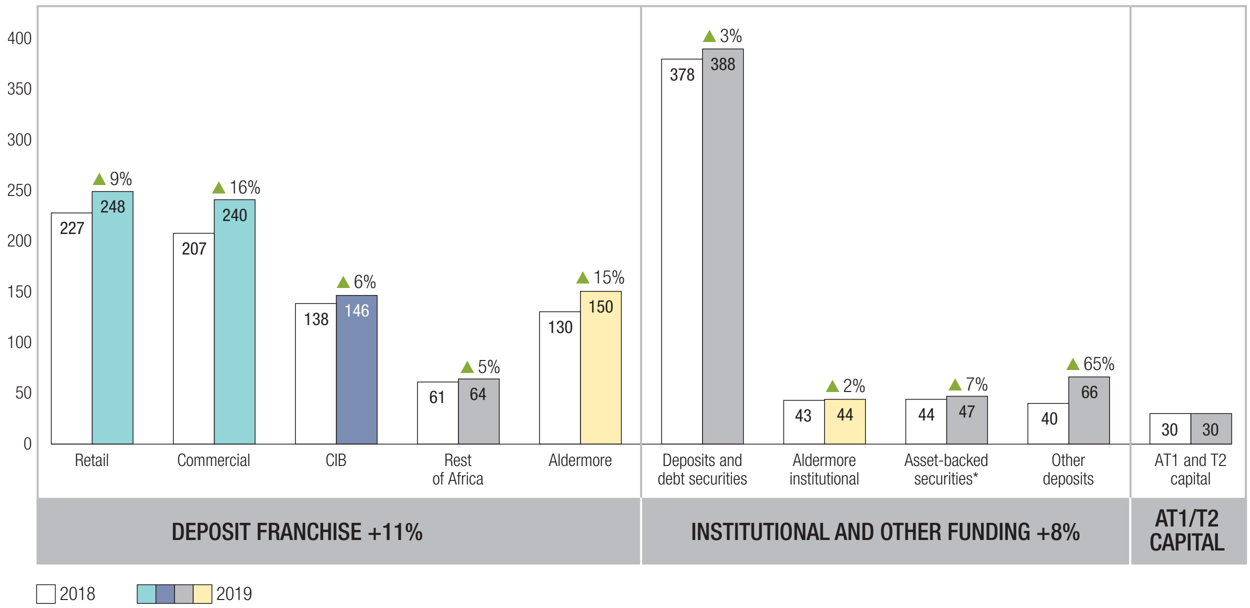
MARGIN

Basis points

SOLID PERFORMANCE FROM THE DEPOSIT FRANCHISE

LIABILITIES

R billion



* *Asset-backed securities include Aldermore's securitisations.*

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

Deposit growth maintained a strong trajectory across all segments, which is a good outcome given the competition for deposits in the market. The group's deposit franchise delivered overall growth of 11% for the financial year.

The group also issued debt securities in the market, given appetite from investors, and is focused on lengthening the weighted average term of institutional funding, which increased to 36 months compared to 34 months the previous year.

TARGETED ORIGINATION STRATEGIES DROVE RETAIL ADVANCES GROWTH

Overall retail advances grew 5% (excluding Aldermore). This continues to reflect the group's targeted origination approach across products and client segments.

FNB's focus has been to lend to main-banked clients, creating a strong reinforcement to the transactional relationship. Growth of 6% in mortgages was marginally above nominal house price inflation. Growth in both FNB's premium and consumer segments was driven by unsecured lending origination. In consumer, this was on the back of writing to credit appetite after risk cuts in previous periods, and was mainly focused on personal loans. Consumer card growth was down year-on-year.

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

- upward migration of customers from consumer to premium;
- leveraging digital platforms for pre-scored origination based on customer behaviour; and
- cross-sell to the premium customer base acquired in the prior year.

FNB personal loans continues to focus on the displacement of other providers of credit in its main-banked client base.

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

The tough environment, which was characterised by low consumer confidence, declining vehicle sales, a lengthening replacement cycle and certain risk cutbacks resulted in muted advances growth at WesBank. In the face of increasing competition, WesBank focused on protecting its origination franchise and return profile through disciplined risk appetite.

The slowdown in MotoNovo's advances growth was the result of lower new business origination (down 4% in pound terms) due to competitors benefiting from relatively lower funding costs and a softening of demand for new and used cars in the UK. Following the integration with Aldermore, MotoNovo origination is funded by Aldermore, which provides a 50 basis point improvement in MotoNovo's cost of funds.

Aldermore's retail advances benefited from strong origination in buy-to-let (up 14% in pound terms) due to a focus on specialist customers, and residential mortgages which grew 18% in pound terms on the back of new product launches. Despite increasing competition, Aldermore's market share has stayed stable.

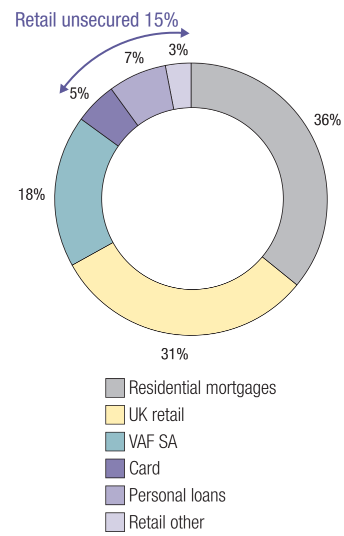
R million	**30 June 2019 IFRS 9**	1 July 2018 IFRS 9	% change
Residential mortgages	**217 164**	205 630	6
WesBank VAF (SA)	**106 142**	104 884	1
MotoNovo VAF (UK)*	**54 561**	60 347	(10)
FNB card	**28 115**	22 805	23
Discovery card	**4 328**	4 350	(1)
Personal loans	**39 947**	33 222	20
– FNB	**23 357**	17 200	36
– DirectAxis loans	**16 012**	14 985	7
– MotoNovo (UK)	**578**	1 037	(44)
Retail other	**17 908**	15 904	13
Retail advances excluding Aldermore	**468 165**	447 142	5
Aldermore – retail**	**129 072**	107 734	20
Retail VAF securitisation notes	**27 854**	23 674	18
Rest of Africa advances	**55 100**	53 765	2

* *Total MotoNovo VAF = £3.4 billion (+3% in pound terms, +1% in rand terms from 1 July 2018: R60.3 billion). MotoNovo back book = £3.03 billion (-9% from 1 July 2018: £3.32 billion).*

** *Aldermore retail advances = £7.18 billion (+21% from July 2018). Aldermore (excl. MotoNovo VAF) = £6.81 billion (+15% from 1 July 2018: £5.93 billion).*

RETAIL ADVANCES BREAKDOWN

%



CORPORATE AND COMMERCIAL ADVANCES GROWTH REFLECTS STRONG CLIENT FRANCHISE

Corporate and commercial advances, which increased 10% (excluding Aldermore), benefited from the growth in the repo book in support of the group's HQLA build-up. RMB investment banking core advances growth reflected disciplined lending, with the cross-border and corporate banking books exhibiting resilient growth.

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

The decline in WesBank's corporate and commercial advances reflects the difficult macroeconomic environment, characterised by low business confidence and stress in certain sectors.

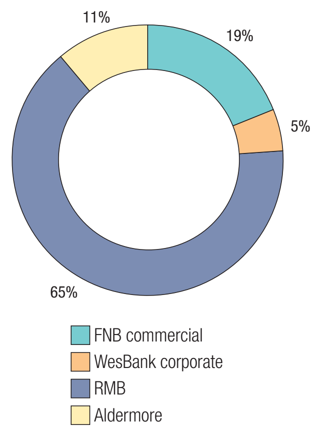
R million	30 June 2019 IFRS 9	1 July 2018 IFRS 9	% change
CIB core advances – South Africa	**259 510**	246 916	5
– Investment banking	**198 998**	190 107	5
– HQLA corporate advances	**17 155**	18 634	(8)
– Corporate banking	**43 357**	38 175	14
CIB core advances – rest of Africa*	**52 660**	43 818	20
CIB total core advances**	**312 170**	290 734	7
FNB commercial	**105 131**	94 558	11
WesBank corporate	**27 945**	32 164	(13)
RMB repurchase agreements	**41 117**	23 233	77
Corporate and commercial advances	**486 363**	440 689	10
Aldermore corporate advances	**62 418**	56 142	11

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

** *Exclude RMB repurchase agreements.*

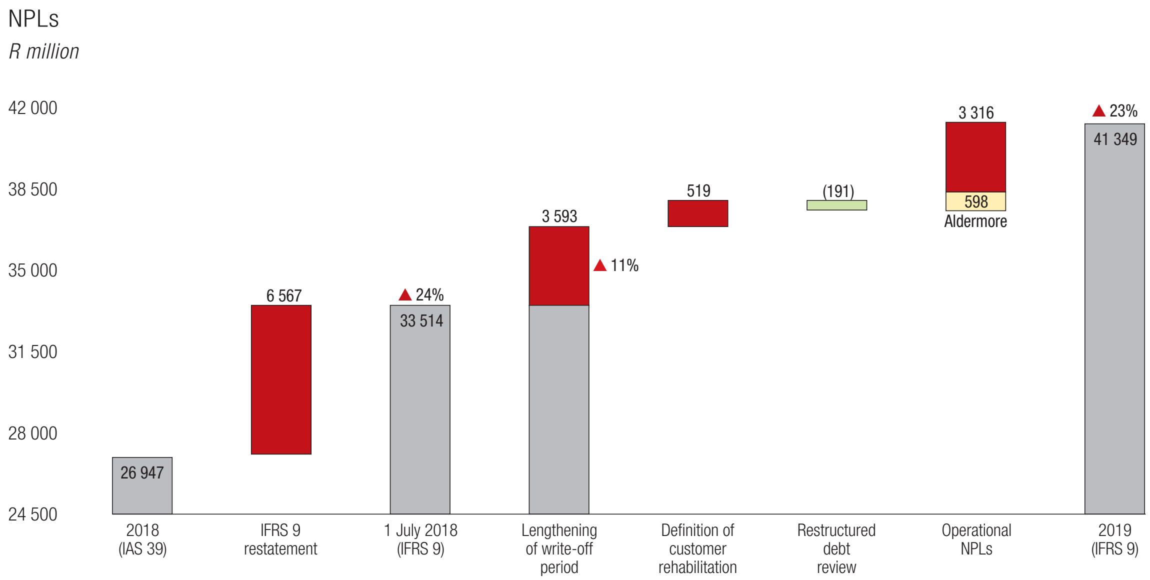
CORPORATE AND COMMERCIAL ADVANCES** BREAKDOWN

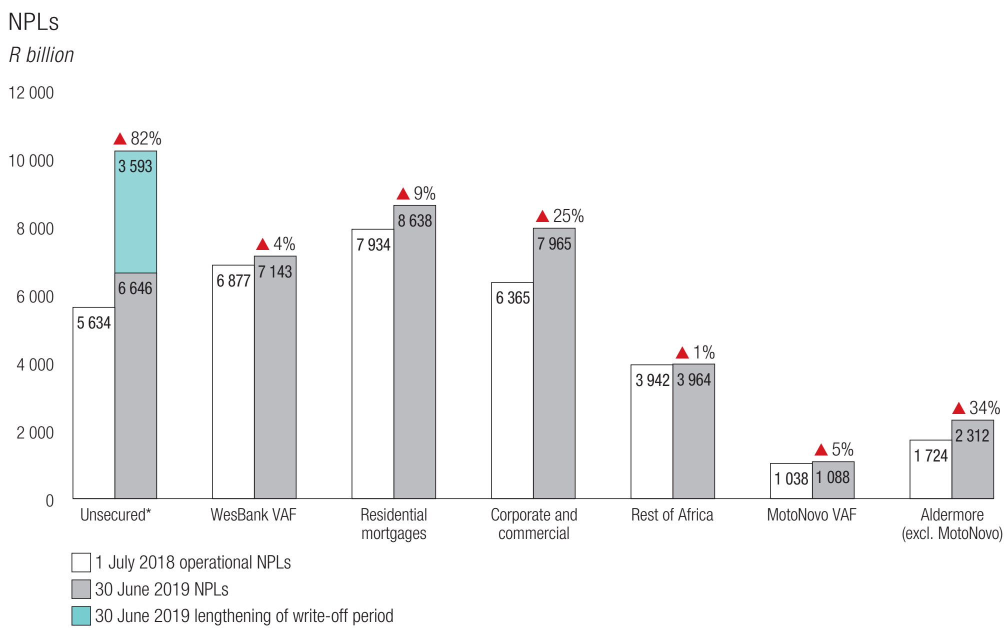
%



CREDIT PERFORMANCE WITHIN EXPECTATIONS

As the following chart shows, NPLs increased 23%, with the bulk of the growth attributable to the lengthening of the write-off period explained earlier. Growth in operational NPLs was in line with expectations.





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

Unsecured NPLs (excluding the impact of the change in write-offs) increased 18%, which is in line with expectations given historical and current book growth. The credit impairment charge is still below TTC levels.

Retail VAF NPLs increased marginally because of delays in customer curing.

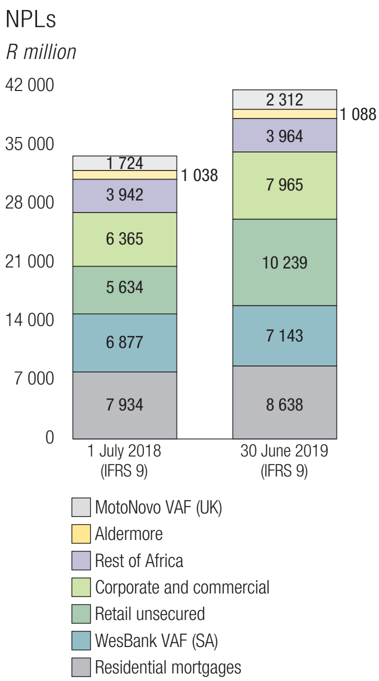
Residential mortgages NPLs increased in line with expectations and book growth, as well as delays in curing.

FNB commercial NPLs were driven by the agric book, which was expected given the impact of the drought in prior periods. This was proactively provided against in prior years, and consequently did not significantly impact the impairment charge.

Growth in RMB corporate NPLs is linked to specific counterparties, offset by the write-off of a specific client-exposure, which was largely provided for previously.

Rest of Africa has continued to weather economic pressures, including elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth. This resulted in an increase in NPLs, specifically from Namibia, Botswana and Zambia.

The increase in Aldermore NPLs was largely driven by a few specific counterparties in its asset finance portfolio, however, the overall credit performance still remains below original business case expectations.



Specific coverage ratios %	30 June 2019 IFRS 9	1 July 2018 IFRS 9
Retail – secured	**26.7**	27.5
Residential mortgages	**19.3**	21.6
VAF	**34.5**	33.3
– WesBank (SA)	**33.8**	32.0
– MotoNovo (UK)	**39.0**	41.9
Retail – unsecured	**76.6**	76.0
Card*	**77.6**	85.9
Personal loans**	**75.8**	71.4
Retail – other	**77.5**	80.2
Corporate and commercial	**41.4**	51.6
Rest of Africa	**59.3**	55.5
Specific impairments excluding Aldermore	**46.3**	44.4
Aldermore	**18.8**	13.5
Specific impairments including Aldermore	**44.7**	42.8

* *Including Discovery card.*

** *Including FNB and WesBank loans, and MotoNovo personal loans.*

The group believes that it has prudently provided for NPLs with specific coverage increasing due to the change in mix towards unsecured product NPLs.

The coverage is based on IFRS 9 and these models have been further refined from the 1 July 2018 adoption.

In residential mortgages, inflows into NPLs together with the increase in paying technical cure NPLs decreased coverage marginally. Overall unsecured coverage remained roughly the same, with the decrease in credit card coverage largely related to overlays being maintained at the same level despite increases in credit card NPLs.

Corporate and commercial coverage was lower due to the lengthening in write-off periods mentioned earlier. New NPLs were also better collateralised, requiring lower coverage.

Portfolio provisions have largely been maintained in line with book growth. This resulted in an increase in the absolute amount of provisions. The marginal decline of two basis points in portfolio impairments occurred as a result of changes in mix, as shown in the table below.

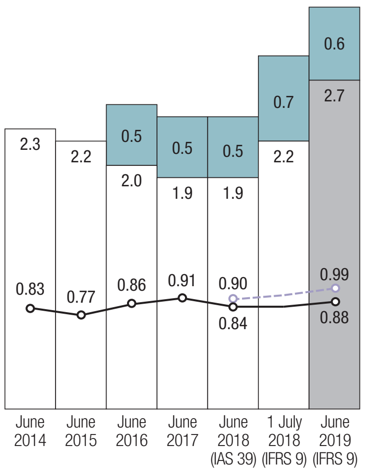
	30 June 2019 IFRS 9		1 July 2018 IFRS 9	
	Including Aldermore	**Excluding Aldermore**	Including Aldermore	**Excluding Aldermore**
Portfolio impairments as % of performing book	1.31	**1.50**	1.33	**1.51**
Stage 1 (%)	0.71	**0.80**	0.68	**0.77**
Stage 2 (%)	8.98	**11.35**	8.95	**9.95**
Portfolio impairments (R million)	15 667	**15 135**	14 735	**14 330**
Stage 1 (R million)	7 916	**7 544**	6 988	**6 715**
Stage 2 (R million)	7 751	**7 591**	7 747	**7 615**
Credit loss ratio (%)	0.88	**0.99**	0.84*	**0.90***

* *IAS 39 credit loss ratio.*

The group's impairment charge (excluding Aldermore) increased 18%, which was largely in line with expectations given the growth rate in advances with increased stage 1 provisions under IFRS 9.

NPL AND IMPAIRMENT HISTORY

%



Credit loss ratio %	**30 June 2019 IFRS 9**	30 June 2018 IAS 39
Retail – secured	**0.78**	0.81
Residential mortgages	**0.11**	0.07
VAF	**1.64**	1.73
– WesBank (SA)	**1.80**	1.88
– MotoNovo (UK)	**1.35**	1.46
Retail – unsecured	**5.97**	5.38
Card*	**3.45**	2.63
Personal loans	**7.27**	6.53
– FNB	**6.39**	5.03
– DirectAxis loans	**8.94**	8.20
– MotoNovo (UK)	**(2.85)**	6.41
Retail – other	**7.60**	7.62
Total retail	**1.72**	1.57
Corporate and commercial	**0.27**	0.23
Rest of Africa	**1.41**	1.71
FCC (incl. Group Treasury)	**0.17**	(0.02)
Total excluding Aldermore	**0.99**	0.90
Aldermore	**0.24**	0.12
Total including Aldermore	**0.88**	0.84

* *Includes Discovery card.*

The overall credit loss ratio of 99 bps (excluding Aldermore) is in line with expectations. With the inclusion of Aldermore the charge was 88 bps, given that the Aldermore advances portfolio is weighted toward secured advances. The Aldermore charge, at 24 bps, is still below expectation.

The residential mortgage charge came in at 11 bps, reflecting a normalisation of the credit cycle, and remains below TTC levels.

WesBank's retail VAF credit loss ratio showed a marginal improvement at 1.80% (2018: 1.88%), reflecting risk cuts in new origination. However, it remains at elevated levels given consumer stress and protracted collection timelines as customers opt for a repossession process via court order.

The FNB personal loans charge increased more than R500 million, or 63%, and was driven by strong book growth and operational NPLs tracking this book growth. The credit loss ratio of 6.39% remains well below TTC levels.

FNB card impairments increased more than R330 million, or 56%, as advances grew 23%. Operational NPLs in card increased materially (94%), mainly due to specific origination issues. As part of its focus on acquiring new customers and cross-selling credit cards into its base, FNB saw strong book growth from new-to-bank and new-to-product origination strategies. As vintages showed strain, FNB implemented significant risk cutbacks, however, these cuts were delayed in certain cohorts. The group expects ongoing elevated NPLs in these cohorts in the 2020 financial year. However, the credit loss ratio of 3.68% remains well below TTC levels.

Corporate and commercial's charge benefited from prior year proactive provisions, and therefore experienced a marginal increase to 27 bps. FNB commercial NPLs increased 36%, driven by growth in the higher collateralised agricultural portfolios against which proactive provisions were raised in prior years. The impairment charge increased to 75 bps, which has trended to the bottom of the TTC range. The RMB corporate and investment banking (CIB) portfolio reported a 7% increase in NPLs since 1 July 2018, reflecting the migration of certain counters in distressed industries. The overall portfolio reflected the higher levels of corporate stress in SA, resulting in an uptick in the credit charge in the current financial year to 12 bps.

SOLID GROWTH IN NIR, DESPITE PRIVATE EQUITY REBASING

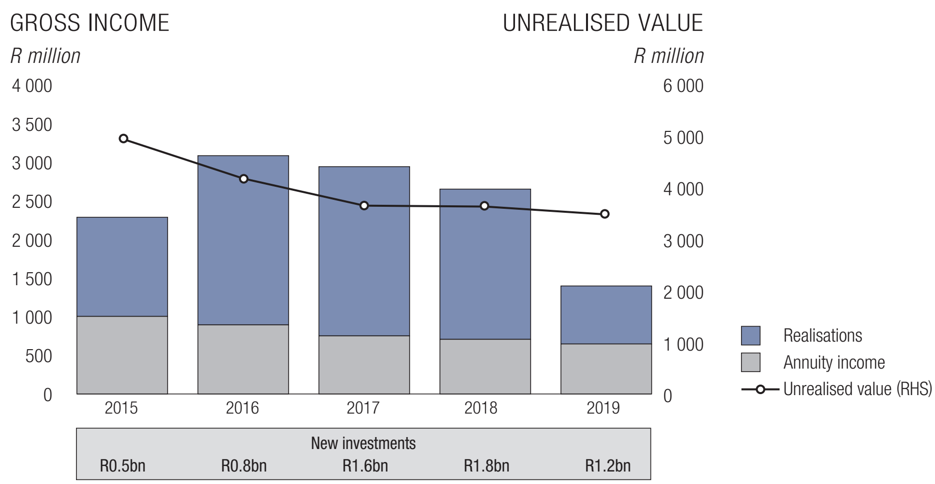
NIR *R million*	2019	2018	% change	
Total fee and commission income, insurance, markets and other	**39 834**	36 612	9	
Fee and commission income	**30 971**	28 529	9	Driven by pricing review, client and volume growth
Insurance income	**4 128**	3 918	5	
Markets, client and other fair value income	**4 735**	4 165	14	
Other	**2 598**	2 441	6	
Total investment income	**1 876**	2 873	(35)	Reflects lower private equity realisations
Investment income	**619**	1 959	(68)	
Equity-accounted earnings	**1 257**	914	38	
Total non-interest revenue	**44 308**	41 926	6	

NIR grew 6%, led by fee and commission income growth of 9% driven by strong electronic transaction volumes and ongoing customer acquisition.

Insurance income also increased 5% as new business APE grew 34%, resulting in 11% growth in the in-force life insurance book.

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

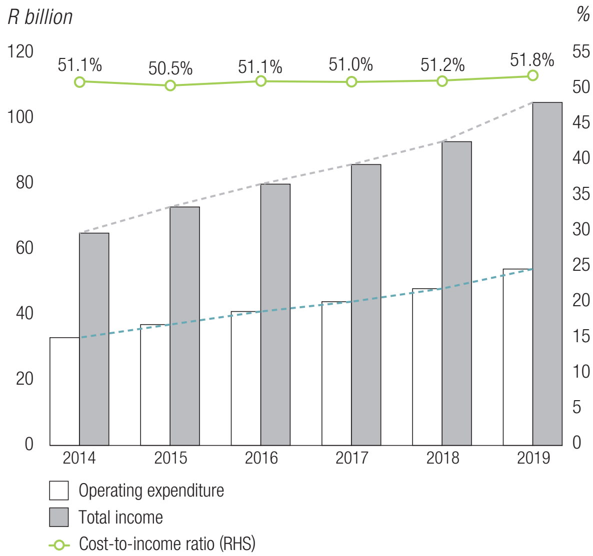
Pre-tax profits from private equity realisations declined R1.5 billion year-on-year, with annuity income marginally down due to prior period realisations and the subdued economic environment. RMB's private equity businesses are now in an investment cycle, with R4.6 billion invested over the past three years. The unrealised value of the private equity portfolio is R3.5 billion, compared to R3.7 billion in 2018.



OPERATING EXPENSES ROSE ON CONTINUING INVESTMENT FOR GROWTH

Excluding Aldermore, costs grew 8%, which continues to trend above inflation due to continuing investments in new initiatives, technology and platforms, as well as the amortisation of intangible assets recognised on the acquisition of Aldermore. The cost-to-income ratio deteriorated to 51.8%.

COST-TO-INCOME RATIO



CONSISTENT FINANCIAL RESOURCE MANAGEMENT STRATEGIES REFLECTED IN STRENGTH OF BALANCE SHEET

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

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

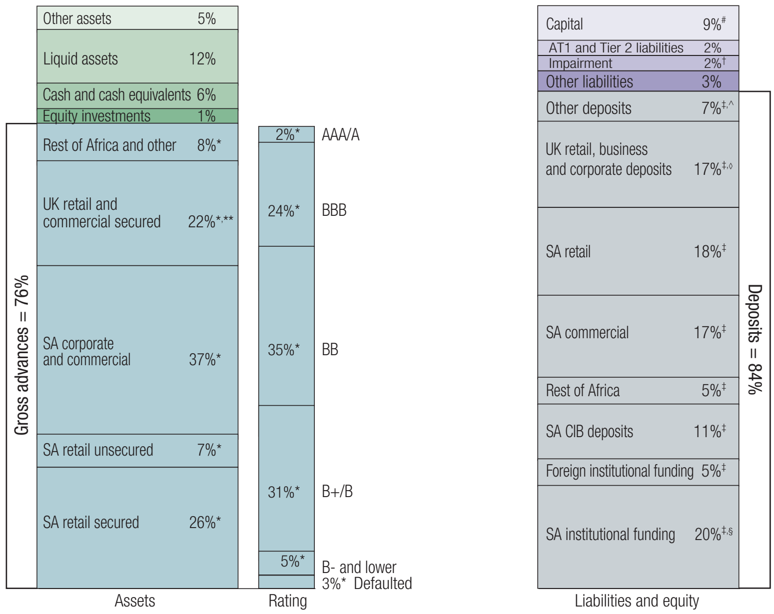
Cash and cash equivalents, and liquid assets represent 6% and 12%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private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

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

The group's capital ratios exceeded stated targets with a CET1 ratio of 12.1%, Tier 1 ratio of 12.9% and total capital adequacy ratio of 15.2%.

Gearing increased to 13.0 times, up from 12.0 times in 2018, which was primarily driven by the acquisition of Aldermore and the implementation of IFRS 9.

ECONOMIC VIEW OF THE BALANCE SHEET
%



* *As a proportion of gross advances.*

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

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

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

‡ *As a proportion of deposits.*

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

◊ *Deposits raised in Aldermore and Guernsey branch.*

§ *Includes CIB institutional funding.*

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

Strong liquidity position maintained

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

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

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

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

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

Capital position strengthened

Capital ratios as at 30 June 2019 are summarised below.

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

* *Includes foreign branches.*

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

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

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

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

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

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

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

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.

CONCLUSION

FirstRand delivered a resilient performance underpinned by quality topline growth. The group met its stated long-term earnings growth target and maintained ROE above the upper end of its target range of 18% to 22%.

HARRY KELLAN
CFO

02

review of operations

Jacques Celliers *CEO* :: FNB

FNB

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent. It is growing its franchise on the back of a compelling customer offering that provides a **broad range of innovative financial services products**.

A **strong performance** driven by a consistent strategy

Normalised earnings

↑ 11% to R17.6 billion

ROE 41.9%

DEPOSITS ↑ 12%

Customer growth

Cross-sell

Product innovation

Gathering cash investment balances

RETAIL ↑ 9%

FNB **remains the leader** in household deposits

COMMERCIAL ↑ 16%

STRONG GROWTH

ADVANCES ↑ 9%

Ongoing customer acquisition

Cross-selling to core transactional customer base

RETAIL ↑ 9%

- Good growth from targeted origination strategies across segments and products
- Leveraging digital platforms for pre-scored origination

COMMERCIAL ↑ 11%

- Customer acquisition
- Strong cross-sell
- Focused asset growth in key sectors

DIGITAL

72% of customer financial transactions performed on digital channels

Customers using app 3.1 million — FNB APP — Monthly logins 45.5 million

Send volumes ↑19% to **46 million transactions** — eWallet — **Total value transmitted** R26 billion

Launch of fully mobile account 140 000 active clients

Launch of **nav» wellness** and **nav» money** — nav» — **nav» home** origination R6.8 billion

TRANSACTIONAL

↑13% NIR Growth in volumes across all segments

PREMIUM NIR growth ↑24%

- Card transactions
- Lending NIR
- Digital volumes
- Number of customers ↑17%

INSURANCE

FNB Life already ranked **2nd in market** by number of policies and **1st in digital distribution**

Revenue ↑7% — volume growth:

- Funeral ↑8%
- \+ Credit life ↑10%

New business APE ↑34%:

- Core life ↑99%
- Funeral ↑12%
- Underwritten 33%

FNB maintains leadership position in **South Africa Customer Satisfaction Index** with overall score of 79.4

FNB awarded **Most Valuable Banking Brand** in Africa 2018 – 2019

Brand Finance Banking 500 report

FNB

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

FNB FINANCIAL HIGHLIGHTS

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

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

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

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

SEGMENT RESULTS

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

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

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

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

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

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

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

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

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

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

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

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

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

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

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

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

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

CUSTOMERS

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

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

CHANNEL VOLUMES

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

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

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

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

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

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

NEW BUSINESS APE

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

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

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

WIM ASSETS

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

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

Operational highlights

- FNB has retained the position of leading provider of household deposits.
- FNB has a cross-sell ratio of 2.86 across its 8.1 million customers in South Africa.
- The number of customers using the FNB app increased from 2.5 million to 3.1 million, with volumes increasing 45%. Monthly app logins also reached 45.5 million.
- Digital platforms were also successfully leveraged for incremental credit origination.
- In addition, the various nav» offerings on the app continued to grow, improving the value proposition and creating further convenience for customers:
  - nav» Wellness was launched;
  - nav» Home origination has grown faster than other channels;
  - nav» Car has 380 000 customers with 283 000 vehicles loaded on the platform; and
  - nav» Money, launched in April 2018, is a money management application that enables customers to view expenses, monthly cash flow and credit health, and already has 353 000 customers registered.
- The consistent strategy to migrate service activity from physical to digital channels has resulted in 72% of customer financial transactions being performed on digital channels. This, in turn created efficiencies within branches. Sales and advice continue to grow, becoming a larger portion of branch activity.
- The insurance business continued to increase segment penetration, growing the product set and leveraging multiple distribution channels. The number of policies increased 11% to 4.1 million. The short-term insurance business commenced writing business on its own licence during the year.
- FNB continued to improve accessibility to banking infrastructure, with eWallet send volumes growing 19% to 46 million transactions. Total value transmitted was over R25 billion for the year with regular recipients continuing to grow. During the year eWallet eXtra was launched, providing for send, receive and payment capabilities. It has accumulated 140 000 active clients.

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

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

	FNB SA			FNB rest of Africa		
	2019	2018	% change	**2019**	2018	% change
Representation points (branches, agencies)	**612**	628	(3)	**169**	173	(2)
ATMs	**3 870**	4 033	(4)	**774**	833	(7)
ADTs	**1 874**	1 888	(1)	**216**	202	7
Total ATMs and ADTs	**5 744**	5 921	(3)	**990**	1 035	(4)

Awards

2018 – 2019 Brand Finance® Banking 500 Report
Most Valuable Banking Brand in Africa

2019
BrandZ® Most Valuable Brands
Healthiest Brand
in South Africa

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

2016, 2018 and 2019
Columinate SITEisfaction® Survey
Best Internet Banking
Best Digital Bank

2013 – 2018
Sunday Times Top Brands
#1 Business Bank

2017 – 2019
Global Finance World's Best Foreign Exchange Providers
Best Foreign Exchange Provider
in South Africa

2016
Banker Africa Awards
Best Islamic Banking
in Southern Africa

2017 – 2018
Global Islamic Finance Awards
World's Best Islamic Banking
(window model)

2012 – 2019
Sunday Times Generation Next
Coolest Bank in South Africa

James Formby *CEO* :: RMB

RMB

RMB represents the group's activities in the **corporate and investment banking segments in South Africa**, the broader African continent and India. The diversified portfolio delivers on a disciplined approach that balances risk, return and growth.

Normalised earnings ↓ 4%

ROE 21.7%

Client franchises grew PBT ↑ 12% year-on-year

A **resilient performance** given the expected rebasing of private equity realisations in the current year.

Pleasing growth in a tough environment

Investment banking and advisory

PBT ↑ 8%

- Solid lending and higher margin income
- Appropriate levels of credit provisioning maintained

A solid performance

Corporate and transactional banking

PBT ↑ 12%

- Leveraging platforms to grow product offerings
- Higher transactional volumes and average deposits
- Increased demand for working capital solutions

Strong performance, albeit off a subdued base

Markets and structuring

PBT ↑ 24%

Benefited from positive market sentiment in 4th quarter

Increased FX flows, both domestically and in the rest of Africa

A solid performance, given high base in the prior year

Investing

PBT ↓ 54%

Equity accounted earnings impacted by prior period realisations and weak macros

Portfolio quality and diversification reflected in unrealised value of R3.5 billion

Additional investment of R2.1 billion approved

Rest of Africa

Portfolio key to RMB's growth strategy

Pre-tax profit R2.1 billion ↑ 20%

Contributed 21% to overall pre-tax profits

RMB

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

RMB FINANCIAL HIGHLIGHTS

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

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

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

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

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY*

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

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

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

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

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

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

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

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

The Banker Investment Banking Awards 2019

- Most Innovative Investment Bank in Africa (fourth year running)

Financial Mail Top Analyst Awards 2019

- RMB Morgan Stanley: Equity Dealing, Equity Sales, Corporate Access and Operations & Administration
- RMB Global Markets Awards: Execution – Fixed Interest Securities
- Winning Analysts: Retail, Platinum, Paper, Food Producers, Strategy, International Economic Analysis, Commodities, Innovative Research and Credit Analysis

GTR Leaders in Trade Awards 2019

- Best Trade Finance Bank in Southern Africa (second year running)

GTR Best Deals 2019

- FirstRand Supply Chain Finance

Global Custodian 2019

- Agent Banks in Emerging Markets Survey – market, category and global outperformer

African Banker Awards 2019

- Equity Deal of the Year (Vivo Energy IPO)

The Banker Deals of the Year 2019

- FIG Financing (African Export-Import Bank $500m Eurobond)
- Green Finance (Growthpoint R1.1bn Inaugural Green Bond)
- High Yield & Leveraged Finance (CIVH Funding to acquire Vumatel)
- M&A (Vodacom Group R16.4bn BEE Transaction)

Global Finance Awards 2019

- Africa's Best Bank for New Financial Technology
- Best FX Provider in South Africa (third year running)
- Best Trade Finance Provider in Botswana
- Best Bank for Supply Chain Finance in Africa (second year running)

DealMakers Awards 2018

- Best BEE Investment Adviser by Deal Value

JSE Spire Awards 2018

- House awards
  - Best Fixed Income and Forex House
  - Best Forex House
  - Best Interest Rate Derivative House
  - Best Bond House
- Team awards
  - Inflation Linked Bonds
  - Debt Origination
  - Structuring – Fixed Income/Inflation/Credit/Forex
  - Repo
  - Dealing – Equities
  - Sales – Interest Rate Derivatives
  - Market Making – Interest Rate Derivatives
  - Market Making – Listed Interest Rate Derivatives
  - Market Making – On-Screen Listed Forex Derivatives

The Banker Transaction Banking Awards 2018

- Most Innovative Transaction Bank from Africa

OTHER AWARDS
Gender Mainstreaming Awards 2019

- Women Empowerment in the Workplace – JSE-listed companies

Great Place to Work – Nigeria 2019

- Small-sized Organisation category winner

Chris de Kock *CEO* :: WesBank

WesBank

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

A challenging year of tough macroeconomic conditions. WesBank focused on **protecting returns** and origination franchise.

Normalised earnings
↓ 2% to R1.8 billion

ROE 18.5%

ROA 1.26%

Cost to income 47.4%

New partnerships with KTM, Harley Davidson, Triumph and Renault

WesBank certified as a top employer by Top Employers Institute

Sector-specific challenges

RETAIL

PBT ↓ 5%

Increase in NPLs:

- Elevated consumer stress
- Protracted collection time

Advances increased

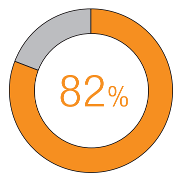
↑ 1% year-on-year due to risk cuts and ROE preservation

Margins pressured by shift from fixed rate to floating rate in new business origination

Subdued new vehicle sales

Lengthening replacement cycle

Affordability pressures



Contribution to total WesBank profits

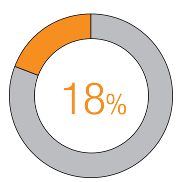
CORPORATE & COMMERCIAL

↑ 14%

Increased impairments in certain sectors under stress

Risk cuts constrained origination

FML book showed **strong growth** ↑ 18% in fleet units



Contribution to total WesBank profits

WESBANK

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

WESBANK FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY

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

* *Includes MotoVantage.*

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

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

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

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

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

Phillip Monks *CEO* :: Aldermore

Aldermore

Aldermore is a UK **specialist lender and savings bank**, which has grown significantly on the back of a clear strategy to **offer simple financial products and solutions** to meet the needs of underserved small and medium-sized enterprises (SMEs), as well as homeowners, professional landlords,vehicle owners and savers.

Customers and intermediary partners are served online, by phone and face to face through a network of nine regional offices.

300 000 customers (excluding MotoNovo)

£8.3 billion customer deposits

£12.5 billion assets

A **solid operational performance**

Strong loan growth
↑18% to £10.6 billion

New customers
↑11%
(44% incl MotoNovo)

Customer deposits
↑15% to £8.3 billion

Net interest income
£318 million

CET1 ratio strengthened to
14.9%

Aldermore market share remains stable

Aldermore operates **in large and attractive lending segments**

ADVANCES GROWTH ACROSS ALL PRODUCTS

Asset finance
↑10%
Lease and hire purchase finance to fund SME capital investment

Invoice finance
↑51%
Working capital for SMEs

SME commercial mortgages
↑6%
Mortgages from residential property development through to purchase and refinancing

Buy-to-let
↑14%
A complete buy-to-let proposition catering for both individual and corporate landlords

Residential mortgages
↑18%
Residential mortgages through intermediaries and direct to customers

SAVINGS – a range of award-winning savings products

2019 AWARDS

WINNER
Best Business Savings Provider
MoneyComms Award 2019

WINNER
Best Service from a Buy-to-Let Lender
Business Moneyfacts Award 2019

WINNER
Best Development Finance Provider
Business Moneyfacts Award 2019

WINNER (MotoNovo)
Best Car Finance Provider
Consumer Credit Award 2019

ALDERMORE GROUP

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

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

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

ALDERMORE FINANCIAL HIGHLIGHTS

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

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

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

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

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

Aldermore Group delivered a solid operational performance.

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

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

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

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

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

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

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

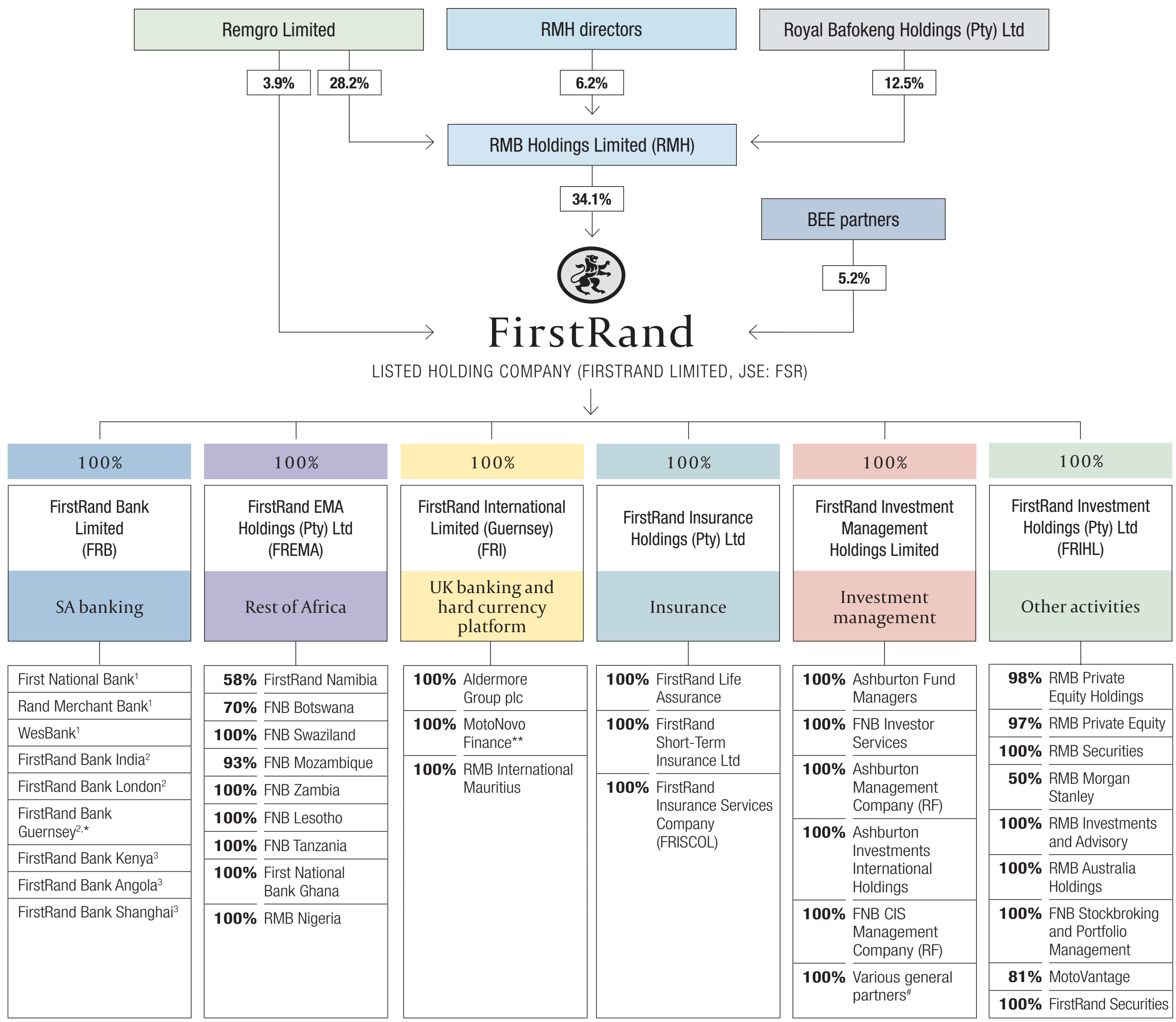
Standalone operational performance of MotoNovo

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

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

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

Simplified group and shareholding structure



1. Division.

2. Branch.

3. Representative office.

DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*

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

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

Structure shows effective consolidated shareholding

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

Five-year review – normalised

R million	2015	2016	2017	2018	2019	Compound growth %
	30 June					
Statement of financial position						
Total assets	1 059 262	1 149 326	1 217 745	1 527 592*	**1 669 039**	12
Gross advances before impairments	793 964	867 982	910 066	1 142 476*	**1 239 914**	12
Total impairments	14 793	16 577	16 960	29 078*	**34 162**	23
Advances (net of impairments)	779 171	851 405	893 106	1 113 398*	**1 205 752**	12
Stage 3/NPLs	17 551	21 282	21 905	33 514*	**41 349**	24
Deposits**	865 616	920 074	983 529	1 268 244*	**1 393 104**	13
Capital and reserves attributable to ordinary equityholders of the group	90 778	99 794	108 922	115 561*	**129 650**	9
Income statement						
Net interest income before impairment of advances	38 610	43 730	46 626	51 254	**60 299**	12
Impairment charge	(5 787)	(7 159)	(8 054)	(8 567)	**(10 500)**	16
Operational non-interest revenue	32 709	34 989	38 227	41 012	**43 051**	7
Share of profit of associates and joint ventures after tax	1 499	1 453	1 041	914	**1 257**	(4)
Operating expenses	(36 740)	(40 942)	(43 773)	(47 664)	**(54 139)**	10
Earnings attributable to ordinary equityholders of the group	21 286	22 855	24 471	26 411	**27 894**	7
Key ratios						
ROE (%)	24.7	24.0	23.4	23.0	**22.8**	
ROA (%)	2.12	2.07	2.07	1.92	**1.75**	
Cost-to-income ratio (%)	50.5	51.1	51.0	51.2	**51.8**	
Credit loss ratio (%)	0.77	0.86	0.91	0.84	**0.88**	
Stage 3/NPLs as a % of advances	2.21	2.45	2.41	2.93*	**3.33**	
Diversity ratio (%)	47.0	45.5	45.7	45.0	**42.4**	
Share statistics						
Price earnings ratio (times)	14.1	11.0	10.8	13.6	**13.8**	
Price-to-book ratio (times)	3.3	2.5	2.4	3.1*	**3.0**	
Market capitalisation	299 098	251 529	264 487	358 390	**384 530**	6
Closing share price (cents)	5 332	4 484	4 715	6 389	**6 855**	6

Note: 30 June 2015 to 2018 figures are prepared on an IAS 39 basis unless specified as 1 July 2018 IFRS 9.
30 June 2019 figures are prepared on an IFRS 9 basis.

* *1 July 2018 IFRS 9.*

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

	30 June					
	2015	2016	2017	2018	**2019**	Compound growth %
Exchange rates						
$/R						
– Closing	12.14	14.66	13.10	13.80	**14.13**	
– Average	11.45	14.51	13.58	12.82	**14.17**	
£/R						
– Closing	19.12	19.67	17.00	18.18	**17.98**	
– Average	18.02	21.47	17.21	17.27	**18.33**	
Statement of financial position ($ million)*						
Total assets	87 254	78 399	92 958	110 695**	**118 120**	8
Gross advances before impairments	65 401	59 208	69 471	82 788**	**87 750**	8
Total impairments	1 219	1 131	1 295	2 107**	**2 418**	19
Advances (net of impairments)	64 182	58 077	68 176	80 681**	**85 333**	7
Stage 3/NPLs	1 446	1 452	1 672	2 429**	**2 926**	19
Deposits†	71 303	62 761	75 079	91 902**	**98 592**	8
Capital and reserves attributable to ordinary equityholders of the group	7 478	6 807	8 315	8 374**	**9 176**	5
Income statement ($ million)#						
Net interest income before impairment of advances	3 372	3 014	3 433	3 998	**4 255**	6
Impairment charge	(505)	(493)	(593)	(668)	**(741)**	10
Operational non-interest revenue	2 857	2 411	2 815	3 199	**3 038**	2
Share of profit of associates and joint ventures after tax	131	100	77	71	**89**	(9)
Operating expenses	(3 209)	(2 822)	(3 223)	(3 718)	**(3 821)**	4
Earnings attributable to ordinary equityholders of the group	1 859	1 575	1 802	2 060	**1 969**	1
Statement of financial position (£ million)*						
Total assets	55 401	58 430	71 632	84 026**	**92 828**	14
Gross advances before impairments	41 525	44 127	53 533	62 842**	**68 961**	14
Total impairments	774	843	998	1 599**	**1 900**	25
Advances (net of impairments)	40 752	43 284	52 536	61 243**	**67 061**	13
Stage 3/NPLs	918	1 082	1 289	1 843**	**2 300**	26
Deposits†	45 273	46 775	57 855	69 760**	**77 481**	14
Capital and reserves attributable to ordinary equityholders of the group	4 748	5 073	6 407	6 356**	**7 211**	11
Income statement (£ million)#						
Net interest income before impairment of advances	2 143	2 037	2 709	2 968	**3 290**	11
Impairment charge	(321)	(333)	(468)	(496)	**(573)**	16
Operational non-interest revenue	1 815	1 630	2 221	2 375	**2 349**	7
Share of profit of associates and joint ventures after tax	83	68	60	53	**69**	(5)
Operating expenses	(2 039)	(1 907)	(2 543)	(2 760)	**(2 954)**	10
Earnings attributable to ordinary equityholders of the group	1 181	1 065	1 422	1 529	**1 522**	7

Note: 30 June 2015 to 2018 figures are prepared on an IAS 39 basis unless specified as 1 July 2018 IFRS 9.
30 June 2019 figures are prepared on an IFRS 9 basis.

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

** *1 July 2018 IFRS 9.*

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

† *Reclassification of 2015 and 2016 deposit numbers.*

03

corporate governance

03

corporate governance

Corporate governance

FirstRand's ***overarching governance objective*** is to ensure that an **ADEQUATE AND EFFECTIVE PROCESS OF CORPORATE GOVERNANCE IS ESTABLISHED AND MAINTAINED,** and is consistent with the nature, complexity and risk inherent in the group's on- and off-balance sheet activities and responds to changes in the group's environment and conditions.

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

The group's overall corporate governance objective is supported by the implementation of effective policies, processes and procedures relating to corporate governance, internal controls, risk management, capital management and capital adequacy. The assessments conducted and overseen by the board committees during the year confirmed that these processes have successfully achieved the above objective.

The board of directors recognises that corporate governance practices must be appropriate and relevant to the size, nature and complexity of the group's operations, and must implement the highest standards of corporate governance in all operations. The board values long-term and ethical client relationships and has well-established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of its stakeholders.

FirstRand endorses and endeavours to adhere to the guidelines and principles of King IV and the corporate governance principles for banks set by the Basel Committee on Banking Supervision. The board is satisfied that FirstRand has complied with these principles in all material respects throughout the year.

Governance outcomes

FirstRand supports the corporate governance outcomes of King IV, these being ethical culture, good performance, effective control and legitimacy.

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

- ethical foundation and culture;
- adequate and effective board;
- continued effectiveness and performance;
- sustainable value creation and performance; and
- trust and legitimacy through stakeholder engagement.

The board continues to improve on ways to measure the achievement of its governance outcomes.

INTEGRATED GOVERNANCE FRAMEWORK

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

BOARD OVERSIGHT

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

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

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

Stakeholder engagement:
Strategy implementation requires business units to engage and transact with stakeholders

Third line controls: End-to-end independent assurance

Ethical foundation and culture

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

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

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

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

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

Refer to page 167 for the social, ethics and transformation committee report.

The group's employee performance evaluations include ethical conduct and adherence to the FirstRand philosophy (refer to CEO's report for detail on the new FirstRand philosophy). Employees are required to sign independence declarations and undertake ethics training during onboarding and then regularly during the course of their employment with the group.

Governance outcome:

Governance structure

Governance structure

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

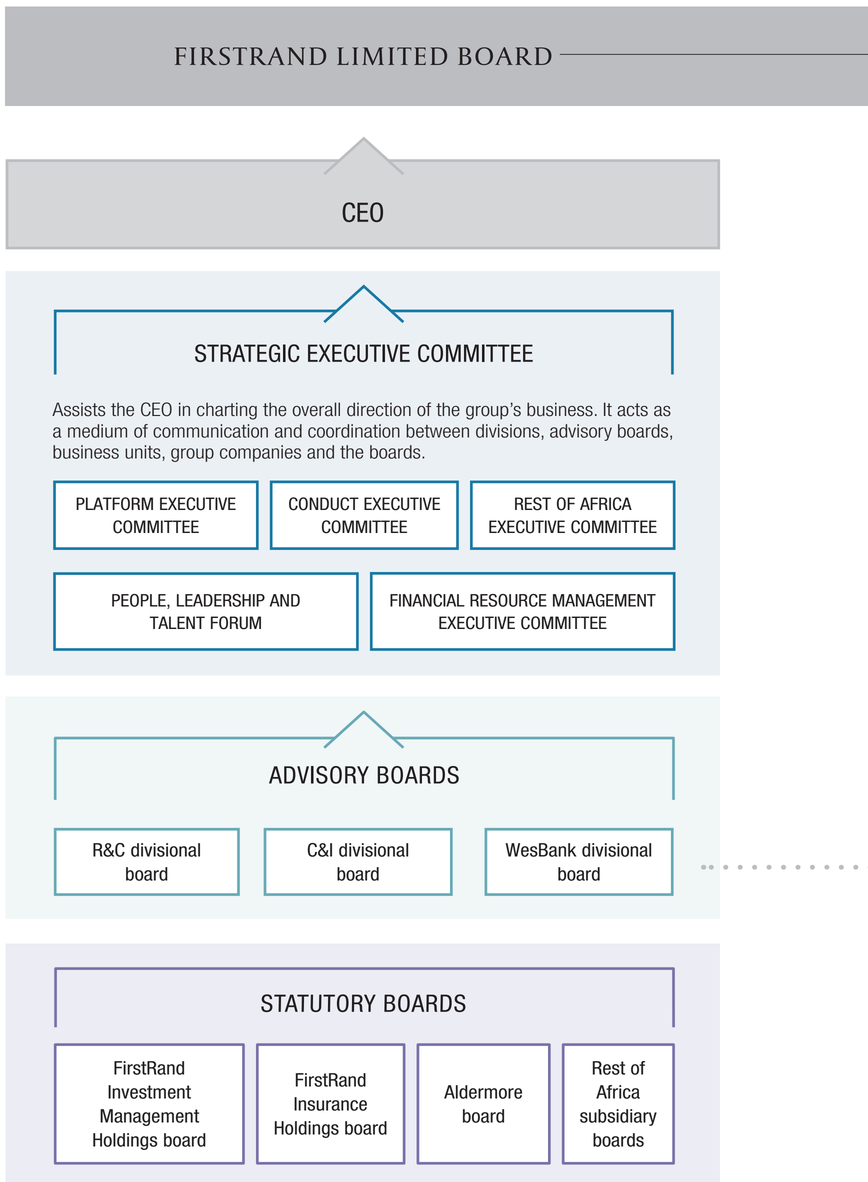
The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees, senior management and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

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

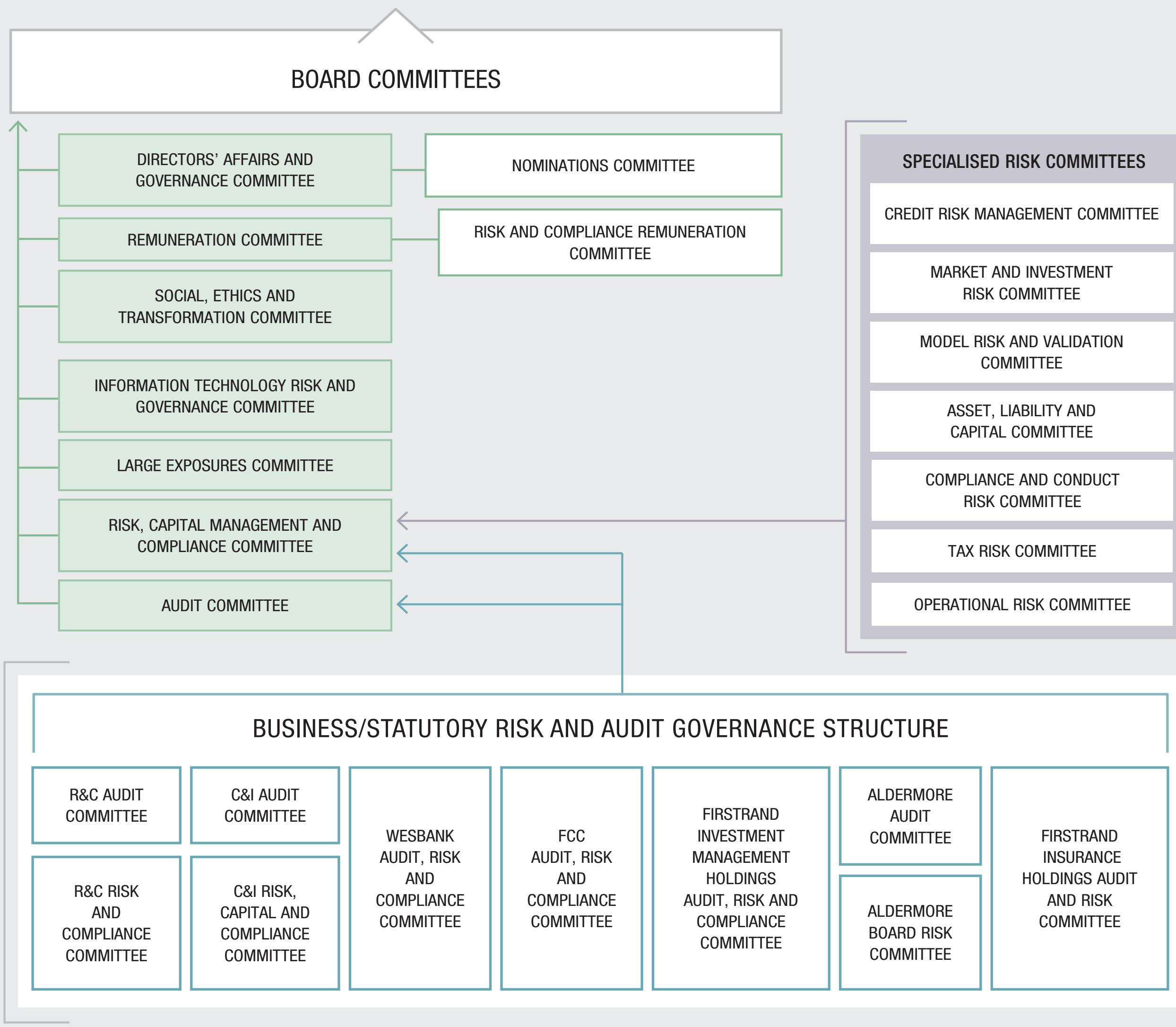
Governance structures and processes are formally reviewed annually and continuously adapted to accommodate internal developments, and reflect national and international best practice.

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

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

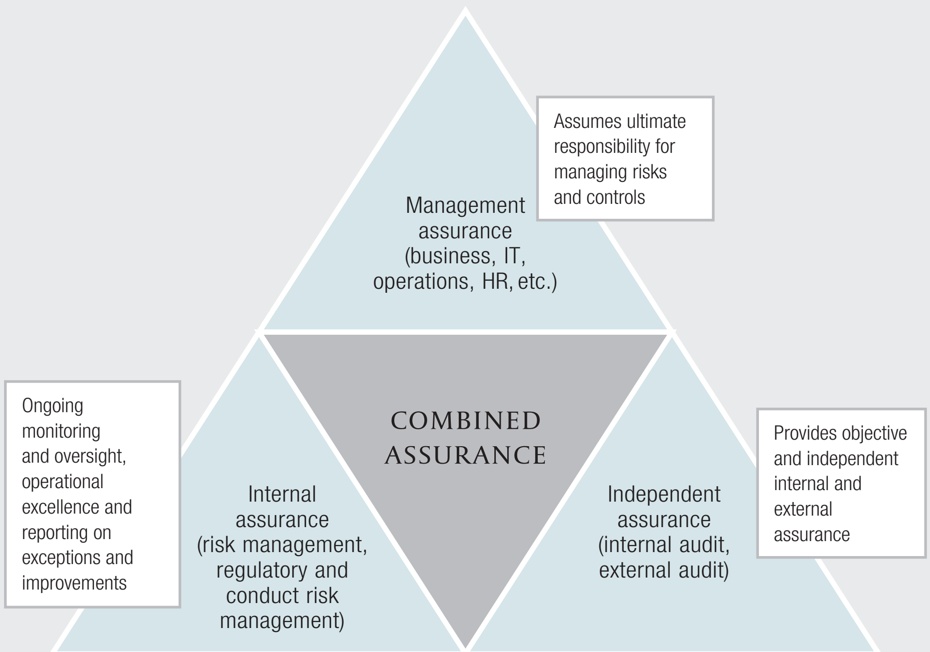


The board is responsible for overall risk management and the quality of internal control systems. The board is the custodian of corporate governance in the FirstRand Group.



FIRSTRAND COMBINED ASSURANCE FRAMEWORK

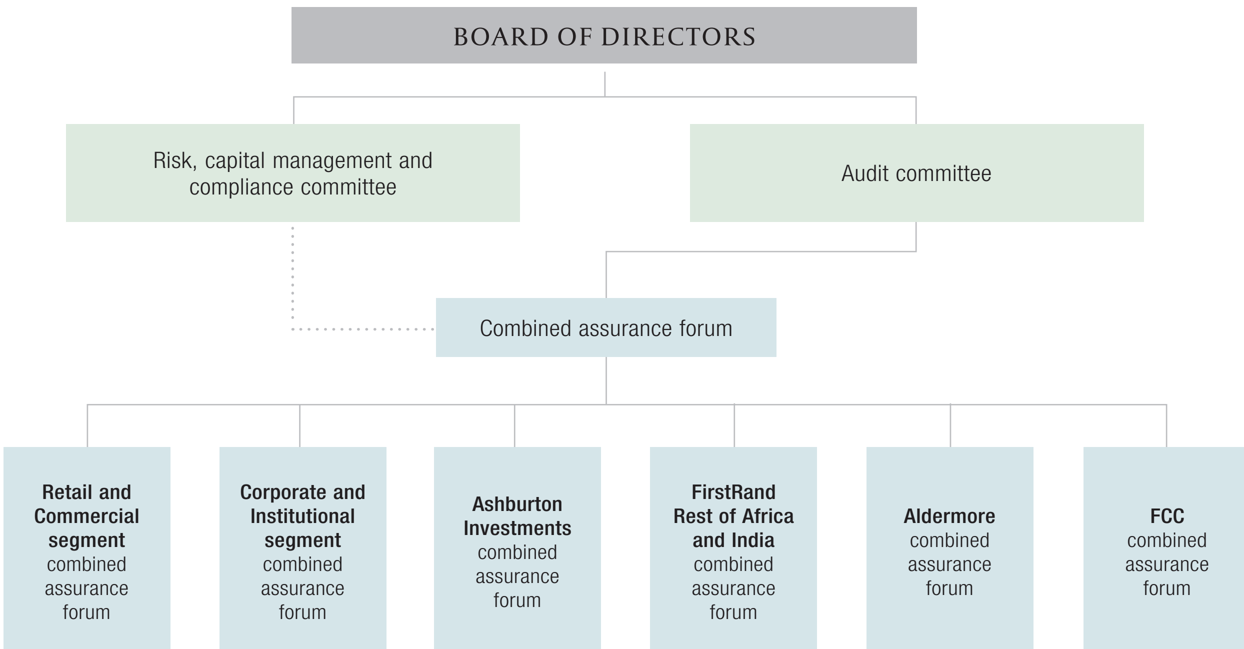
The primary objective of combined assurance is to facilitate the integration, coordination and alignment of risk management and assurance activities within the organisation to optimise the level of risk, governance and control oversight on the organisation's risk landscape. FirstRand established a combined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



Combined assurance forum (CAF)

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

FLOW OF COMBINED ASSURANCE OUTPUTS



Internal audit

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

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

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

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

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

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

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

CHIEF EXECUTIVE OFFICER

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

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

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

The CEO does not have any work commitments outside of the group and its related companies. The contract of the CEO is subject to a one-month notice period, and there are no contractual conditions related to his termination. A succession plan for the CEO is in place and is reviewed annually.

COMPANY SECRETARY

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

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

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

An ASSESSMENT OF THE PERFORMANCE of the company secretary is *undertaken annually*, as part of the board EVALUATION PROCESS.

The assessment confirmed the company secretary:

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

Governance outcome:

Adequate and effective board

Board of directors

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

This broad leadership role includes:

- steering and setting the group's strategic direction;
- giving effect to strategy by approving policy (including plans, frameworks, structures and procedures);
- providing oversight on strategy implementation, and
- demonstrating accountability and transparency through disclosures.

The board retains full and effective control of the group and is supported by senior management and the strategic executive committee, which is the custodian of the group's strategy, to discharge its fiduciary duties and governance role and responsibilities objectively and effectively, in a manner that is consistent with the interests of all stakeholders invested in the success of the group.

The board believes that its current size and composition, given the mix of knowledge, skill, diversity, experience, diversity and independence, is suitable to enable it to meet the group's strategic objectives.

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

William Rodger (Roger) **Jardine** :: 53

Independent non-executive chairman
BSc, MSc
Appointed July 2010
Appointed chairman April 2018

Alan Patrick **Pullinger** :: 53

Chief executive officer
MCom, CA(SA), CFA
Appointed October 2015
Appointed chief executive officer April 2018

Mary **Vilakazi** :: 42

Chief operating officer
BCom (Hons), CA(SA)
Appointed July 2018

Hetash Surendrakumar (Harry) **Kellan** :: 47

Financial director
BCom (Hons), CA(SA)
Appointed January 2014

Mary Sina
Bomela :: 46

Independent non-executive director
BCom (Hons), CA(SA), MBA
Appointed September 2011

Hermanus Lambertus
(Herman) **Bosman** :: 50

Non-executive director
BCom, LLB, LLM, CFA
Appointed April 2017

Johan Petrus
Burger :: 60

Non-executive director
BCom (Hons), CA(SA),
Appointed January 2009
Appointed non-executive September 2018

Jan Jonathan
(Jannie) **Durand** :: 52

Alternate non-executive director
BAcc (Hons), MPhil, CA(SA)
Appointed October 2012
Appointed alternate September 2018

Grant Glenn
Gelink :: 69

Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA)
Appointed January 2013

Nolulamo Nobambiswano
(Lulu) **Gwagwa** :: 60

Independent non-executive director
BA, MTRP, MSc, PhD
Appointed February 2004

Francois (Faffa)
Knoetze :: 56

Non-executive director
BCom (Hons), FASSA, FIA
Appointed April 2016

Russell Mark
Loubser :: 69

Independent non-executive director
BCom (Hons), MCom, CA(SA)
Appointed September 2014

Paballo Joel
Makosholo :: 40

Independent non-executive director
MCom, IEDP, CA(SA)
Appointed October 2015

Thandie Sylvia
Mashego :: 41

Independent non-executive director
BCom (Hons), CA(SA), MBL
Appointed January 2017

Ethel Gothatamodimo
Matenge-Sebesho :: 64

Independent non-executive director
MBA, CAIB
Appointed July 2010

Amanda Tandiwe (Tandi)
Nzimande :: 49

Independent non-executive director
CTA, CA(SA), HDip Co Law
Appointed February 2008

Louis Leon
von Zeuner :: 58

Independent non-executive director
BEcon, Chartered Director (SA)
Appointed February 2019

Winterboer :: 63

Independent non-executive director
BCom (Hons), CA(SA), AEP
Appointed April 2018

Thomas (Tom)

As at 30 June 2019, FirstRand had a unitary board of 18 members; 15 of the directors are non-executive, and 11 of them are classified as independent non-executive directors to facilitate effective oversight in terms of King IV.

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

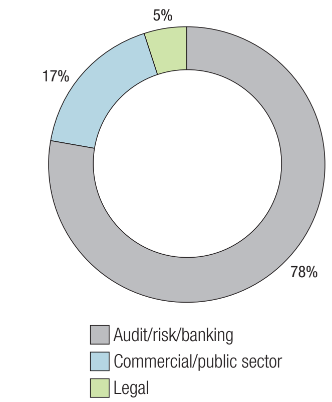
The board attends the scheduled board meetings, the Prudential Authority (PA) bilateral meeting held in November and a strategic conference. To ensure continuous professional development, scheduled training programmes (*skool*) are also attended by the board.

	Record of attendance			
	Board	**Bilateral**	**Strategic conference**	***Skool***
Independent non-executive directors				
WR Jardine (chairman)	4/4	1/1	1/1	2/2
MS Bomela	4/4	1/1	1/1	2/2
GG Gelink	4/4	1/1	1/1	1/2
NN Gwagwa	4/4	1/1	1/1	2/2
RM Loubser	4/4	1/1	0/1	2/2
PJ Makosholo	4/4	1/1	1/1	2/2
EG Matenge-Sebesho	4/4	1/1	1/1	2/2
TS Mashego	4/4	1/1	1/1	1/2
AT Nzimande	4/4	1/1	1/1	2/2
LL von Zeuner (effective 1 February 2019)	2/2	0/0	1/1	1/1
T Winterboer	4/4	1/1	1/1	2/2
Non-executive directors				
HL Bosman	4/4	0/1	1/1	2/2
JP Burger (effective 1 September 2018)	4/4	1/1	1/1	2/2
JJ Durand (alternate effective 3 September 2018)	1/1	0/0	1/1	0/2
F Knoetze	4/4	1/1	1/1	2/2
Executive directors				
AP Pullinger	4/4	1/1	1/1	2/2
HS Kellan	4/4	1/1	1/1	2/2
M Vilakazi (effective 1 July 2018)	4/4	1/1	1/1	2/2

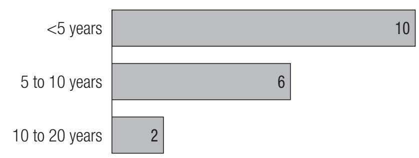
* *JP Burger attended one of the meetings in his capacity as executive director, JJ Durand attended one meeting in his capacity as independent non-executive director.*

AVERAGE AGE *of* board members: 54 YEARS

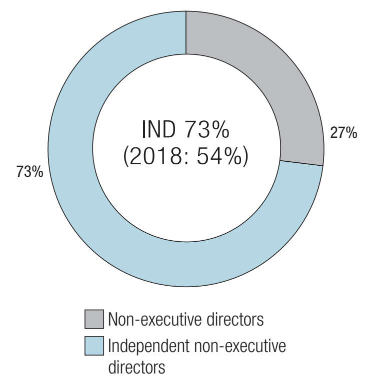
BOARD SKILLS DIVERSITY



BOARD TENURE



BOARD INDEPENDENCE*



* *Excludes executive directors*

Board changes

The following changes to the board of directors took place during the 2019 financial year.

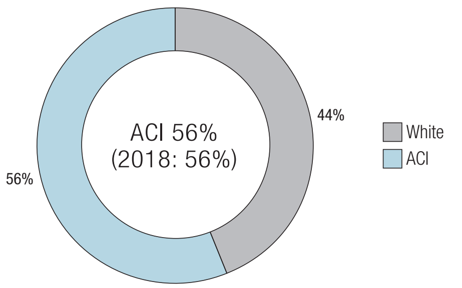
		Effective date
Appointments		
M Vilakazi	Chief operating officer	1 July 2018
LL von Zeuner	Independent non-executive director	1 February 2019
Change in designation		
JP Burger	Non-executive director*	1 September 2018
JJ Durand	Alternate non-executive director	3 September 2018
MS Bomela	Independent non-executive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

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

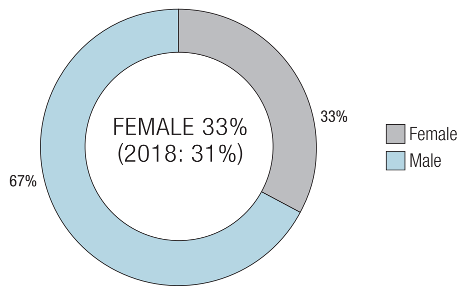
The FirstRand Empowerment Foundation (the foundation) was established in 2005 as part of the group's broad-based black economic empowerment (B-BBEE) transaction, with the objective to create meaningful B-BBEE ownership of FirstRand. The B-BBEE participants included, amongst others, the Kagiso Charitable Trust, the WDB Trust and Mineworkers Investment Company (MIC). At that time, directors were appointed to the board in accordance with the contractual terms of the transaction and classified as non-executive, but not independent, directors. On 31 December 2018, the B-BBEE ownership trust vested and the transactional agreements matured. At this point FirstRand was no longer contractually bound to retain these directors. However, given their skills, technical expertise and relevant corporate and industry knowledge, the board decided to retain them in their personal capacities. Accordingly, these directors are now classified as independent non-executive directors based on the criteria as set out in King IV and the JSE Listings Requirements and Directive 4/2018 issued in terms of section 6(6) of the Banks Act 94 of 1990.

Given the publication of Directive 4/2018 (the directive) issued in terms of section 6(6) of the Banks Act 94 of 1990, the board is considerate and committed to the requirements set by the PA regarding the composition of the board of directors. According to the directive, any non-executive board member who has served for longer than nine years cannot be considered independent. Full implementation of the directive is effective April 2020.

BOARD RACE DIVERSITY



BOARD GENDER DIVERSITY



With the objective of ensuring compliance with the directive, balanced with ensuring the continuity and stability of the board, the group undertook an engagement process with the PA. Subsequent to that engagement, the following actions have been agreed by the board: Ethel Matenge-Sebesho and Lulu Gwagwa will retire at the upcoming annual general meeting in 2019. Mary Bomela and Tandi Nzimande will retire at the annual general meeting in 2020. The group believes it can appropriately manage the impending retirement of four experienced directors, given the 18-month time frame it is working towards. The board is being carefully reconstituted to ensure stability and continuity and an appropriate mix of skills.

Roger Jardine is the independent non-executive chairman of the board. Roger has extensive experience in financial services including diverse industries such as steel, retail, manufacturing, IT services, mining services and infrastructure development. Before being appointed chairman Roger served on both the FirstRand Bank and FirstRand Limited boards as a non-executive. His experience and knowledge of the FirstRand group make him well suited to effectively fulfil the role of chairman. The chairman's duties and responsibilities are clearly defined in the board charter and are in accordance with the provisions of King IV, JSE Listings

Requirements and the Banks Act. Given the requirements of the directive, the Prudential Authority has exercised its regulatory discretion and granted dispensation that Roger's nine-year tenure will commence from when he was appointed chairman and is therefore classified as independent non-executive. This dispensation was given on the basis that Roger will continue to be subjected to FirstRand's rigorous policies and procedures, namely ongoing assessments of independence, conflict of interest declarations and board evaluations. In addition, Tandi Nzimande, an independent non-executive director and the chair of the directors' affairs and governance committee, is accountable for ensuring that there is no conflict of interest on the part of the chairman in the performance of his duties. Tandi also ensures that the independent members of the board demonstrate impartiality and leadership.

Appointments to the board

There is a clear policy in place detailing procedures for the nomination, election and appointments to the board to determine an optimally diverse board with the required skill set necessary. Such appointments are formal and transparent, and a matter for the board, assisted by the nominations committee. Prior to the appointment of a new director, the nominations committee is responsible for making recommendations to the directors' affairs and governance committee as to his or her suitability. The nominations committee acknowledges the requirements of the directive and is committed to ensuring that these requirements are achieved and duly considered whenever there is a change to the composition of the board. In terms of the South African banking regulations, all directors of a bank or a bank-controlling company must be assessed as fit and proper by the PA.

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

Succession plan

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's non-statutory subsidiary boards are used as a platform for mentoring potential future executive and non-executive directors and developing their knowledge of the group. During the year, specific focus has been applied to succession planning at the board level in terms of directive 4.

Non-executive directors

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

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

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

Governance outcome:

Effectiveness and performance

INDUCTION AND ONGOING BOARD DEVELOPMENT PROGRAMME

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

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

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

ANNUAL ASSESSMENT

During the year a formal, independent and externally facilitated evaluation was conducted, which measured the board's performance and effectiveness, as well as that of the individual members and the company secretary. The directors' affairs and governance committee reviewed the evaluation and identified no material concerns in respect of the areas assessed, hence no remedial actions were required.

A King IV independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision-making in the best interests of the group. A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare. As such, the group has directors with a tenure longer than nine years. At June 2019 there were 15 non-executives, of whom two (13%) have served more than nine years.

The board is satisfied that the evaluation process continues to improve its performance and effectiveness.

During the year the following major training topics were covered:

- financial crime prevention board training (including anti-money laundering);
- draft Companies Act Amendment Bill update;
- JSE insider trading and price-sensitive information training;
- draft Conduct of Financial Institutions (COFI) Bill – implications on wholesale market conduct activities;
- draft COFI Bill – implications on retail market conduct activities; and
- Australian Royal Commission (related to misconduct of financial services institutions) key findings update.

During the year the following areas were assessed:

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

CONFLICTS OF INTEREST

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

Governance outcome:

Governance structure

Board committees

FirstRand has established SEVEN DULY CONSTITUTED BOARD COMMITTEES *to assist and support* the board in discharging its duties. Each committee acts in terms of a written charter. The charters were reviewed and, where amended, approved during the year. The board and subcommittees are satisfied that they have executed their duties during the past financial year in accordance with their terms of reference, as set out in the board and committee reports.

A summary of the board committees' composition and responsibilities is provided below. The full reports from the remuneration committee, audit committee and the social, ethics and transformation committee are provided on pages 109 to 170.

LARGE EXPOSURES COMMITTEE

SUMMARY OF RESPONSIBILITIES

The large exposures committee is constituted pursuant to the requirements of Banks Act Directive 5/2008, section 73 of the Banks Act and Banks Act regulations.

The prime objective of the committee is to assist the board in discharging its responsibilities in terms of the management of credit granting and credit risk (which forms an integral part of the overall process of corporate governance) across the group. This role includes:

- considering and opining on the making of investments or granting of loans or advances or other credit which exceeds 10% of FirstRand qualifying capital and reserves, in terms of section 73 of the Banks Act; and
- considering and opining on the making of investments or granting of loans or advances or other credit to related parties and the write-off of any related-party exposure exceeding 1% of FirstRand qualifying capital and reserves, in terms of Regulation 24(9) of the Banks Act.

The committee is also responsible for the delegation of mandates, in respect of the approval of non-large exposure group and individual facilities, to the FirstRand wholesale credit approval committee, the FirstRand commercial credit approval committee and the FirstRand retail credit policy, risk appetite and mandate approval committee, as appropriate.

COMPOSITION	
RM Loubser (chairman)	Independent non-executive director
LL von Zeuner (with effect 1 February 2019)	Independent non-executive director
JP Burger (with effect 1 September 2018)	Non-executive director
TS Mashego	Independent non-executive director
JJH Bester	Specialist consultant
CEO	
COO	
Financial director	
Chief risk officer	
Head of wholesale credit	
Enterprise risk management executive	

During the financial year ended 30 June 2019, 12 meetings were held. Meetings are convened monthly; however, additional meetings can be convened on an *ad-hoc* basis as and when required in terms of section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not less than six times per annum.

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE (DAG)

SUMMARY OF RESPONSIBILITIES

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

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

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

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

		RECORD OF ATTENDANCE	
COMPOSITION		DAG	NC*
AT Nzimande (chairman)	Independent non-executive director	3/4	2/3
WR Jardine	Independent non-executive chairman	4/4	3/3
MS Bomela	Independent non-executive director	4/4	
HL Bosman	Non-executive director	4/4	2/3
JP Burger (with effect 1 September 2018)	Non-executive director	3/3	3/3
JJ Durand (alternate with effect 3 September 2018)	Non-executive director	1/1	
GG Gelink	Independent non-executive director	4/4	
NN Gwagwa	Independent non-executive director	4/4	3/3
F Knoetze	Non-executive director	4/4	
RM Loubser	Independent non-executive director	4/4	
PJ Makosholo	Independent non-executive director	4/4	
EG Matenge-Sebesho	Independent non-executive director	3/4	
TS Mashego	Independent non-executive director	4/4	
LL von Zeuner (with effect 1 February 2019)	Independent non-executive director	2/2	
T Winterboer	Independent non-executive director	4/4	

* *The nominations committee, (comprised non-executive directors) is a subcommittee of the directors' affairs and governance committee which comprises also non-executive directors.*

FUNCTION	AREAS OF FOCUS
Governance and board effectiveness	
→ reviews and evaluates the adequacy, efficiency and appropriateness of the corporate governance structures and practices through performance evaluations and assessments; → establishes new committees as required, and approves committee mandates and charters; → establishes, maintains and monitors the FirstRand corporate governance objective and plan, ensuring that it complies with all laws, regulations, and codes of conduct and practices; and → oversees the board induction training and development programme.	→ approved the 2019 group corporate governance objective and plan; → oversaw the board and committee evaluation assessment process, including the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments; → reviewed and approved the revised nominations committee charter inclusive of the gender and race diversity policy; → reviewed and approved the updated FirstRand board charter; → considered and approved the annual review of non-executive directors' fees; → oversaw the director development training programme; and → conducted board evaluations in accordance with King IV to review: – performance and effectiveness of the board and board committees; – performance of the previous board chairman, individual non-executive directors and the company secretary; and – independence of independent non-executive directors who have served continuously for nine years or more.
Board continuity	
→ oversees the development and maintenance of a board directorship continuity and succession plan.	→ considered and approved the non-executive director succession plan as presented annually for review; → specific focus on board continuity and non-executive director succession planning, as it relates to the PA's directive; and → considered and opined on board nominations, board committee changes, appointments and retirements.
Executive succession planning	
→ assists the board in the nomination of successors to key positions in FirstRand.	→ considered and approved the executive succession plan as presented annually for review; → considered and opined on group nominations, group committee changes and appointments and retirements; and → opined on and approved the nomination and appointment of the CEO and COO.

FUTURE FOCUS AREAS

- → ongoing focus on board effectiveness and continuity; and
- → specific focus on board succession planning.

RISK, CAPITAL MANAGEMENT AND COMPLIANCE (RCC) COMMITTEE

SUMMARY OF RESPONSIBILITIES

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

Refer to page 179 for the summary risk and capital management report, which sets out the specific risk and compliance management actions undertaken during the year.

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

COMPOSITION		RECORD OF ATTENDANCE*
RM Loubser (chairman)	Independent non-executive director	6/6
GG Gelink	Independent non-executive director	6/6
MS Bomela	Independent non-executive director	6/6
F Knoetze	Non-executive director	6/6
T Winterboer	Independent non-executive director	6/6
JP Burger (with effect 1 February 2019)	Non-executive director	3/3
LL von Zeuner (with effect 1 May 2019)	Independent non-executive director	1/1

Specialist consultant members

JJH Bester

L Crouse

Z Roscherr

Ex officio attendees
CEO
Chairmen of the segment risk committees
Financial director
Group and franchise CROs
Chief audit executive
Group portfolio risk heads
Head of regulatory risk management
Head of group finance
External auditors

* *Includes two RCC framework approval committee meetings.*

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

OVERALL FUNCTION	AREAS OF FOCUS
→ approves risk and compliance management policies, frameworks, strategies and processes; → monitors containment of risk exposures within the risk appetite framework; → reports assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board; → monitors implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management; → initiates and monitors corrective action where appropriate; → monitors that the group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen;	→ received and reviewed the overall group risk profile report, including the CRO and portfolio risk reports, and escalated material issues to the board where appropriate; → reviewed and approved changes to board limits and risk appetite; → approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios and further refinements to the ICAAP which were implemented; → reviewed and approved the group recovery plan as recommended by the asset, liability and capital committee; → reviewed and approved the board risk assessment; → considered global and local macroeconomic developments and how these are expected to impact the different portfolios in the group, and considered the impact of a further potential ratings downgrade on the group; → considered and approved the IFRS 9 macroeconomic forecast, scenario and stress testing; → approved the credit risk capital models; → reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee and RCC subcommittees to ensure there is adequate knowledge, skills and experience for effective risk management; → reviewed and approved credit risk profile and credit risk appetite parameters as recommended by the credit risk management committee; → reviewed and approved operational risk appetite parameters and governance methodology as recommended by the operational risk committee; → reviewed updates on franchise IT risk profiles and group IT governance by the business chief information officers; → reviewed reports on global hacking incidents and actions implemented by management to contain vulnerabilities; → received presentations and tracking of the progress made with the BCBS 239 project (principles for effective risk data aggregation and risk reporting for IT risk), including integration with the group data strategy;

OVERALL FUNCTION continued	AREAS OF FOCUS continued
→ approves regulatory capital models, and risk and capital targets, limits and thresholds; and → monitors capital adequacy and ensures that a sound capital management process exists.	→ considered presentations by management as mandated by subcommittees for escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments; → considered feedback presented to the committee on the PA bilateral meetings; → received reports on effectiveness of group corporate governance practices in line with Regulation 39; → reviewed the group annual insurance renewal programme to ensure adequate cover for FirstRand; → received reports on the increased regulatory scrutiny and enforcement across operating jurisdictions including initiatives to address these risks; → considered the independent assessment of current and future risks, including communication of the outcomes and concerns to management and board for consideration in strategic planning and risk management processes; → received and reviewed presentations on the Aldermore risk profile; → reviewed the management of FirstRand's regulatory and supervisory risk (risk that FirstRand does not comply with applicable laws and regulations or supervisory requirements), in all jurisdictions in which it operates; → reviewed and approved regulatory risk appetite parameters and thresholds (at a group and financial crime level); → considered presentations on regulatory and conduct risk matters; → considered group-wide monitoring coverage plans for regulatory and conduct risk management; and → received and noted the 2019 global risk landscape and risk trend interconnectedness.

FUTURE FOCUS AREAS

- continued focus on cybersecurity;
- continued focus on micro and macro operating environments and markets;
- assessing risk trends locally and internationally, including risk trend interconnectedness, geopolitical risks and the growing influence of digital disruption on business;
- continued focus on the implementation of BCBS 239 and monitoring the impact of IFRS 9;
- focus on the implementation of the Financial Sector Regulation Act (2017);
- continued focus on the potential impact of the Expropriation Bill, 2019 and the COFI Bill; and
- continued focus on market conduct risk, the anti-bribery and corruption programme, the privacy strategy and programmes to ensure compliance with both local and international regulatory instruments with extraterritorial reach.

INFORMATION TECHNOLOGY RISK AND GOVERNANCE COMMITTEE (ITRGC)

SUMMARY OF RESPONSIBILITIES

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

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

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

COMPOSITION		RECORD OF ATTENDANCE
L Crouse (chairman)	Specialist consultant	4/4
AP Pullinger (CEO – member of strategic executive committee)	Executive director	4/4
GG Gelink	Independent non-executive director	4/4
AC Meyer	Specialist consultant	3/4
M Chirnside	Specialist consultant	3/4
R Makanjee (member of strategic executive committee)	Chief digital officer	4/4

Ex officio attendees
Chief risk officer
Business chief information technology officers
Chief audit executive
Group head of IT risk and governance
Group head of operational risk management
Group chief information security officer
Group head of information governance
Business IT risk managers
Business chief information security officers
Group legal

FUNCTION	AREAS OF FOCUS
The committee exercises ongoing oversight of IT management and, in particular: → oversees the appropriateness and effectiveness of implementation and oversight of IT risk and governance management across the group; → reviews and approves the IT governance framework (ITGF); → proposes to the board and approves, where appropriate, risk and governance policies, standards, procedures and practices in respect of IT risk and security; → receives and considers formal reports from the businesses on the effectiveness of IT operations and risk management across FirstRand for review prior to presentation to the board; → receives and considers reports on significant incidents and process breakdowns in the execution of IT risk control policies and processes; → monitors implementation of IT strategies and key IT projects across businesses;	→ reviewed and approved the updated ITRGC charter; → oversaw initiatives and progress related to the implementation of BCBS 239 for IT risk, including a review of the IT general controls for material BCBS 239 source systems; → reviewed internal and external analysis of operating platforms; → drove alignment in reporting of business IT spend, allowing for more accurate consolidated reporting; → monitored licence compliance and received regular updates on current compliance and progress against external audits with publishers; → received regular updates on IT, legal and regulatory matters (including emerging IT-related legislation) and monitored the state of group awareness and progress towards compliance to new relevant regulatory and legislative requirements; → obtained a view of the business IT strategies and key projects and tracked progress made to remediate key IT risk and governance themes across the group; → received an update on the cloud directive compliance and reviewed the group cloud strategy; → analysed trends and root causes of significant IT incidents and risk issues identified; → reviewed remediation processes to ensure that adequate corrective actions have and will be implemented on identified IT risks and incidents; → received and reviewed the following quarterly reports: – business chief information officer (CIO) reports and IT risk reports (including Aldermore); – feedback and escalations from the group CIO committee; – group IT risk and governance profile report; – group information governance report; – group internal audit reports on IT risk and governance; – group information security report; – IT, legal and regulatory management report; → obtained a view of the key IT risk scenarios across the group; → analysed emerging IT risk trends and the group's risk mitigation readiness; → obtained feedback from penetration/vulnerability tests conducted from an information/cybersecurity perspective and tracked the progress being made to remediate key weaknesses identified through such tests; → obtained a view of material IT outsourced arrangements, critical third-party service providers and cloud services;

FUNCTION continued	AREAS OF FOCUS continued
→ monitors business resilience and that adequate corrective actions have been implemented, and reports such incidents and process breakdowns to the board; and → monitors the quality of IT risk processes, including but not limited to audits of implementation of the ITGF and BCBS 239 (principles for effective risk data aggregation and risk reporting).	→ received feedback on the annual IT risk and governance committee effectiveness survey results and actions developed to address concerns/gaps raised through the survey; → obtained a view of the IT risk management resource adequacy across the group together with defined actions to address identified gaps; → gave feedback on the group's cyber-risk exposure and mitigation plans and implemented cyber response plans; → received and reviewed platform alignment opportunities within the group; → received confirmation that the data centre migration had been successfully completed and met regulatory deadlines; → received feedback on Murex, a significant software acquisition by the corporate and institutional segment; and → agreed on the reporting expectations for data governance specific to IT. Refer to operational risk disclosure on page 190 for more detail on the assessment and management of IT risk.

FUTURE AREAS OF FOCUS

- continued focus on the group's cloud, data and digitisation strategies;
- continued oversight of the BCBS 239 programme for IT risk;
- group's cybersecurity incident management and breach readiness;
- proactive monitoring of intelligence to identify, avoid and respond to incidents, including cyber attacks;
- continued focus on enhancing risk and governance over robotics and artificial intelligence as business increasingly explores the efficiency and effectiveness of the use/implementation of these technologies; and
- continued focus on the Critical Infrastructure Protection Bill, the Cybercrimes and Cybersecurity Bill and the consultation paper on policy proposals for crypto assets.

REMUNERATION COMMITTEE

SUMMARY OF RESPONSIBILITIES

The remuneration committee (Remco) oversees group remuneration and ensures that practices align employees and shareholders. Remco promotes fairness of remuneration by ensuring the principle of equal pay for work of equal value is applied, and that remuneration is market related and sustainable.

The committee assists the board in ensuring that the group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Pillar 3 remuneration guidelines and the recommended practices of King IV, where appropriate.

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

The effectiveness of the committee is assessed annually by the board.

COMPOSITION		MEETING ATTENDANCE
GG Gelink	Independent non-executive director	4/4
RM Loubser	Independent non-executive director	4/4
AT Nzimande	Independent non-executive director	4/4
WR Jardine	Independent non-executive director	4/4
JJ Durand (resigned effective 3 September 2018)	Non-executive director	2/2
JP Burger* (appointed effective 1 September 2018)	Non-executive director	4/4*
HL Bosman (appointed effective 1 March 2019)	Non-executive director	2/2

Management invitees
CEO
CFO
COO (from 1 July 2018)
Group organisational development and human capital executive

* *JP Burger attended prior meetings in his capacity as executive director.*

COMPOSITION AND MEMBERSHIP

Members of the committee include the chairman of the board, the chairman of the risk, capital management and compliance committee, and a representative member of the social, ethics and transformation committee. This structure ensures appropriate stakeholder representation.

Management invitees do not have any voting rights. Where there is a conflict or perceived conflict of interest, members of management recuse themselves from the discussion, and deliberation on an individual's performance occurs in the absence of the individual.

BACKGROUND STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

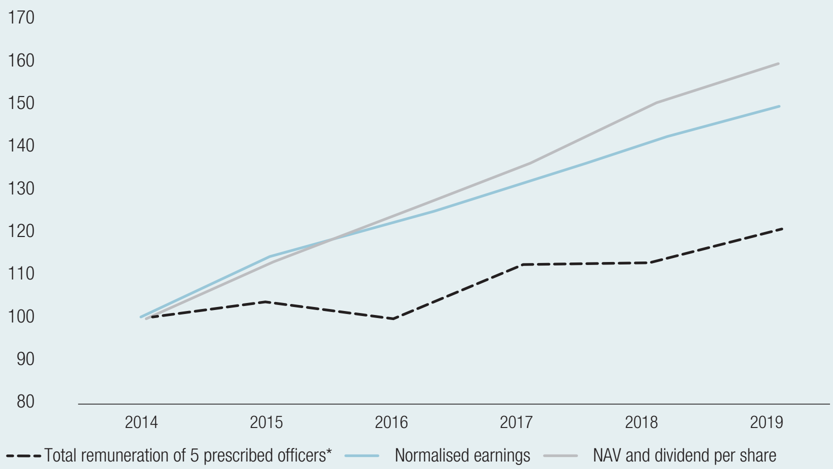
Introduction

As outlined in both the CEO's and the CFO's report, the group's operating environment remained challenging, characterised by subdued GDP growth, low business and consumer confidence and increased competition. The group's performance against this backdrop was extremely resilient, with all of the key metrics for shareholder value creation met or exceeded.

On this basis Remco is comfortable that it has rewarded FirstRand employees appropriately in the year under review. In addition, Remco has spent a great deal of time reviewing both the level and mix of short-term and long-term incentives to ensure appropriate alignment with shareholders, and has implemented some significant structural changes to the long-term incentives.

The graph below demonstrates that the growth in normalised earnings, NAV and dividends per share has exceeded the growth in prescribed officers' and executive directors' total remuneration over a six-year period.

GROWTH IN NORMALISED EARNINGS, NAV AND DIVIDENDS PER SHARE



Indexed to 2014 (2014=100)

* *Only five prescribed officer roles (CEO, CFO and 3 franchise CEOs) have been included in the graph, as the group COO and Aldermore CEO roles were effective from 1 July 2018 and not in existence for the full period graphed. Similarly the deputy CEO role existed from only 1 October 2013 to 31 March 2018.*

SUMMARY OF 2019 FOCUS AREAS AND POLICY CHANGES IMPLEMENTED

In line with King IV and the JSE Listings Requirements, the 2018 remuneration policy and implementation report were tabled at the AGM for separate non-binding advisory votes by shareholders. The group's remuneration policy and report received an endorsement of 74.2% and 74.39% respectively, narrowly missing the requirement of 75%.

A vote below 75% requires engagement with shareholders to understand their concerns. Therefore on 31 January 2019 an open call was held with shareholders (representing 38.58% shareholding), hosted by the group chairman and the chairman of the remuneration committee.

Following the call, Remco spent considerable time deliberating the concerns raised by shareholders and believes that the changes implemented, and the improved disclosure in this report, substantially address these concerns which are summarised below:

1. The link between performance and variable pay (short-term incentive) is not clear.
2. Annual bonuses/short-term incentives (STI) are more material than long-term incentive (LTI) awards, leading to a perception that short-term performance is favoured.
3. The group does not reference total shareholder return (TSR) as a performance metric.
4. LTI targets are not stretch enough, are too simplistic and do not cover holistic performance.
5. Remco discretion regarding LTI vesting was questioned.
6. Cliff vesting (either 0% or 100%) of the LTI awards was questioned, with some of the shareholders expressing the view that a proportionate or pro-rata (i.e. graded) vesting should be applied.
7. No differentiation across management levels for LTI vesting conditions.

The above concerns are addressed within this report, and for ease of reference a high-level summary is provided below:

- Remco has provided additional disclosure of executive director and prescribed officer performance metrics, which formed the basis for its considerations in determining annual bonuses.
- Remco acknowledges that the appropriate mix of STI and LTI is key to shareholder alignment and is proactively reviewing and incrementally adjusting the mix to achieve outcomes anchored to long-term performance.
- Movement in share price cannot always be correlated to strategic efforts of management, and therefore Remco believes that it is inappropriate to drive management behaviour through setting performance targets against the share price (which is a significant component of TSR). The value of the award is indexed to the FirstRand share price, however the LTI vesting criteria are based on continued employment and performance conditions linked to ROE and earnings growth, which are largely under management control and drivers of shareholder return.
- In line with shareholder feedback regarding a longer STI deferral period, Remco restructured the STI policy for executive directors and prescribed officers by extending their STI deferral period up to 36 months, indexed to the change in the FirstRand share price over the same period.
- Remco is required to assess performance, and balances that assessment against various objectives and constraints, which requires experienced judgement. As such, Remco does not believe a purely formulaic approach is appropriate in discharging its responsibilities. However, this judgement is fully anchored to the group's performance management framework and takes into consideration key sustainability metrics along with the overall remuneration philosophy.

SUMMARY OF 2019 FOCUS AREAS AND POLICY CHANGES IMPLEMENTED continued

- The FirstRand LTI structure is administered through the group's conditional incentive plan (CIP) and has been redesigned.
  - The main changes relate to the setting and application of performance conditions and the introduction of graded vesting in the 2019 awards and all awards going forward.
  - A distinction has been made between all participants in the CIP and top and certain senior management, given their level of influence on group strategy development and execution. The awards for top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the person remains in employment (50% of the award remains subject to performance conditions).
  - Awards with performance conditions have linear grading between vesting levels. These awards are subject to the achievement of performance conditions set at the award date, and determine the level of vesting. These conditions include a ROE and growth target for each vesting level. The extent to which these performance conditions are met determine the vesting level. The vesting levels are described below.
    - 70% minimum vesting level, below which the award lapses;
    - 100% on-target vesting level;
    - 120% stretch target vesting level; and
    - 150% super stretch target vesting level.
- Protection of the group return profile remains the key imperative while incentivising growth. To achieve this outcome, a minimum ROE will be set for each vesting threshold level, and ROE will serve as the prerequisite metric before the growth metric can be considered. If the target ROEs are not achieved, no vesting will occur irrespective of whether growth hurdles are met or exceeded.
- Remco cannot apply upward vesting judgement if performance criteria are not met. However, Remco can adjust the vesting percentage level downwards for conduct issues that are applicable to all CIP awards. Individual conduct issues will continue to be dealt with under *malus*.
- These awards remain indexed to the change in the FirstRand share price over the vesting period. No dividends are earned by recipients as these awards are fully hedged at the target level, with the dividends forming part of the hedging instrument.

Another area of focus during the year was the alignment of Aldermore's remuneration policy to FirstRand, within the context of the UK Prudential Regulatory Authority (PRA) remuneration requirements. To this end, Aldermore's LTI scheme (which was introduced in 2018 and includes MotoNovo employees) includes vesting conditions for on-target and stretch target performance. To further ensure alignment with FirstRand, 20% of the performance conditions are FirstRand performance conditions. These are the same conditions used for the on-target level for all FirstRand LTI participants. The vesting value of the award is 50%, indexed to the change in the FirstRand share price over a three-year vesting period with the balance not share-linked.

FUTURE AREAS OF FOCUS

- continue to improve remuneration disclosure and stakeholder engagement;
- continued research and evaluation of remuneration best practices;
- review the mix of STI and LTI across all staff levels; and
- evaluation of behavioural impact of the LTI changes introduced.

GG GELINK
Chairman, remuneration committee

7 October 2019

REMUNERATION PHILOSOPHY

The FirstRand founders embedded a long-held view that remuneration must align with shareholder value. This ethos has shaped the group's remuneration philosophy and is anchored in the performance management framework.

The group adopts the principles of an outcomes-based remuneration philosophy, which it believes to be appropriate given the diverse nature of the businesses that make up its portfolio.

THE GROUP'S REMUNERATION PHILOSOPHY IS FOUNDED ON THE FOLLOWING PRINCIPLES

- Attracting and retaining the best talent in the market is a critical enabler for FirstRand to execute on strategy and deliver on its promises to stakeholders.
- Management should not do better than shareholders. That is, the growth in management remuneration should not exceed the growth in accumulated net asset value and dividends. To this end, the group's key performance measure, net income after cost of capital (NIACC), ensures that employees only receive variable pay after all obligations are met, including "paying" shareholders first for their equity.
- Management also has a responsibility to other stakeholders: regulators, customers, deposit holders, investors, employees and society at large. These are all considered by Remco when determining and assessing remuneration so that sustainable long-term growth for the benefit of all stakeholders is achieved.
- Remco considers total remuneration across fixed salaries, STIs and LTIs.
- Short-term incentives.
  - As FirstRand does not follow a formulaic approach to determine individual awards, Remco can use STI allocation to drive behaviour. There are no defined pay caps for individual bonuses, however, variable pay is not limitless and is subject to a rigorous assessment of fairness and performance.

    Further rigour is achieved when Remco considers the size and allocation of the STI pools per business and for FirstRand in total. Although not fully formulaic, Remco considers the pool calculation against various performance metrics, including NIACC. Hence there are natural caps on overall STI pool.
- Long-term incentives.
  - Long-term performance alignment is achieved through the LTI, which is directly linked to earnings performance over three years.
  - Any growth targets must at least meet inflation (measured by CPI).
  - The group has consistently stated its intention to first and foremost protect its ROE and will not "chase" growth at the expense of returns.
  - Shareholders should not carry the hidden cost of LTI awards, through shareholder dilution by settling awards with share issuances. All costs, including funding costs, are taken through earnings, and all performance criteria are net of all costs related to LTI awards. To protect earnings against undue volatility linked to share price performance, the total outstanding awards are fully hedged, and these hedging costs are taken through earnings and not indirectly passed onto shareholders through dilution.
  - Management should be subject to minimum shareholding requirements to ensure longer-term alignment.
  - Appropriate *malus* and clawback provisions are to be maintained to protect the business.

REMUNERATION POLICY AND STRUCTURES

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

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

Scope

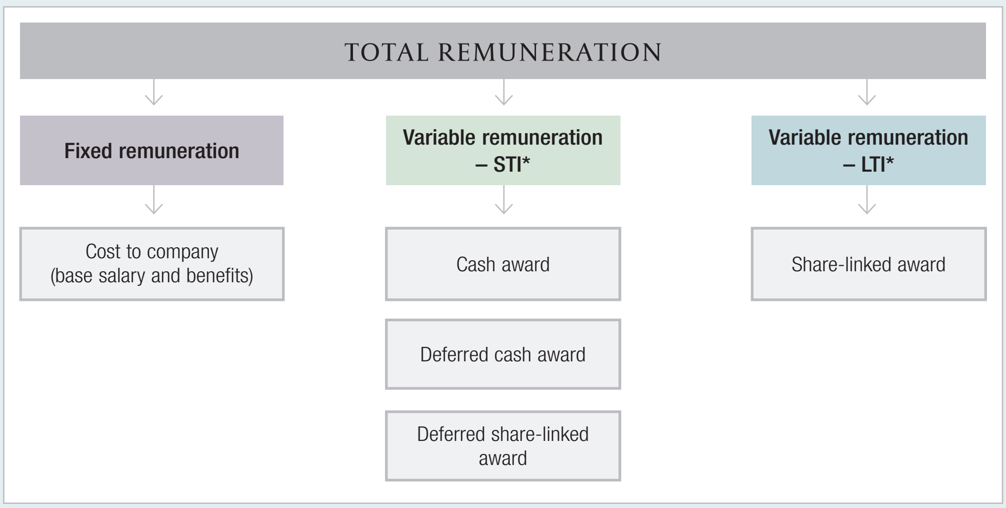
The remuneration committee's mandate and policy extend across all subsidiaries and businesses in the FirstRand group.

Remuneration regulation

The group applies the following remuneration governance frameworks: the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles for Sound Compensation Practices and its Implementation Standards, Basel Committee on Banking Supervision (BCBS) Pillar 3 disclosure requirements standard (March 2017) and Directive 1/2018 issued by the Prudential Authority, and the recommended practices of King IV, where appropriate. The group's UK operations apply the UK Prudential Regulatory Authority requirements.

The remuneration disclosure requirements of King IV and Pillar 3 are disclosed in this remuneration report.

REMUNERATION STRUCTURE



* *Variable remuneration is subject to malus and clawback provisions.*

Fixed remuneration

Cash package (based on cost to company)

The group has a cost-to-company (CTC) approach designed to attract and retain talent in line with the scope, nature and skills requirement of the role. CTC is generally market-related and reflects the responsibilities of the role, expertise and skills of the individual employee.

Benchmarking of fixed remuneration (guaranteed pay)

The remuneration policy promotes fairness of remuneration by ensuring that the principle of equal pay for work of equal value is applied. This principle encompasses two main aspects – market-related pay and internal parity.

External market benchmarking

FirstRand consults with independent providers, as detailed below, to benchmark market data pertaining to guaranteed remuneration. Where there is a specific request, a bespoke survey may be commissioned. Local and international peer comparisons are also performed for executive directors and prescribed officers.

During the annual salary review, the surveyed information is used extensively to ensure appropriate pay levels. In the case of executive directors and prescribed officers, the benchmarking did not reveal substantial differentials for the majority of individuals.

PwC Remchannel

PwC Remchannel performs a comprehensive guaranteed remuneration survey in South Africa in terms of reach and information supplied. It currently has 665 participants nationally across all industries ranging from SMEs to large corporates, including all the JSE top 40-listed companies. It further provides each industry with a comparator circle to ensure that benchmarking is done against peers at the correct level.

Mercer

The Mercer Top Executive Remuneration Survey provides a thorough analysis of top executive pay amongst large corporations in South Africa. The survey includes all major financial services organisations.

Mercer applies multiple factors to sizing executive roles to arrive at what is known as an IPE level. Once these levels have been ascertained, companies benchmark against the comparator group at the same level. The factors used to determine IPE levels include:

- annual turnover;
- assets under management;
- headcount across all jurisdictions; and
- multinational vs national operations.

The Mercer survey covers the following for executives:

- all elements of guaranteed pay and the payments from short-term incentive schemes as well as the expected value from long-term incentives;
- market practice for share ownership guidelines; and
- pay mix analysis.

Ad-hoc surveys

In circumstances where it appears that pay for certain skills has fluctuated rapidly owing to factors such as scarcity of skills, a bespoke survey may be commissioned. Such surveys are conducted using a reputable consultancy that is independent and does not have an ongoing contract with FirstRand. The results of these *ad-hoc* surveys serve to either validate existing data or provide intelligence for the business to make decisions.

Internal remuneration benchmarking (income differentials)

Income differentials are defined as the degree of uneven distribution of income between employees that can be grouped together as similar. The remuneration committee has taken deliberate steps to ensure that it understands internal pay gaps within the group. In a performance-based company culture, supported by robust performance evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees know that outperformance can and will be compensated.

What can, however, never be justified is inequalities of pay that are not defendable or are based on arbitrary grounds. The group has robust processes aimed at identifying and correcting any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base, such as performance, skills and experience. The rigour of the group's process is validated through an annual review which identifies and assesses cases of potential income differentials. The 2019 review identified unjustifiable income differential cases representing only 1% (2018:1.5%) of the total workforce. These were adjusted as part of the annual salary review and the cost of aligning the affected individuals' guaranteed packages was R11 million (2018: R15 million). During 2018, the group's income differential statistical model was reviewed by PwC and found to be acceptable and in keeping with leading market practice.

Retirement contribution

All employees are contractually obliged to contribute to appropriate retirement savings entities. The group has a dedicated forum that works with these entities to improve retirement outcomes by maximising investment returns and minimising costs.

Medical aid and life/disability cover contribution

All employees are contractually obliged to belong to a medical aid and to have life and disability cover.

Variable compensation

Calculation of STI pools for the organisation

STI pools for the group's various operating businesses are calculated bottom-up against the performance framework, subjected to vigorous oversight by the office of the financial director and thereafter presented to Remco for challenge and approval. The calculation of STI pools is determined using both financial and non-financial performance measures.

Financial performance measures

The calculation of the proportion of pre-incentive profits allocated to the various operating businesses' STI pools is based on Remco's assessment of the nature and complexity of the relevant business's underlying activities and revenue streams and considers industry reward practices. More complex, diversified businesses are rewarded with higher STI pools than monoline businesses. Remco establishes an appropriate STI pool calculation range for each operating business. It uses certain qualitative factors such as quality of earnings, risk management performance, operational losses, employee satisfaction, etc., to determine the appropriate rate within this range. It then applies this rate to qualifying pre-incentive pre-tax profits to determine the STI pool. A significant risk management failure/issue, for instance, could result in the rate being at the lower end of the range, whilst an improvement in quality of earnings compared to the prior year could result in a higher rate, but will remain within this range.

At business unit level, growth in STI pools is compared to growth rates in PBT and positive NIACC for the year under review, as well as over a cumulative six-year period (as this reflects the length of a normal business cycle). For an operating business to qualify for an STI pool, ROE hurdle rates also need to be met (ROE must at least exceed COE). These hurdle rates are also set for each operating business whilst considering the underlying activities and sources of earnings. For support areas, a bottom-up approach is applied based on individual and overall group performance as well as industry benchmarks. For new business initiatives, which are not yet profitable, a bottom-up approach is also applied along with measurement of progress of business strategy and execution against targets.

Non-financial performance measures

Remco considers non-financial measures in the determination of STI pools. These include but are not limited to risk management considerations, diversification and quality of earnings, sustainability, progress against strategic objectives, progress on transformation and organisational culture/behaviour.

Remco applies judgement and may make deductions from a business' calculated STI pool for poor performance against these non-financial measures.

Short-term incentives: individual determination

The group aims to incentivise outperformance. STI awards are not guaranteed and assess both individual and business unit performance based on agreed targets. Performance measures include:

- return on equity, normalised earnings growth and NIACC;
- diversification of earnings and volatility of earnings;
- performance within risk appetite, regulatory compliance and financial controls;
- information governance;
- employee engagement;
- transformation and diversity;
- innovation; and
- health of relationships with internal and external stakeholders, including regulators.

Individual performance against these measures is assessed annually and this assessment includes qualitative feedback from managers, peers and subordinates.

Annual cash bonus

- Annual bonus of up to R650 000 is paid in full in August.
- Annual bonus of R650 000 to R2 million is paid in three tranches. The first is paid in August, the second in December (six-month deferral), and the third in June (12-month deferral). The second and third tranches include an interest factor.
- Annual bonus above R2 million is also paid in three tranches. However a component of the bonus is deferred as share-linked awards which vest two years later (based on continued employment and good standing). In the case of prescribed officers this deferral is over three years.

Guaranteed bonuses

There are no guaranteed bonuses for senior positions.

The table below unpacks the bonus deferral in more detail.

ANNUAL BONUS DEFERRAL

STI for year ending June 2019			ANNUAL CASH BONUS		DEFERRED CASH BONUS	DEFERRED SHARED-LINKED (BCIP)	
				Deferral: 6 months	1 year	2 years	3 years
			August 2019	December 2019	June 2020	September 2021	September 2022
Variable pay: STI	Up to R2 million	Up to first R650k	Up to R650k				
		Balance up to R2 million (cash equally over 3 tranches)	Max R450k	Max R450k plus interest	Max R450k plus interest		
		First R2 million	R1 100k	R450k plus interest	R450k plus interest		
	Portion above R2 million	50%* Cash equally over 3 tranches	1/3	1/3 plus interest	1/3 plus interest		
		50%* Deferred indexed to the FirstRand share price				1/2 plus interest	1/2 plus interest

* *For executive directors and prescribed officers, 50% of STI greater than R2 million is paid in three equal tranches within the next 12 months. The other 50% is deferred as share-linked awards (BCIP) vesting over three years. For other management the share-linked deferral threshold is 40%, and the deferral period is two years.*

Long-term incentives (LTIs)

Long-term incentives seek to ensure employees are aligned to shareholder requirements for sustainable earnings growth, sustainable and superior returns and the creation of long-term franchise value. LTIs also support the long-term retention of critical management level employees. To achieve this FirstRand LTIs, regardless of jurisdiction, are linked to the performance of the FirstRand share price. For all employees except Aldermore and MotoNovo, 100% of the award has the FirstRand share price as the underlying. For Aldermore and MotoNovo it is 50% of the award.

The total LTI award pool for the group is approved annually by Remco and considers overall headcount growth and salary inflation increases. The allocation of this pool to the operating businesses is determined by the franchise value created and the sustainability of the operating businesses' contribution to shareholder value. The allocation to individuals is driven by eligibility criteria with guidance on quantum linked to the guaranteed package of the individual.

The performance conditions set for the LTI plans include targets for ROE and earnings growth, and are deeply embedded in the performance culture of the group. The group does not assign weightings to the return and earnings growth conditions as it believes this practice creates two separate instruments which could drive behaviour where the one condition is favoured at the cost of the other. This is why the group requires both return and growth conditions to be met. ROE is the prerequisite and has to be achieved before the growth metric is assessed. The earnings growth target is measured over a three-year rolling period on a cumulative basis. The return target is measured as the average ROE over the three-year vesting period, and positive NIACC is required in line with the group's performance philosophy. The ROE is based on net asset value and not on tangible net asset value, and as such includes goodwill. Performance conditions should support motivation and retention, and as such Remco considers a number of factors, including:

- the outcomes of the three-year budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views;
- the macroeconomic outlook together with the probabilities assigned to the different scenarios;
- the required investment in platforms and new business development for future growth strategies, with this investment expensed and not capitalised;
- the opportunity to grow in excess of the economy given the group's relative market share; and
- the requirement to protect the return profile as opposed to incentivising earnings growth at the expense of returns.

Participants in the LTI CIP have exposure to fluctuations in the group's share price and the value of the award will either increase or decrease in line with the change in the share price over the vesting period, further supporting the alignment between shareholders and employees.

There are two long-term incentive plans, with the predominant plan being the FirstRand CIP that is denominated in South African rands and linked to the FirstRand share price (applicable to qualifying employees except UK-based employees), and the UK LTI denominated in British pounds (applicable to UK-based employees) which can be awarded as the UK equity-linked LTI or UK cash LTI.

FirstRand CIP

Under the group CIP described earlier, the conditional awards vest three years from the award date if the performance and employment conditions have been met. At the date of vesting, the employee will receive the vesting value, based on the share price at the time. Settlement of the vesting value will either be in cash or by acquiring settlement shares if elected by the participant. Shares required for settlement are purchased in the open market, not issued, to avoid shareholder dilution. There is no accrual of dividends over the vesting period and the participant employees remain exposed to fluctuations in the group's share price over the vesting period.

For the outstanding 2017 and 2018 awards, cliff vesting is applicable and Remco has the right, in exceptional circumstances, to apply judgement if the performance conditions are not met. Awards vest on the vesting date or are forfeited.

The following table sets out the performance conditions for the 2017 and 2018 awards.

			PERFORMANCE CONDITIONS		
AWARD YEAR	VESTING YEAR	NORMALISED EARNINGS PER SHARE IN YEAR OF ISSUE	RETURN AND NIACC	EARNINGS GROWTH	REQUIRED NORMALISED EARNINGS PER SHARE
2017	2020	436.2 cents	ROE ≥18% and positive NIACC over the period.	Normalised earnings per share growth to exceed the cumulative three years of annual real GDP growth plus CPI.	The group's current macroeconomic outlook on real GDP growth plus CPI (for June 2020) translates into the required normalised earnings per share to grow to 514.2 cents.
2018	2021	470.8 cents	ROE ≥18% and positive NIACC over the period.	Normalised earnings per share growth to exceed the maximum of the cumulative three years of annual real GDP growth plus CPI or CPI (in the event of negative real growth).	The group's current macroeconomic outlook on real GDP growth plus CPI (for June 2020 and June 2021) translates into the required normalised earnings per share to grow to 552.3 cents.

Remco has changed the vesting conditions for the 2019 LTIs. A distinction has been made between all participants in the CIP and top and certain senior management, given their level of influence on group strategy development and execution. The awards for top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the person remains in employment (50% of the award remains subject to performance conditions).

The new LTI award has also introduced performance conditions with graded vesting up to a maximum of 150%. The performance conditions and relevant vesting levels are described in the implementation report (refer to page 123).

FirstRand UK LTI (for eligible Aldermore and MotoNovo employees)

The long-term incentive plan is structured as a conditional incentive plan, awarded in pounds.

To align with FirstRand group LTI, 20% of the performance conditions are linked to overall FirstRand conditions and 80% against a balanced scorecard of growth in earnings, ROE and conduct risk for Aldermore. Aldermore and MotoNovo awards already include graded vesting calibrated in the same way as the grading introduced for the FirstRand LTI in 2019.

Fifty per cent of the award value is indexed to the FirstRand share price over the vesting period. The balance of the award is a deferred cash award. The awards vest three years from the award date if the performance and employment conditions have been met. At the date of vesting the employee will receive the vesting value, based on the share price at the time, in cash or shares. In line with regulatory requirements in the UK, Aldermore and MotoNovo Exco members have mandatory equity settlement of the equity-linked award.

For employees based in the UK and not employed by Aldermore or MotoNovo, 100% of their performance conditions is based on the FirstRand LTI conditions.

Other LTI considerations

Outstanding LTIs

The group has a "good leaver" policy covering remuneration already awarded that has not fully vested. Remco has discretion in certain circumstances.

The categories of good leavers:

1. **Retirement:** The LTI awards of employees who retire in terms of the group's retirement policy continue for the duration of the performance period and remain subject to the normal rules and performance conditions.
2. **Retrenchment and death:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.
3. **Injury, disability or ill health:** LTI awards are pro-rated and deemed to be vested. From 2018, the awards are pro-rated for the remaining vesting period and a probability of vesting is applied based on performance to date measured against the roll-forward vesting conditions to date.
4. **Resignation:** Employees who resign before the vesting date of the outstanding LTIs will forfeit these awards. However, on rare occasions, depending on the circumstances, Remco may apply its discretion to allow some or all of the outstanding awards to remain in force until the normal vesting date with specific conditions applicable to the employee's future role.

Employees who are dismissed are not deemed "good leavers" and as such, unvested awards are forfeited.

Change of control

The group has a clear policy with regard to change in control, which states that there will not be any early or accelerated vesting of awards. Directors may adjust, replace or convert awards, or take any such action they deem appropriate in the event of a change of control, to protect the interests of participants and ensure that they are placed in a substantially similar financial position. The intention is neither to prejudice the acquirer nor to create a "poison pill".

Malus and clawback

Malus is applicable to awards that have not yet vested, and where required these will be cancelled. Clawback applies once an award has vested, and an event occurs that triggers the repayment of the award.

If performance conditions are not satisfied, both short-term and long-term incentive allocations are forfeited. The committee has the discretion to claw back the pre-tax proceeds of any discretionary payment received by employees in the event of a trigger event as detailed below.

A trigger event may include, *inter alia*:

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

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

Should an employee resign or be dismissed, unpaid bonus tranches are forfeited except where Remco deems the individual a “good leaver”, similar to LTIs.

Sign-on awards

Sign-on bonuses are applied when appropriate, for example:

- when the business is heavily reliant on high-demand scarce skill sets;
- to replace prospective employees’ current benefits; and
- to remain attractive and competitive in the market.

Terms of employment for executive directors and prescribed officers

All executive directors and prescribed officers in South Africa have a notice period of one month. In the UK, Phillip Monks has a notice period of twelve months. Executives have no guaranteed termination payments.

Risk management

Application of risk in delivering remuneration

The Risk Remco is chaired by the RCC committee chairman and members include the group executive directors and corporate governance and risk heads. This ensures that risk events impacting remuneration are considered when adjusting bonus pools.

The group applies a formal framework for considering risk input to the Remco process. The assessment is performed at a business unit level, and reviewed by business unit, group risk and group Remcos. The following key principles are assessed against a set of criteria:

- strategy and governance;
- culture and behaviour;
- risk measurement;
- infrastructure and resources;
- control environment; and
- key initiatives.

The key principles are assessed year-on-year and comments are provided for the assessed rating.

The group CRO formally prepares risk input to the Remco report, representing the consolidated results of the various business processes as well as an overview summary to the FirstRand Remco and FirstRand Risk Remco. The risk input provides the inherent risk profile of each business by disclosing the key risks and the measurement thereof.

The group's objective is to align remuneration with sound risk-taking behaviour with a view to promoting long-term sustainability of the institution. This signals the importance that the organisation places on prudent management of risk and acceptable standards of behaviour. As part of the risk input to the Remco process, consideration is also given to any recommended sanctions and penalties as a result of risk or regulatory events, or an undesirable risk profile in an area.

Risk and compliance employees

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

Unionised employees

In addition to benchmarking and internal differential checks and balances, FirstRand is party to a collective bargaining agreement. Most employees are covered by these negotiated settlements. The outcome of the agreement is that employees are paid at least a minimum salary in line with their respective levels of employment and salary bands, and are awarded performance bonus payments in line with their respective performance outcomes. Any employee with acceptable performance levels with a salary below the minimum for his/her role and/or band is automatically raised to the minimum, as agreed in the negotiation process. The group ensures that people get paid fairly for their work and that no employee is paid less than a living wage.

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

Almost 20 outcomes-based remuneration schemes are in place across the group, affecting around 9 500 employees. These schemes give lower-earning employees the opportunity to earn variable pay for performance and have significantly assisted the group in narrowing internal pay gaps, while further entrenching a culture of pay for performance.

FirstRand Staff Assistance Trust

The FirstRand Staff Assistance Trust’s mandate is to assist black employees earning a CTC salary below a certain level, as well as their immediate families, with their educational, healthcare and other needs. The trust offers bursaries to assist employees’ children from grades R to 12, and qualifying expenses include school fees, transport, books and uniforms.

For the 2019 school cycle the trust assisted 6 205 employees with their children’s school expenses, to the value of R46.5 million. This represents a fulfilment rate of 96% of total staff applications.

IMPLEMENTATION REPORT

The implementation report explains how Remco applied the remuneration policy and principles in the year under review, including any changes implemented:

- Vesting considerations of the 2016 LTI.
- Remco judgement considerations on the open 2017 to 2018 LTI plans.
- Changes made to the 2019 LTI.
- Individual performance reviews for each prescribed officer and executive director.
- Remuneration tables as required by King IV and Pillar 3.

VESTING CONSIDERATIONS OF 2016 LTIs

The 2016 LTIs vested as the performance conditions were achieved. The 2016 LTIs were settled during September 2019.

AWARD YEAR	VESTING YEAR	NORMALISED EARNINGS PER SHARE IN YEAR OF ISSUE	PERFORMANCE CONDITIONS		COMMENTS
			RETURN AND NIACC	EARNINGS GROWTH	
2016	2019	407.4 cents	ROE ≥ 18% and positive NIACC over the period.	Normalised earnings per share growth to exceed nominal GDP growth (three-year cumulative growth), resulting in normalised earnings per share of 497.3 cents above the required 485.1 cents.	The award vested during September 2019 based on the earnings growth and ROE delivered over the three-year period ended 30 June 2019. ROE achieved: 23.1%. NIACC achieved: positive over the vesting period. Earnings growth achieved: nominal GDP + 0.88%.

LTI AWARDS ISSUED PRE-2019

For the 2017 to 2018 awards, to avoid a binary outcome of 0% or 100% vesting, the scheme rules allow Remco the judgement to determine that the conditional awards will vest, in full or partially, in circumstances where the performance conditions were not fulfilled. Remco applies its judgement after consideration and analysis of the following:

- Factors outside management's control:
  - unusual political and other factors contributing to the deterioration of the macro and business environment, including consumer and business confidence;
  - levels of volatility of macroeconomic variables and forecasting ability; and
  - relative performance of peers.

- Factors within management's control:
  - balance between ROE and growth and delivery of the result in favour of ROE;
  - adjustments to risk appetite given the prevailing conditions;
  - continued investment for future growth in systems, new business ventures and operational improvement where the costs might be recognised in the vesting period but the expected payoff only in future years; and
  - materiality of the earnings delivery miss relative to the targets set.
- Qualitative factors:
  - Retention of talent, particularly in business units that outperformed.

The risk of losing talent was a key consideration for the vesting of the 2015 LTIs, which was rigorously debated by Remco, particularly as the group's delivered earnings in 2018 represented 99.4% of the required earnings for full vesting. In addition, and in retrospect, this decision was also justified given that subsequently, during March 2019, the 2018 nominal GDP was officially restated downwards by Stats SA, with the result that the 2015 CIP awards would have vested without any Remco judgement required as the performance conditions would have been exceeded.

CHANGES MADE TO THE LTI STRUCTURES GOING FORWARD

As explained earlier, Remco has made certain changes to the LTI structures. After consultation with stakeholders, Remco retained the FirstRand LTI but changed the vesting conditions for the 2019 award and all future awards. The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the person remains in employment (50% of the awards remain subject to performance conditions).

The long-term incentives awarded to employees are apportioned as follows:

	Without performance conditions	With performance conditions
Executive directors and prescribed officers	0%	100%
FirstRand strategic committee	0%	100%
Certain senior management*	0%	100%
All other management levels	50%	50%

* *Senior management is determined by Remco and is based on various criteria which will be assessed annually.*

Performance conditions applicable and graded vesting

Remco has changed the operation and setting of the performance conditions in 2019 to introduce graded vesting. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions will vest at 70% and if these are not met the award will lapse. Further conditions, using ROE and growth, will be set for 100%, 120% and 150% vesting with the conditions set progressively harder up to the maximum level of 150%.

For the last seven years, the ROE of the group has exceeded 20% and is currently significantly above the peer group. This has translated into superior shareholder value creation. As outlined earlier, the group sets its performance targets to protect ROE and deliver earnings growth. The group does not assign weightings to the respective returns and earnings growth conditions, but rather requires both conditions to be met concurrently for the awards to vest. In practice, ROE is the prerequisite metric which has to be achieved before the growth condition is assessed. Remco views it inappropriate to incentivise growth at the expense of ROE.

The new performance conditions and relevant vesting conditions are described below.

	PERFORMANCE CONDITIONS		
AWARDED IN	ROE TARGET AVERAGE OVER THE 3-YEAR PERIOD	NORMALISED EARNINGS PER SHARE GROWTH TARGET (3-YEAR COMPOUND ANNUAL GROWTH RATE)	VESTING LEVEL SHOULD BOTH CONDITIONS BE MET
Minimum vesting, below which the award lapses	≥20%	Cumulative growth rate over 3 years: → real GDP growth + CPI + >0% and CPI (to cater for negative real GDP growth)	70%
On-target performance	≥20.5%	Cumulative growth rate over 3 years: → real GDP growth + CPI + 1.5% to 3%	100%
Stretch target	≥21%	Cumulative growth rate over 3 years: → real GDP growth + CPI + >5% to 7%	120%
Super stretch target	≥22%	Cumulative growth rate over 3 years: → real GDP growth + CPI + >7% to 10%	150% (maximum vesting)

Remco was of the view that where there is outperformance it is not all shared with management, hence a range has been introduced for each condition. Within this range all outperformance is for shareholders. In the event where management shares in outperformance a linear vesting calculation will apply.

The ROE is based on NAV without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves.

Remco views the targets as sufficiently challenging given the requirement that both the ROE and earnings growth conditions have to be met simultaneously. The targets were set after careful consideration of the following:

- the group's ROE at 30 June 2019 as well as ROE projections and the stated long-term through-the-cycle ROE range of 18% to 22%;
- the group's stated long-term growth target of nominal GDP plus more than 0% up to 3%, which was set after careful consideration of:
  - the size of its South African earnings base and balance sheet and the challenge of growing these materially above system growth given its relative market share;
  - the required investment in platforms, and new business development for future growth strategies, given the group's preference to expense and not capitalise where possible;
- the outcomes of the budget process as well as scenario analyses on the budgets with incorporation of risk and stressed views; and
- the macroeconomic outlook together with the probabilities assigned to the different scenarios considered.

Remco considered fairness to shareholders when designing the new structure. Key to this assessment was the shareholder value created through the delivery of superior returns as well as earnings growth of real GDP plus CPI plus 1.5% to 3.0%, for 100% vesting. Therefore the business needs to generate at least 2.3 times what the South African economic environment (system) offers as growth.

Remco retains the ability to adjust the vesting level downwards in the event that ROE and growth targets are met, but a serious conduct issue has occurred. Under the new structure, however, Remco cannot apply upward vesting judgement if performance criteria are not met.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' COMPENSATION

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

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

FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB, WesBank and Aldermore. These officers are members of the group strategic executive committee and attend board meetings. Mary Vilakazi, group COO, was appointed a group executive director with effect 1 July 2018. Phillip Monks, Aldermore CEO, was appointed a prescribed officer with effect 1 July 2018.

Individual performance reviews

The group uses a performance measurement scorecard in executive directors' and prescribed officers' performance assessments and remuneration processes which is linked to the relevant business's key performance metrics (i.e. ROE, EPS growth and NIACC), together with other strategic objectives measured over a 12-month period, but analysed over the past five years together with a qualitative forward view. Risk adjustments take into account both quantitative measures and judgement.

The group continues to refine its scorecards to ensure that all financial and non-financial metrics are appropriately measured and reported.

Below are summarised performance reviews per executive director and prescribed officer.

Alan Pullinger *FirstRand CEO*

PERFORMANCE

Against very challenging macros, FirstRand produced a solid performance this financial year, delivering real earnings growth and superior returns on the back of positive NIACC, the group's primary measure of shareholder value creation. The financial year was the first full year under Alan's leadership. The group has executed successfully against its strategic priorities of protecting and growing its large and valuable transactional and lending businesses, broadening its financial services offerings, showing a turnaround in the performance of the rest of Africa portfolio, allocating its financial resources in a disciplined fashion to grow economic profits and protect ROE, and successfully integrating Aldermore. The group continues to successfully execute on its digitisation and platform strategy.

Externally, matters systemically important to the country have required extensive time and involvement from Alan this year, including direct engagement with government and participation in private sector bodies such as BLSA and BASA. This was in addition to the extensive engagement requirements with all other key stakeholders.

KEY FINANCIAL PERFORMANCE METRICS: FIRSTRAND LIMITED

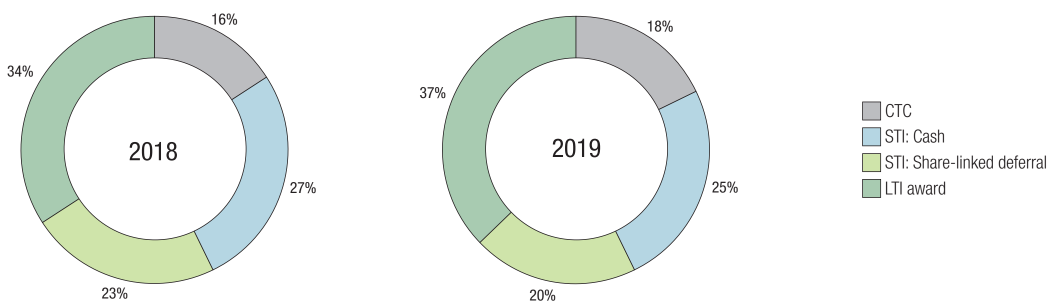
Normalised earnings growth (%)	ROE (%)	NIACC (R million)	NAV growth (%)	Dividend per share growth (%)
6	22.8	10 729	7	6

Remuneration

Given Alan Pullinger's promotion to group CEO effective 1 April 2018, his cost to company was increased on 1 August 2018 to reflect the increased responsibility. As such, his fixed remuneration increased 21% together with an increased LTI of 19%. Remco further considered Alan's overall mix of remuneration and consequently kept his bonus flat for this period, with a shift to LTIs in the next allocation. Alan's total remuneration increased 10%, including his promotional increase and with a change in mix (CTC increased, STI flat and upside in LTIs). The group believes Alan's remuneration aligns with overall shareholder value creation.

GROWTH IN REWARD AND AWARD FOR 2019

R thousand	**2019**	2018	% growth
Cost to company	**8 865**	7 353	21
STI	**22 400**	22 400	–
– Cash STI	**12 200**	12 200	–
– Share-linked deferred STI	**10 200**	10 200	–
LTI award	**18 500**	15 550	19
Total reward	**49 765**	45 303	10
% deferred (share-linked)	**58**	57	



Mary Vilakazi *FirstRand COO*

PERFORMANCE

2019 represented Mary's first year with FirstRand as COO. Mary's responsibilities include three of the group's key growth strategies, namely the insurance pillar, the rest of Africa portfolio and asset management.
In addition, she has direct accountability for regulatory risk functions, enterprise risk functions and internal audit. Mary's previous experience has allowed her to add strategic value, insight and guidance to the insurance and asset management businesses. She has created capacity within the executive director team, which in turn has generated additional bandwidth for the CEO and CFO.

With regards to the growth strategies, Mary was instrumental in the restructuring of the asset management pillar, and with her dedicated focus the rest of Africa portfolio has performed better in many respects. Under Mary's supervision, the Regulatory conduct risk management (RCRM), Enterprise risk management (ERM) and internal control functions have performed well.

KEY FINANCIAL PERFORMANCE METRICS: FIRSTRAND LIMITED

Given Mary's executive director role, the FirstRand Limited performance metrics are also relevant to her.

Normalised earnings growth (%)	ROE (%)	NIACC (R million)	NAV growth (%)	Dividend per share growth (%)
6	22.8	10 729	7	6

Remuneration

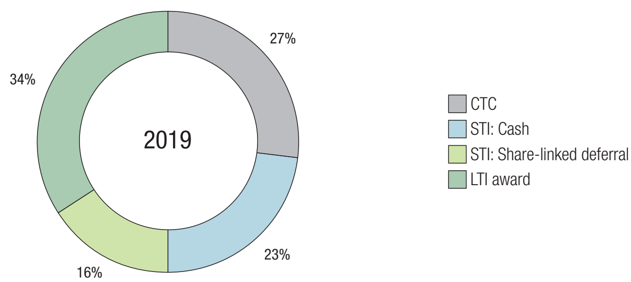
The group believes Mary Vilakazi's remuneration aligns with the group's overall shareholder value creation.

Mary received a one-off sign-on award on her appointment to the group, this being a cash bonus of R7.5 million and a R14 million long-term share-linked award, to compensate her for long-term incentives forgone at her previous employer.

R thousand	2019
Appointment award	
Cash sign-on bonus	7 500
LTI sign-on allocation	14 000
Total sign-on	21 500

AWARD FOR 2019

R thousand	2019
Cost to company	6 750
STI	9 750
– Cash STI	5 875
– Share-linked deferred STI	3 875
LTI award	8 500
Total reward	25 000
% deferred (share-linked)	50%



Harry Kellan *Group financial director*

PERFORMANCE

Harry is accountable for the group's financial reporting, including control frameworks and external financial statement audit. The audit committee is satisfied that, under Harry's supervision, the group has strong financial reporting control frameworks and procedures that are operating effectively. In addition to group finance, the CFO portfolio also includes responsibility for group tax, company secretariat performance measurement, and the link between performance and remuneration. In addition to his CFO portfolio Harry is the CEO of FCC, which represents the central functions of the group. This role is a critical alignment function given the group's decentralised operating model, ensuring that the customer-facing businesses are effectively serviced by Group Treasury, Finance, ERM, RCRM, Group Tax, Internal Audit and the company secretary's office.

During the year under review, Harry's additional responsibilities included:

- the implementation of IFRS 9;
- alongside the CEO, he is the FirstRand's shareholder representative on the Aldermore board; and
- the successful integration of Aldermore's financial reporting with the group.

KEY FINANCIAL PERFORMANCE METRICS: FIRSTRAND LIMITED

As group financial director, Harry's performance is also linked to overall group results as he partners with the CEO.

Financial metrics

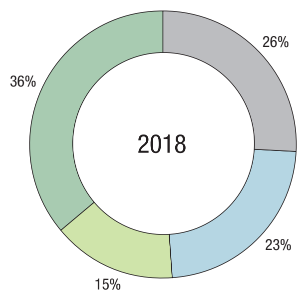
Normalised earnings growth (%)	ROE (%)	NIACC (R million)	NAV growth (%)	Dividend per share growth (%)
6	22.8	10 729	7	6

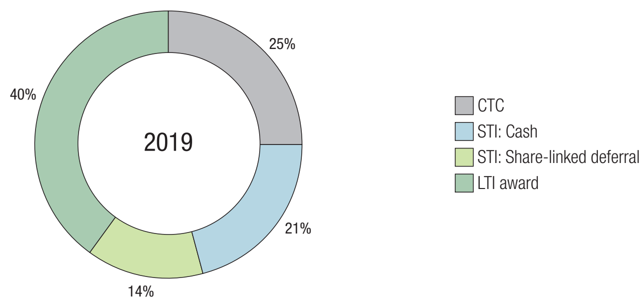
Remuneration

Remco reviewed Harry Kellan's total remuneration against the various benchmarks and concluded that his remuneration was not fully reflective of his role and responsibilities. As a consequence, his remuneration was gradually increased, starting with an above-inflation increase in the prior year (15% CTC increase) to align with the market and allow for the fact that for two years he was structurally under-remunerated, and a 26% increase in LTI. His STI increase was contained this year in favour of a shift to LTI in the next allocation. As such the group believes Harry's remuneration better aligns with the group's overall shareholder value creation and role benchmarking with an overall 12% increase in total remuneration.

GROWTH IN REWARD AND AWARD FOR 2019

R thousand	**2019**	2018	% growth
Cost to company	**7 385**	6 921	7
STI	**10 334**	10 000	3
– Cash STI	**6 167**	6 000	3
– Share-linked deferred STI	**4 167**	4 000	4
LTI award	**12 000**	9 500	26
Total reward	**29 719**	26 421	12
% deferred (share-linked)	**54**	51	





***Jacques Celliers** FNB CEO*

PERFORMANCE

Under Jacques's leadership FNB has had a very strong year.

In a very difficult operating environment FNB delivered strong normalised earnings growth of 11%, significantly ahead of system growth despite FNB's significant share of domestic profit pools, and a superior ROE of 41.9%. This ongoing outperformance is due to consistent execution on strategy:

- acquiring new customers specifically focused on core transactional accounts;
- provision of leading digital platforms;
- establishment of deep customer relationships and the utilisation of data to deliver appropriate propositions to those customers;
- disciplined origination aligned to group risk appetite; and
- achieving efficiencies by reconfiguring legacy infrastructure.

KEY PERFORMANCE METRICS: FNB

Financial metrics

Normalised earnings growth (%)	ROE (%)	NII growth (%)	NIR growth (%)	Growth in advances (%)	Growth in deposits (%)	Cost-to-income ratio
11	41.9	10	11	9	12	50.9

Operational metrics

Growth in customers (%)	Cross-sell (products per customer)	Growth in banking app volumes (%)
1	2.86	45

Digital platforms drive cross-sell – digital sales growth (%)	
Card	19
Overdraft	55
FNB loans	>100
Nav>> Home pay-out value	>100

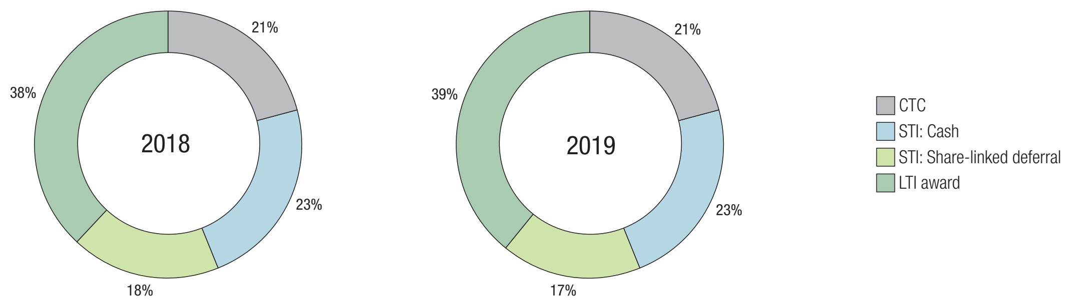
Progress on efficiencies
Reducing cost to income to below 50% in its South African business

Remuneration

The group believes Jacques Celliers's total remuneration aligns with FNB performance and the group's overall shareholder value creation, with a mix change in favour of LTI, hence the 13% increase in LTI and a further shift from STI to LTI in the next allocation.

GROWTH IN REWARD AND AWARD FOR 2019

R thousand	**2019**	2018	% growth
Cost to company	**7 651**	7 095	8
STI	**14 574**	14 000	4
– Cash STI	**8 287**	8 000	4
– Share-linked deferred STI	**6 287**	6 000	5
LTI award	**14 500**	12 850	13
Total reward	**36 725**	33 945	8
% deferred (share-linked)	**57**	56	



Chris de Kock *WesBank CEO*

PERFORMANCE

WesBank's performance was particularly impacted by challenging markets and increased competition.

Under Chris's leadership the business focused on protecting its origination franchise (resulting in no material loss of effective market share) and protecting returns.

When assessing the performance year-on-year it's important to note that over the past year WesBank endured significant structural change, as DirectAxis and MotoNovo moved elsewhere within the FirstRand group. These changes are expected to unlock shareholder value in the medium to long term, however they resulted in some immediate internal disruption which was, under Chris's leadership, well managed. WesBank remains a large and valuable business for the group given its market leadership, and the business responded well to the topline pressures by extracting significant efficiencies.

KEY PERFORMANCE METRICS: WESBANK

Financial metrics

Normalised earnings growth (%)	ROE (%)	ROA (%)	NII growth (%)	Growth in advances (%)	Cost-to-income ratio
(2)	18.5	1.26	(2)	(2)	47.4

Operational metrics

Growth in joint ventures
- KTM
- Harley Davidson
- Triumph
- Renault

Collaboration with FNB asset-based finance delivered 13% advances growth in the corporate and commercial book

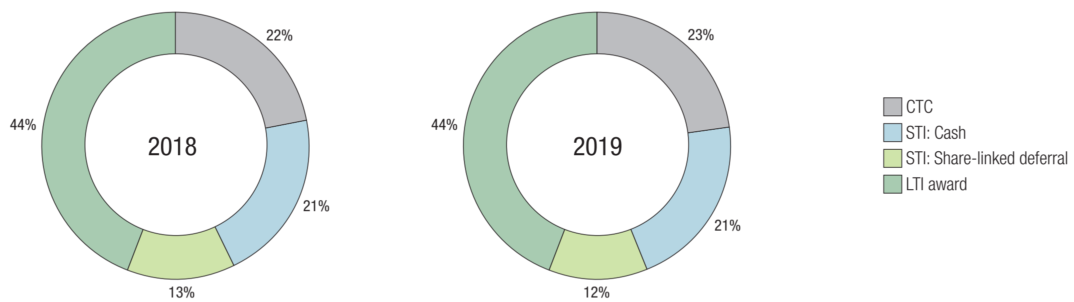
Remuneration

The group believes Chris de Kock's remuneration aligns with WesBank's performance and its contribution to the group's overall shareholder value creation.

Chris's CTC increased with inflation. His bonus was flat year-on-year, notwithstanding softer earnings performance – a reflection of his additional leadership contribution given the significant structural changes implemented this year. Similarly, his LTI was also flat for the period.

GROWTH IN REWARD AND AWARD FOR 2019

R thousand	**2019**	2018	% growth
Cost to company	**5 275**	4 978	6
STI	**7 500**	7 500	–
– Cash STI	**4 750**	4 750	–
– Share-linked deferred STI	**2 750**	2 750	–
LTI award	**9 844**	9 844	–
Total reward	**22 619**	22 322	1
% deferred (share-linked)	**56**	56	



James Formby RMB CEO

PERFORMANCE

RMB's performance was resilient. Although normalised earnings declined 4%, this was expected given the rebasing of private equity realisations in the current year. Notwithstanding this base effect, the client franchise delivered 12% growth in normalised PBT. James is remunerated on this normalised PBT, and the private equity performance, whether up or down, does not impact his remuneration.

Whilst the ROE at 21.7% also declined because of the base effect of private equity and higher capital levels supporting the strong advances growth, it remains above the hurdle rate and still reflects the quality of RMB's earnings. RMB's performance was achieved in a market characterised by low levels of confidence and activity in the large corporate segments. The business also delivered solid operational leverage, despite ongoing investment in growth strategies and platforms to drive future efficiencies.

KEY PERFORMANCE METRICS: RMB

Financial metrics

Normalised earnings growth (%)	ROE (%)	NII growth (%)	NIR growth (%)	Growth in advances (%)	Growth in deposits (%)	Cost-to-income ratio
(4)	21.7	20	(9)	13	14	46.4

Operational metrics

Growth in clients (%)	Progress on efficiencies	Rest of Africa normalised PBT growth (%)
SA primary banked relationships 7	Positive operating jaws despite investments	20

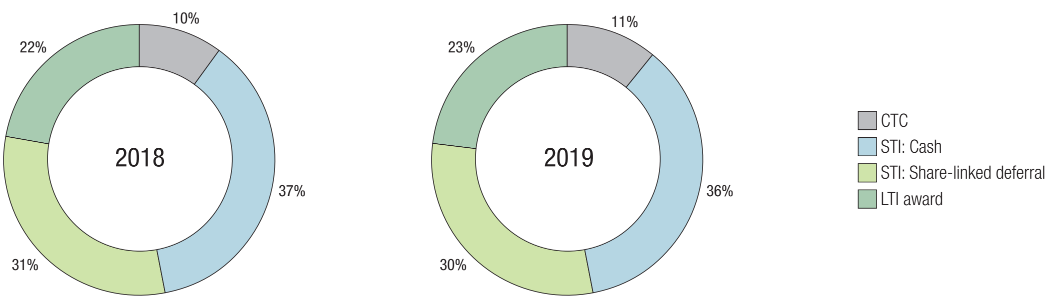
Remuneration

The group believes James Formby's remuneration aligns with RMB performance and the group's overall shareholder value creation, with a total increase of 2%.

Remco reviewed James's total remuneration against the various benchmarks and noted that a change in mix was required, with greater weighting on both CTC and LTI and less on STI, hence STI remained flat.

GROWTH IN REWARD AND AWARD FOR 2019

R thousand	**2019**	2018	% growth
Cost to company	**3 861**	3 418	13
STI	**24 000**	24 000	–
– Cash STI	**13 000**	13 000	–
– Share-linked deferred STI	**11 000**	11 000	–
LTI award	**8 300**	7 900	5
Total reward	**36 161**	35 318	2
% deferred (share-linked)	**53**	54	



Phillip Monks *Aldermore CEO*

PERFORMANCE

Phillip became a prescribed officer of the FirstRand group effective July 2018. For the first time, Aldermore was included in the group's performance for a full 12 months, contributing positively to growth and return.
Under Phillip's leadership the twofold integration of Aldermore into FirstRand group and MotoNovo Finance into Aldermore was successfully completed. The business maintained its underlying financial momentum in an increasingly competitive market while managing the integration, delivering strong growth in advances and deposits.

KEY PERFORMANCE METRICS: ALDERMORE

Financial metrics

Normalised earnings growth (%)	ROE (%)	NII growth (%)	NIR growth (%)	Growth in advances (%)	Growth in deposits (%)	Cost to income ratio
>100	13.1	>100	>100	17	15	52.1

Operational metrics

Growth in customers (%)
11 (excluding MotoNovo Finance)

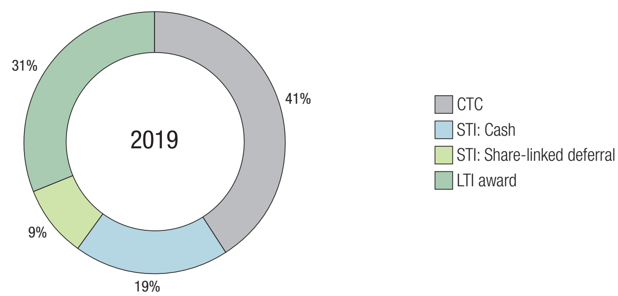
- Aldermore-MotoNovo integration completed. Business can now focus on scaling offerings and unlocking synergies.
- FirstRand financial resource management methodology gaining traction.

Remuneration

The group believes Phillip Monks's remuneration aligns to Aldermore's performance and the group's overall shareholder value creation. Phillip's pay mix is guided by UK regulation.

AWARD FOR 2019

£ thousand	2019
Cost to company	815
STI	570
– Cash STI	382
– Share-linked deferred STI	188
LTI allocated	633
Total reward	**2 018**
% deferred (share-linked)	41



Remuneration tables

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2019, with the FirstRand annual remuneration cycle running from 1 August to 31 July.

The following analysis provides two amounts per individual to accommodate the King IV alternative single figure view. King IV requires a specific single figure reporting, which is different to prior years' disclosure. This difference in reporting relates only to the disclosure of the LTI. Previous reporting reflected the LTI allocated in the financial year at original award value. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value. As part of the reporting transition, both views have been provided.

ITEM	EXPLANATION
Cash package paid during the year	Salary
Retirement contributions paid during the year	Contributions to retirement savings
Other allowances	Medical aid, disability cover, life cover, dread disease cover
Performance-related STI: Cash	Variable compensation for performance in the financial year paid in cash (with interest) in three tranches during the following financial year.
Performance-related STI: Share-linked deferred over 3 years	Variable compensation for performance in the current year deferred as share-linked awards, which vest over two periods, 50% after two years and 50% after three years from grant date, based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan). Extended vesting was introduced in 2019. In prior years full BCIP vesting occurred after two years.
Reporting approach in prior years: Long-term conditional share-linked incentive plan Value of LTI allocated during the year	Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. Refer to note 32 in the annual financial statements. The value presented in the table is the LTI award allocated during the financial year reflecting award value at grant date.
King IV reporting approach: Long-term conditional share-linked incentive plan Value of LTI settled during the year	The value presented in the table is the LTI award settled during the financial year, at original award value. The value in the table is shown as the original award value at grant date and not settlement value. The economic risk of share price fluctuation is borne by the employee as FirstRand hedges the risk. As such the group does not incur additional costs above the award value at grant date and FirstRand shareholders are not diluted. If a person is a prescribed officer when the LTI award is settled, it is disclosed in the single figure table in the financial year of settlement.

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

R thousand	2019	2018	2017	2016	2015
AP Pullinger (group CEO)[1,7]					
Cash package paid during the year	**8 493**	7 050	6 718	5 433	2 322
Retirement contributions paid during the year	**167**	139	132	1 075	464
Other allowances	**205**	164	150	154	133
Guaranteed package	**8 865**	7 353	7 000	6 662	2 919
Performance-related STI:					
Cash	**12 200**	12 200	11 600	11 000	11 750
– Within 6 months[3]	**8 350**	8 350	7 950	7 550	8 000
– Within 1 year	**3 850**	3 850	3 650	3 450	3 750
Share-linked – deferred 2 and 3 years (BCIP)[4]	**10 200**	10 200	9 600	9 000	10 250
Variable pay	**22 400**	22 400	21 200	20 000	22 000
Total guaranteed and variable pay	**31 265**	29 753	28 200	26 662	24 919
Value of LTI awards allocated during the financial year under the CIP[5]	**18 500**	15 550	14 630	10 000	9 250
Total reward including LTIs	**49 765**	45 303	42 830	36 662	34 169
New single figure reporting					
Total guaranteed and variable pay	**31 265**	29 753	28 200	26 662	24 919
Value of LTI awards settled during the financial year under the CIP[6]	**10 000**	9 250	7 500	7 500	7 000
Total reward including LTIs (single figure)	**41 265**	39 003	35 700	34 162	31 919

Refer to footnotes on page 148.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2019.*

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

R thousand	**2019**	2018	2017	2016	2015
M Vilakazi (group COO)[1,8]					
Cash package paid during the year	**6 468**	–	–	–	–
Retirement contributions paid during the year	**125**	–	–	–	–
Other allowances	**157**	–	–	–	–
Guaranteed package	**6 750**	–	–	–	–
Performance-related STI:					
Cash	**5 875**	–	–	–	–
– Within 6 months[3]	**4 133**	–	–	–	–
– Within 1 year	**1 742**	–	–	–	–
Share-linked – deferred 2 and 3 years (BCIP)[4]	**3 875**	–	–	–	–
Variable pay	**9 750**	–	–	–	–
Total guaranteed and variable pay	**16 500**	–	–	–	–
Value of LTI awards allocated during the financial year under the CIP[5]	**8 500**	–	–	–	–
Total reward including LTIs	**25 000**	–	–	–	–
Appointment award					
Sign-on cash bonus	**7 500**	–	–	–	–
Sign-on CIP allocation	**14 000**	–	–	–	–
Total appointment award	**21 500**	–	–	–	–
New single figure reporting					
Total guaranteed and variable pay	**16 500**	–	–	–	–
Sign-on cash bonus	**7 500**	–	–	–	–
Value of LTI awards settled during the financial year under the CIP[6]	**–**	–	–	–	–
Total reward including LTIs (single figure)	**24 000**	–	–	–	–

Refer to footnotes on page 148.

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

R thousand	2019	2018	2017	2016	2015
HS Kellan (group financial director)[1]					
Cash package paid during the year	**7 175**	6 727	5 830	4 938	4 493
Retirement contributions paid during the year	**54**	51	40	405	402
Other allowances	**156**	143	130	118	108
Guaranteed package	**7 385**	6 921	6 000	5 461	5 003
Performance-related STI:					
Cash	**6 167**	6 000	5 250	4 938	4 500
– Within 6 months[3]	**4 328**	4 217	3 717	3 509	3 167
– Within 1 year	**1 839**	1 783	1 533	1 429	1 333
Share-linked – deferred 2 and 3 years (BCIP)[4]	**4 167**	4 000	3 250	2 938	3 000
Variable pay	**10 334**	10 000	8 500	7 876	7 500
Total guaranteed and variable pay	**17 719**	16 921	14 500	13 337	12 503
Value of LTI awards allocated during the financial year under the CIP[5]	**12 000**	9 500	8 600	7 000	5 500
Total reward including LTIs	**29 719**	26 421	23 100	20 337	18 003
New single figure reporting					
Total guaranteed and variable pay	**17 719**	16 921	14 500	13 336	12 503
Value of LTI awards settled during the financial year under the CIP[6]	**7 000**	5 500	5 000	3 800	3 400
Total reward including LTIs (single figure)	**24 719**	22 421	19 500	17 136	15 903
J Formby (CEO RMB)[1,9]					
Cash package paid during the year	**3 607**	3 174	3 013	2 630	–
Retirement contributions paid during the year	**60**	55	52	236	–
Other allowances	**194**	189	176	178	–
Guaranteed package	**3 861**	3 418	3 241	3 044	–
Performance-related STI:					
Cash	**13 000**	13 000	12 250	10 625	–
– Within 6 months[3]	**8 883**	8 883	8 383	7 300	–
– Within 1 year	**4 117**	4 117	3 867	3 325	–
Share-linked – deferred 2 and 3 years (BCIP)[4]	**11 000**	11 000	10 250	8 625	–
Variable pay	**24 000**	24 000	22 500	19 250	–
Total guaranteed and variable pay	**27 861**	27 418	25 741	22 294	–
Value of LTI awards allocated during the financial year under the CIP[5]	**8 300**	7 900	7 500	5 000	–
Total reward including LTIs	**36 161**	35 318	33 241	27 294	–
New single figure reporting					
Total guaranteed and variable pay	**27 861**	27 418	25 741	22 294	–
Value of LTI awards settled during the financial year under the CIP[6]	**5 000**	2 900	2 865	3 300	–
Total reward including LTIs (single figure)	**32 861**	30 318	28 606	25 594	–

Refer to footnotes on page 148.

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

R thousand	2019	2018	2017	2016	2015
J Celliers (CEO FNB)[1]					
Cash package paid during the year	**7 364**	6 830	6 505	5 867	5 513
Retirement contributions paid during the year	**131**	122	116	582	551
Other allowances	**156**	143	130	118	108
Guaranteed package	**7 651**	7 095	6 751	6 567	6 172
Performance-related STI:					
Cash	**8 287**	8 000	7 000	6 625	5 950
– Within 6 months[3]	**5 741**	5 550	4 883	4 633	4 133
– Within 1 year	**2 546**	2 450	2 117	1 992	1 817
Share-linked – deferred 2 and 3 years (BCIP)[4]	**6 287**	6 000	5 000	4 625	4 450
Variable pay	**14 574**	14 000	12 000	11 250	10 400
Total guaranteed and variable pay	**22 225**	21 095	18 751	17 817	16 572
Value of LTI awards allocated during the financial year under the CIP[5]	**14 500**	12 850	11 943	10 000	8 200
Total reward including LTIs	**36 725**	33 945	30 694	27 817	24 772
New single figure reporting					
Total guaranteed and variable pay	**22 225**	21 095	18 751	17 817	16 572
Value of LTI awards settled during the financial year under the CIP[6]	**10 000**	8 200	7 000	4 000	1 600
Total reward including LTIs (single figure)	**32 225**	29 295	25 751	21 817	18 172
C de Kock (CEO WesBank)[1]					
Cash package paid during the year	**5 046**	4 764	4 532	3 972	3 098
Retirement contributions paid during the year	**39**	39	35	347	291
Other allowances	**190**	175	136	98	69
Guaranteed package	**5 275**	4 978	4 703	4 417	3 458
Performance-related STI:					
Cash	**4 750**	4 750	5 250	5 000	4 250
– Within 6 months[3]	**3 383**	3 383	3 717	3 550	3 000
– Within 1 year	**1 367**	1 367	1 533	1 450	1 250
Share-linked – deferred 2 and 3 years (BCIP)[4]	**2 750**	2 750	3 250	3 000	2 750
Variable pay	**7 500**	7 500	8 500	8 000	7 000
Total guaranteed and variable pay	**12 775**	12 478	13 203	12 417	10 458
Value of LTI awards allocated during the financial year under the CIP[5]	**9 844**	9 844	9 200	7 500	7 000
Total reward including LTIs	**22 619**	22 322	22 403	19 917	17 458
New single figure reporting					
Total guaranteed and variable pay	**12 775**	12 478	13 203	12 417	10 458
Value of LTI awards settled during the financial year under the CIP[6]	**7 500**	7 000	6 500	3 750	3 600
Total reward including LTIs (single figure)	**20 275**	19 478	19 703	16 167	14 058

Refer to footnotes on page 148.

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

£ thousand	2019	2018	2017	2016	2015
P Monks (CEO Aldermore)[1,10]					
Cash package paid during the year	754	–	–	–	–
Retirement contributions paid during the year	43	–	–	–	–
Other allowances	18	–	–	–	–
Guaranteed package	815	–	–	–	–
Performance-related STI:					
Cash	382	–	–	–	–
– Within 6 months[11]	382	–	–	–	–
– Within 1 year	–	–	–	–	–
Share-linked – deferred over 3 years[12]	188	–	–	–	–
Variable pay	570	–	–	–	–
Total guaranteed and variable pay	1 385	–	–	–	–
Value of LTI awards allocated during the financial year under the CIP[5,14]	633	–	–	–	–
Total reward including LTIs	2 018	–	–	–	–
New single figure reporting					
Total guaranteed and variable pay	1 385	–	–	–	–
Value of LTI awards settled during the financial year under the CIP[13]	296	–	–	–	–
Total reward including LTIs (single figure)	1 681	–	–	–	–

Refer to footnotes on page 148.

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

R thousand	2019	2018	2017	2016	2015
JP Burger[1,2]					
Cash package paid during the year	**1 645**	9 836	9 328	8 461	7 040
Retirement contributions paid during the year	**28**	166	158	978	1 056
Other allowances	**39**	228	254	178	119
Guaranteed package	**1 712**	10 230	9 740	9 617	8 215
Performance-related STI:					
Cash	**–**	14 674	13 900	13 165	11 770
– Within 6 months[3]	**–**	9 999	9 483	8 993	8 013
– Within 1 year	**–**	4 675	4 417	4 172	3 757
Share-linked – deferred 2 and 3 years (BCIP)[4]	**–**	12 674	11 900	11 165	10 270
Variable pay	**–**	27 348	25 800	24 330	22 040
Total guaranteed and variable pay	**1 712**	37 578	35 540	33 947	30 255
Value of LTI awards allocated during the financial year under the CIP[5]	**–**	19 500	18 350	15 630	11 800
Total reward including LTIs	**1 712**	57 078	53 890	49 577	42 055
New single figure reporting					
Total guaranteed and variable pay	**1 712**	37 578	35 540	33 947	30 255
Value of LTI awards settled during the financial year under the CIP[6]	**15 630**	11 800	10 800	9 630	9 000
Total reward including LTIs (single figure)	**17 342**	49 378	46 340	43 577	39 255

1. *FirstRand defines its prescribed officers as the group CEO, group COO, financial director and the CEOs of the group's operating businesses (FNB, RMB, WesBank and Aldermore) who contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *JP Burger was an executive director for two months in the financial year, and became a non-executive director effective 1 September 2018.*
3. *Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June, i.e. August, December and June.*
4. *Variable compensation for performance in the current year deferred as share-linked awards, which vest over two periods, 50% after two years and 50% after three years from grant date, based on continued employment and good standing. Referred to as BCIP. Extended vesting was introduced in 2019. In prior years full BCIP vesting occurred after two years.*
5. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date.*
6. *Long-term incentive awards are made annually under the CIP, and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. For King IV single figure reporting, the value presented in the table is the LTI settled in the financial year at original award value.*
7. *Prescribed officer (AP Pullinger) appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*
8. *Prescribed officer (M Vilakazi) appointed effective 1 July 2018.*
9. *Prescribed officer (J Formby) appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*
10. *Prescribed officer (P Monks) appointed effective 1 July 2018.*
11. *The Aldermore performance-related STI cash component was paid in full in August 2019.*
12. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
13. *When FirstRand acquired Aldermore the long-term incentives under the Aldermore performance share plan (PSP) vested early, but only on a pro-rata basis. FirstRand therefore provided for the remainder of the award (to be paid on the original vesting date). As such, Phillip received a PSP award in March 2016 which would have vested in March 2019. Due to the acquisition he received ²⁄₃ of the vesting in March 2018 (timed to the takeover) with the remainder vesting in March 2019 (amount reflected in table above).*
14. *Aldermore LTI allocated amount is the on-target value assumed at 67% of maximum.*

Outstanding incentives

The outstanding incentive disclosure has been prepared in the format required by King IV. King IV reporting requires the number of units of outstanding incentive schemes, the value of outstanding incentive schemes and value on settlement.

The following table summarises the basis of preparation of the remuneration tables.

ITEM	EXPLANATION
Settlement value	Settlement value is the actual amount paid during the year. For the deferred share-linked STI awards this includes: → growth in share price; and → interest earned. For the LTI awards this includes: → growth in share price.
Deferred share-linked STI award (BCIP)	Reflected in the year accrued for past performance. From 2019 vesting occurs over two (50%) and three (50%) years based on continued employment and good standing.
LTI awards under the CIP	Reflected in the year allocated, i.e. allocation occurs in September each year and is disclosed in the outstanding incentive table in the corresponding financial year. The LTI award is a long-term retention incentive for future performance and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years.
Unvested awards at year end	Deferred share-linked STI vesting depends on continued employment over three years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. For LTI vesting before 2019, the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards at June 2019 is the market value of the total number of shares at R68.55 per share on the last trading day of the financial year (28 June 2019).
Unpaid cash tranches	The three tranches of the cash award to be paid within the next 12 months have not been included in the outstanding incentive table.

OUTSTANDING INCENTIVES (AUDITED)

	Issue date	Value at grant date R thousand	Settlement date	
AP Pullinger				
Deferred share-linked STI awards				
2016	September 2016	9 000	September 2018	
2017	September 2017	9 600	September 2019	
2018	September 2018	10 200	September 2020	
2019 (2-year deferral)	September 2019	5 100	September 2021	
2019 (3-year deferral)	September 2019	5 100	September 2022	
Balance deferred share-linked STIs		39 000		
LTI awards under the CIP				
2015	September 2015	10 000	September 2018	
2016	September 2016	14 630	September 2019	
2017	September 2017	15 550	September 2020	
2018	September 2018	18 500	September 2021	
Balance LTIs		58 680		
Total outstanding incentives				
M Vilakazi				
Deferred share-linked STI awards				
2019 (2-year deferral)	September 2019	1 937	September 2021	
2019 (3-year deferral)	September 2019	1 938	September 2022	
Balance deferred share-linked STIs		3 875		
LTI awards under the CIP				
2018 (appointment award)	September 2018	14 000	September 2021	
2018 (annual allocation)	September 2018	8 500	September 2021	
Balance LTIs		22 500		
Total outstanding incentives				

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred share-linked STI awards allocation is determined after year end, using the average three-day volume weighted average price (VWAP) eight days after the results announcement. As a result the number of deferred share-linked STI awards units allocated in 2019 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards as at June 2019 is the market value of the total number of shares at R68.55 per share on the last trading day of the financial year (28 June 2019).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date.*

	Units					
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 2019	Value on settlement in 2019[3] R thousand
	190 258	–	(190 258)	–	–	13 980
	178 671	–	–	–	178 671	–
	153 103	–	–	–	153 103	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	522 032	–	(190 258)	–	331 774	13 980
	189 236	–	(189 236)	–	–	12 607
	309 274	–	–	–	309 274	–
	289 410	–	–	–	289 410	–
	–	277 688	–	–	277 688	–
	787 920	277 688	(189 236)	–	876 372	12 607
	1 309 952	277 688	(379 494)	–	1 208 146	26 587
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	210 142	–	–	210 142	–
	–	127 586	–	–	127 586	–
	–	337 728	–	–	337 728	–
	–	337 728	–	–	337 728	–

OUTSTANDING INCENTIVES (AUDITED) *continued*

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share-linked STI awards				
2016	September 2016	2 938	September 2018	
2017	September 2017	3 250	September 2019	
2018	September 2018	4 000	September 2020	
2019 (2-year deferral)	September 2019	2 083	September 2021	
2019 (3-year deferral)	September 2019	2 084	September 2022	
Balance deferred share-linked STIs		14 355		
LTI awards under the CIP				
2015	September 2015	7 000	September 2018	
2016	September 2016	8 600	September 2019	
2017	September 2017	9 500	September 2020	
2018	September 2018	12 000	September 2021	
Balance LTIs		37 100		
Total outstanding incentives				
J Celliers				
Deferred share-linked STI awards				
2016	September 2016	4 625	September 2018	
2017	September 2017	5 000	September 2019	
2018	September 2018	6 000	September 2020	
2019 (2-year deferral)	September 2019	3 143	September 2021	
2019 (3-year deferral)	September 2019	3 144	September 2022	
Balance deferred share-linked STIs		21 912		
LTI awards under the CIP				
2015	September 2015	10 000	September 2018	
2016	September 2016	11 943	September 2019	
2017	September 2017	12 850	September 2020	
2018	September 2018	14 500	September 2021	
Balance LTIs		49 293		
Total outstanding incentives				

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred share-linked STI awards allocation is determined after year end, using the average three-day VWAP eight days after the results announcement. As a result the number of deferred share-linked STI awards units allocated in 2019 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards as at June 2019 is the market value of the total number of shares at R68.55 per share on the last trading day of the financial year (28 June 2019).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date.*

Units					
Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 2019	Value on settlement in 2019[3] R thousand
62 098	–	(62 098)	–	–	4 563
60 487	–	–	–	60 487	–
60 041	–	–	–	60 041	–
–	–	–	–	–	–
–	–	–	–	–	–
182 626	–	(62 098)	–	120 528	4 563
132 465	–	(132 465)	–	–	8 825
181 802	–	–	–	181 802	–
176 809	–	–	–	176 809	–
–	180 122	–	–	180 122	–
491 076	180 122	(132 465)	–	538 733	8 825
673 702	180 122	(194 563)	–	659 261	13 388
97 772	–	(97 772)	–	–	7 184
93 057	–	–	–	93 057	–
90 061	–	–	–	90 061	–
–	–	–	–	–	–
–	–	–	–	–	–
280 890	–	(97 772)	–	183 118	7 184
189 236	–	(189 236)	–	–	12 607
252 472	–	–	–	252 472	–
239 158	–	–	–	239 158	–
–	217 647	–	–	217 647	–
680 866	217 647	(189 236)	–	709 277	12 607
961 756	217 647	(287 008)	–	892 395	19 791

OUTSTANDING INCENTIVES (AUDITED) *continued*

	Issue date	Value at grant date R thousand	Settlement date	
J Formby				
Deferred share-linked STI awards				
2016	September 2016	8 625	September 2018	
2017	September 2017	10 250	September 2019	
2018	September 2018	11 000[4]	September 2020	
2019 (2-year deferral)	September 2019	5 500	September 2021	
2019 (3-year deferral)	September 2019	5 500	September 2022	
Balance deferred share-linked STIs		40 875		
LTI awards under the CIP				
2015	September 2015	5 000	September 2018	
2016	September 2016	7 500	September 2019	
2017	September 2017	7 900	September 2020	
2018	September 2018	8 300	September 2021	
Balance LTIs		28 700		
Total outstanding incentives				
C de Kock				
Deferred share-linked STI awards				
2016	September 2016	3 000	September 2018	
2017	September 2017	3 250	September 2019	
2018	September 2018	2 750	September 2020	
2019 (2-year deferral)	September 2019	1 375	September 2021	
2019 (3-year deferral)	September 2019	1 375	September 2022	
Balance deferred share-linked STIs		11 750		
LTI awards under the CIP				
2015	September 2015	7 500	September 2018	
2016	September 2016	9 200	September 2019	
2017	September 2017	9 844	September 2020	
2018	September 2018	9 844	September 2021	
Balance LTIs		36 388		
Total outstanding incentives				
P Monks (£ thousand)				
Deferred share-linked STI awards				
2019 (1-year deferral)[5]	September 2019	62	September 2020	
2019 (2-year deferral)	September 2019	63	September 2021	
2019 (3-year deferral)	September 2019	63	September 2022	
Balance deferred share-linked STIs		188		
LTI awards under the CIP				
2018[6]	September 2018	633	September 2021	
Balance LTIs		633		
Total outstanding incentives		821		

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred share-linked STI awards allocation is determined after year end, using the average three-day VWAP eight days after the results announcement. As a result the number of referred share-linked STI units allocated in 2019 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. For information purposes, the maximum possible value of the unvested awards as at June 2019 is the market value of the total number of shares at R68.55 per share on the last trading day of the financial year (28 June 2019).*

Units					
Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 2019	Value on settlement in 2019[3] R thousand
182 330	–	(182 330)	–	–	13 397
190 768	–	–	–	190 768	–
165 112	–	–	–	165 112	–
–	–	–	–	–	–
–	–	–	–	–	–
538 210	–	(182 330)	–	355 880	13 397
94 618	–	(94 618)	–	–	6 304
158 548	–	–	–	158 548	–
147 031	–	–	–	147 031	–
–	124 584	–	–	124 584	–
400 197	124 584	(94 618)	–	430 163	6 304
938 407	124 584	(276 948)	–	786 043	19 701
63 420	–	(63 420)	–	–	4 660
60 487	–	–	–	60 487	–
41 278	–	–	–	41 278	–
–	–	–	–	–	–
–	–	–	–	–	–
165 185	–	(63 420)	–	101 765	4 660
141 927	–	(141 927)	–	–	9 455
194 486	–	–	–	194 486	–
183 212	–	–	–	183 212	–
–	147 760	–	–	147 760	–
519 625	147 760	(141 927)	–	525 458	9 455
684 810	147 760	(205 347)	–	627 223	14 115
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

3. The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date.

4. Prescribed officer's (J Formby's) 2018 deferred share-linked STI value in the outstanding incentives tables was incorrectly reflected as R4 million in the prior year report. It has been corrected to reflect R11 million.

5. The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.

6. Aldermore long-term incentive awards are not convertible into units.

Long-term executive management retention scheme

In addition to the group's existing long-term incentive plan, and to better align executive interest with those of the group's shareholders, the group introduced a long-term executive management retention scheme (LTEMRS) in 2017.

The scheme is a five-year one, where members of the group's strategic executive committee are eligible to participate, on a one-off voluntary basis, by purchasing an elected fixed amount of participation awards. Participants paid an upfront cash deposit of 10% of the value of their elected amount of participation awards, with the balance being funded through a facilitated mechanism by the group.

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

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

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

LTEMRS participation award made in December 2016

Executive directors	Awards (thousand)	Prescribed officers	Awards (thousand)
AP Pullinger	188	J Celliers	469
HS Kellan	563	C de Kock	938
		J Formby	938

Co-investment scheme

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

R thousand	**2019**	2018
JR Formby	**2 873**	6 943
AP Pullinger	**1 774**	3 363

Minimum shareholding

A minimum shareholding requirement has been set, with effect from 1 September 2017, for executive directors, prescribed officers, strategic executive committee members and business executive committee members to further align their interests with those of other stakeholders. At any given point, such executives must hold FirstRand shares to the value of at least 50% of their last three years' annual post-tax LTI vesting. Those who do not meet this requirement when implemented or when appointed to the role, are given five years to reach the 50% minimum shareholding requirement. The first compulsory assessment will be during September 2022.

ORDINARY SHARES

	Direct beneficial (thousands)	Indirect beneficial (including held by associates) (thousands)	Indirect via RMBH (thousands)	**Total 2019 (thousands)**	Percentage holding %	Total 2018 (thousands)
Executive directors and prescribed officers						
AP Pullinger	4 769	43	–	**4 812**	0.09	4 587
HS Kellan	850	629	11	**1 490**	0.03	1 420
J Celliers	–	393	1	**394**	0.01	334
JR Formby	598	587	–	**1 185**	0.02	1 185
C de Kock	300	536	–	**836**	0.01	836
Non-executive directors						
R Jardine	–	232	11	**243**	–	243
HL Bosman	120	–	–	**120**	–	120
JP Burger	504	6 117	1 670	**8 291**	0.15	8 291
GG Gelink	102	–	–	**102**	–	102
NN Gwagwa	251	–	–	**251**	–	251
EG Matenge-Sebesho	–	77	–	**77**	–	77
T Winterboer#	15	–	–	**15**	–	–
RM Loubser	–	–	1 868	**1 868**	0.03	1 868
LL Dippenaar*	–	–	–	**–**	–	104 732
PM Goss**	–	–	–	**–**	–	16 402
PK Harris**	–	–	–	**–**	–	9 786
Total	7 509	8 614	3 561	**19 684**	0.34	150 234

* *Retired March 2018.*
** *Retired April 2018.*
\# *Appointed 20 April 2018.*

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

B PREFERENCE SHARES

	Indirect beneficial (thousands)	**Total 2019 (thousands)**	Total 2018 (thousands)
Non-executive directors			
LL Dippenaar (retired 31 March 2018)	250	**–**	250
Total	250	**–**	250

BASEL PILLAR 3 REMUNERATION TABLES

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

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

REM1: REMUNERATION AWARDED DURING THE FINANCIAL YEAR

		2019	
R million		**Senior management**	**Other material risk-takers**
Fixed/guaranteed remuneration	*Number of employees*[1]	66	8
	Total fixed remuneration	277	22
	Of which: cash-based[2]	All	All
Variable remuneration and CIPs	*Number of employees*	66	8
	Total variable remuneration and long-term CIP	640	29
	Of which: cash-based	286	17
	Of which: deferred[3]	All	All
	Of which: shares or share-linked instruments	354	12
	Of which: deferred[4,5]	All	All
Total[6]		917	51

1. *For purposes of Basel Pillar 3 remuneration reporting, FirstRand defines senior management as the FirstRand executive directors and prescribed officers, and business executive committees responsible for banking activities, i.e. FNB, RMB, WesBank, FCC and Aldermore. FirstRand defines other material risk-takers as staff whose individual actions have a material impact on the risk exposure of the group as a whole, based on the ability to commit a significant amount of the group's risk capital, significantly influence the group's overall liquidity position or significantly influence other material risk (i.e. Group Treasury executive committee).*
2. *Fixed remuneration is cash based and is not deferred.*
3. *Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June.*
4. *Variable compensation for performance in the current year deferred as a share-linked award vests two years after the award date (extended to three years for FirstRand executives and prescribed officers), based on continued employment and good standing. Referred to as BCIP.*
5. *Long-term incentive awards are made annually under CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. The value presented in the table is LTI settled in the financial year at original award value.*
6. *Based on new King IV single figure reporting. Refer to page 142 for explanation of methodology.*

The table references used, i.e. REM1, REM2 and REM3, are in accordance with the Pillar 3 standard.

REM2: SPECIAL PAYMENTS

	2019					
	Guaranteed bonus[1]		Sign-on awards[2]		Severance payments[3]	
R million	**Number of employees**	**Total amount**	**Number of employees**	**Total amount**	**Number of employees**	**Total amount**
Senior management	–	–	2	23	–	–
Other material risk-takers	–	–	1	3	–	–

1. *FirstRand does not pay guaranteed bonuses to management.*
2. *Aggregate rand value of lump sum payments made to employees in month of joining during the financial year.*
3. *Aggregate rand value of severance payments/allocations related to retrenchment and company-initiated early retirement during the financial year.*

REM3: DEFERRED REMUNERATION

	2019				
R million	**Total amount of outstanding deferred remuneration at year end[1]**	**Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment[2]**	**Total amount of amendment during the year due to ex post explicit adjustments[3]**	**Total amount of amendment during the year due to ex post implicit adjustments[4]**	**Total amount of deferred remuneration paid out in the financial year[5]**
Senior management					
– Cash	286	286	–	7	270
– Shares or share-linked instruments[6]	1 207	1 207	–	101	415
Other material risk-takers					
– Cash	17	17	–	–	13
– Shares or share-linked instruments	39	39	–	3	12
Total	1 549	1 549	–	111	710

1. *Deferred remuneration is in the form of cash and share-linked instruments (LTIs and deferred share-linked STIs).*
2. *Full amount of deferred remuneration is subject to malus and clawback, share price fluctuations and performance conditions.*
3. *Ex post explicit adjustments are direct adjustment clauses (for instance, subject to malus, clawbacks or similar reversals or downward revaluations of awards).*
4. *Ex post implicit adjustments reflect changes in the share price growth and interest earned on the awards paid out (settled) in the financial year.*
5. *The values at settlement date include share price growth and interest earned from grant date.*
6. *Deferred share-linked STI award vesting depends on continued employment over two to three years and LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. For pre-2019 LTIs, FirstRand does not apply graded vesting, however the remuneration committee is able to apply judgement on vesting. As such, a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. The total amount of outstanding deferred remuneration at year end is reflected at original award value.*

NON-EXECUTIVE DIRECTORS' REMUNERATION

	2019			2018		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine (chairman, appointed 1 April 2018)	**6 326**	**252**	**6 578**	2 751	97	2 848
MS Bomela	**1 075**	**–**	**1 075**	983	34	1 017
GG Gelink	**2 424**	**1 729**	**4 153**	2 117	1 092	3 209
NN Gwagwa	**1 108**	**–**	**1 108**	1 125	34	1 159
RM Loubser	**2 611**	**2 183**	**4 794**	2 559	2 169	4 728
PJ Makosholo	**1 291**	**509**	**1 800**	1 243	488	1 731
TS Mashego	**954**	**126**	**1 080**	687	119	806
EG Matenge-Sebesho	**1 075**	**628**	**1 703**	1 031	623	1 654
AT Nzimande	**1 285**	**–**	**1 285**	1 109	–	1 109
LL von Zeuner (appointed 1 February 2019)	**539**	**–**	**539**	–	–	–
T Winterboer (appointed 20 April 2018)	**1 451**	**–**	**1 451**	314	–	314
PM Goss (retired 30 April 2018)	**–**	**–**	**–**	774	79	853
BJ van der Ross (retired 30 November 2017)	**–**	**–**	**–**	459	241	700
Non-executive directors						
HL Bosman (appointed 3 April 2017)	**943**	**125**	**1 068**	659	115	774
JP Burger (appointed 1 September 2018)	**1 431**	**725**	**2 156**	–	–	–
LL Dippenaar (chairman) (retired 31 March 2018)	**–**	**–**	**–**	3 718	215	3 933
JJ Durand	**394**	**–**	**394**	884	–	884
F Knoetze	**1 291**	**1 199**	**2 490**	1 274	965	2 239
PK Harris (retired 30 April 2018)	**–**	**–**	**–**	444	–	444
Total non-executive directors paid in rand	**24 198**	**7 476**	**31 674**	22 131	6 271	28 402
Foreign domiciled independent non-executive directors paid in dollars						
$ thousand						
JH van Greuning (retired 30 November 2017)	**–**	**–**	**–**	176	63	239

The Mercer Survey was used to inform the inflationary 5% increase on the 2019 non-executive director fees.

Non-executive directors are appointed for a period of three years and are subject to the provision relating to removal of the Companies Act, 71 of 2008.

AUDIT COMMITTEE

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

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

SUMMARY OF RESPONSIBILITIES

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

The effectiveness of the committee and its individual members is assessed annually by the board.

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

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

COMPOSITION		MEETING	NOVEMBER TRILATERAL
GG Gelink (chairman)	Independent non-executive director	4/4	1/1
JP Burger (with effect 1 February 2019)	Non-executive director	2/2	0/0
RM Loubser	Independent non-executive director	4/4	1/1
EG Matenge-Sebesho	Independent non-executive director	4/4	1/1
PJ Makosholo	Independent non-executive director	4/4	1/1
LL von Zeuner (with effect 1 May 2019)	Independent non-executive director	1/1	0/0
T Winterboer	Independent non-executive director	4/4	1/1

ATTENDEES

CEO

COO

Financial director

Chief risk officer

Chief audit executive

Chairmen of the subcommittees

External auditors and other assurance providers

Heads of finance, risk and compliance

The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act.

In addition to the audit committee, divisional audit committees have been established. The divisional audit committees are chaired by competent independent non-executives who participate in the audit committee.

The external auditors and chief audit executive meet independently with the non-executive members as and when required.

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

AREAS OF FOCUS

During the year, the committee:

- reviewed the reports on internal financial controls and going concern aspect of FirstRand, in terms of Regulation 40(4) of the Banks Act regulations;
- considered feedback from the external auditors on the PA bilateral meeting;
- conducted quarterly financial trends analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the PA;
- considered the requirements arising from the Independent Regulatory Board for Auditors' (IRBA's) mandatory audit firm rotation (MAFR) requirements, effective for financial periods ending on or after April 2023, and initiated a project to assess and address MAFR;
- reviewed the impact of emerging and current regulatory developments in the group;
- considered BCBS 239 updates and impact assessments;
- approved the key audit matters report;
- reviewed and approved non-audit engagements undertaken by the external auditors during the year in terms of the approved policy of the group;
- reviewed outcome of statutory and regulatory audit;
- noted the finding of the report from the JSE on the proactive monitoring of financial statements in 2018, published in 2019;
- received the Banks Act Regulation 39 corporate governance assessment; and
- biannually assess significance of loss-making entities and entities with a negative net asset value.

EXTERNAL AUDIT

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

This included consideration of:

- representations made by the external auditors to the audit committee, including the ISQC1 system of quality control representations;
- independence criteria specified by IRBA and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- auditor suitability assessment in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group;
- chairman's closed sessions with the external auditors to discuss any concerns without management present;
- tenure of the auditors and rotation of the lead partners;
- changes to management during the tenure of auditors, which mitigate the attendant risk of familiarity between the external auditor and management;
- monitoring the public conduct of audit firms, for example through media reports with follow-up sessions with the external auditors; and
- dual audit firms allowing for cross-review and audit area rotation.

- The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. (PwC) as the external audit firms responsible for performing the functions of auditor for the 2020 financial year.
- The committee ensured that the appointment of the auditors complied with all legislation applicable to the appointment of auditors.
- Deloitte & Touche and PwC have been the group's external auditors for nine years, respectively. The committee has commenced planning for MAFR.
- During the year, the committee approved the rotation of the PwC lead partner, Johannes Grosskopf, who replaced Francois Prinsloo in terms of section 92 of the Companies Act, 71 of 2008, which states that the same individual may not serve as the auditor or designated auditor of a company for more than five consecutive financial years. Additional independence assessments of the lead partners, including that of the incoming PwC lead partner, were performed.
- The committee chair met with senior leadership of the audit firm to discuss the firm's risk and quality processes independently from what the audit team disclosed to the committee.
- Furthermore, enhanced due diligence (EDD) was performed on all lead partners with their permission, including details of connected parties. Based on the EDD results, the committee was of the view that the individuals do not have any significant banking relationship with the group and nothing came to their attention that required further investigation.

NON-AUDIT SERVICES

The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee. If a higher threshold is to be applied it has to be approved by the entire committee. A maximum limit of 25% of the group's annual audit fee is in place for non-audit services, in aggregate and individually per firm. Quarterly, the cumulative spend for the year to date is presented to the committee to keep track of the build of non-audit spend and the nature of services. The 2019 non-audit fees were 9.87% of the audit fees.

INTERNAL AUDIT

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

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

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

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

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

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

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

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and *Annual integrated report* for the year ended 30 June 2019 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

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

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

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

Key audit matters identified by the external auditors are included in their report in the FirstRand Limited *Annual financial statements*. These matters have been discussed and agreed with management and were presented to the committee. The committee has considered the appropriateness of the key audit matters reported on by the external auditors and is satisfied with management's treatment and audit response thereof.

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

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

In addition, the committee is satisfied with:

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

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses, sustain its conclusions reached for the 2019 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

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

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

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

COMBINED ASSURANCE

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

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

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

FUTURE AREAS OF FOCUS

- further consider the requirements arising from MAFR, effective for financial periods ending on or after April 2023, and initiate a project to assess and address MAFR;
- monitor non-audit fees paid to external audit and whether it is within approved limits; and
- monitor the group's implementation plan for the adoption of *IFRS 17*.

GG GELINK
Chairman, audit committee
Sandton

4 September 2019

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

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

SUMMARY OF RESPONSIBILITIES

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

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

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

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

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

COMPOSITION		RECORD OF ATTENDANCE
NN Gwagwa (chairman)	Independent non-executive director	6/6
AT Nzimande	Independent non-executive director	6/6
PJ Makosholo	Independent non-executive director	6/6
F Knoetze	Non-executive director	6/6
HL Bosman	Non-executive director	4/6

Ex-officio attendees
Group CEO*
Group CFO*
Group COO*
CEOs of operating businesses
Group head of regulatory risk
Group head of public policy and regulatory affairs
Group ethics and conduct risk officer
Group head of social investing
Group employment equity manager
Organisational development executive

The committee is supported by the business social, ethics and transformation committees which report to the committee at every meeting.

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

The committee assists the board in monitoring the agreed performance measures and outcomes of responsible corporate citizenship. More detail can be found in the group's report to society at www.firstrand.co.za.

FUNCTION	AREAS OF FOCUS
Broad-based black economic empowerment (B-BBEE)	The committee reviewed and monitored the group's B-BBEE scores. The group achieved level 1 B-BBEE status under the 2017 gazetted Financial Sector Charter (FSC).The group's BEE scorecard is available on the FirstRand website, www.firstrand.co.za. → The committee reviewed progress and challenges of affordable housing finance. → The committee reviewed progress of the supplier and enterprise development programmes. → The committee was kept abreast of the sector code review process. Finalisation is expected in the first quarter of 2020.
Employment equity and transformation	In respect of employment equity and transformation, the committee: → oversaw the strategic objectives and progress made in terms of the 2016 to 2019 employment equity (EE) plan; → oversaw the workplace and workforce analysis as required by section 19 of the Employment Equity Act (EEA); → oversaw the development of the successive EE plan (2019 to 2022) which is anchored in the FirstRand philosophy; → oversaw the implementation of the group disability plan and focused on creating a conducive environment for persons with disabilities, and improving their representation in the workforce; → reviewed the comparison of major banks in South Africa with respect to the employment of women and black people; → reviewed compliance with transformation legislation, including the annual submission to the Department of Employment and Labour and amendment to the EEA and regulations; → oversaw the groups continued involvement in the Banking Association of South Africa (BASA), and engagement with the Department of Employment and Labour with regards to proposed sectoral targets; → oversaw the group's NEDLAC involvement regarding transformation in the financial industry; → reviewed attrition of ACI (African, Coloured and Indian) employees and considered programmes to retain and develop ACI talent; → reviewed gender equality and group networking initiatives for women; and → the committee reviewed income equality within the group. It further kept abreast of changing legislative requirements for reporting income differentials. The group workforce profile as at 30 June 2019 is available for review on the FirstRand website, www.firstrand.co.za.

FUNCTION continued	AREAS OF FOCUS continued
Skills development and decent working conditions	The committee continued to oversee employment development initiatives aimed at supporting employees in continued professional development to positively influence company commitment, reinforce retention, foster employee value proposition, harness and exploit skills, and facilitate knowledge sharing. The committee oversaw the FirstJob programme which commenced in the previous year, providing unemployed youth with work experience opportunities. The FirstJob programme is ongoing, with the second intake of graduate internships and unskilled learnerships occurring in July 2019.

FirstRand conduct programmes

To assist the committee in monitoring the group's activities, with regard to legislation, legal requirements and prevailing codes of best practice, the FirstRand conduct programmes are organised under three themes: ethics, business conduct and market conduct.

During the year, the committee reviewed:

- The code of ethics.
- FAIS Act conflict of interest policy.
- FirstRand Limited debarment policy.
- Responsible competitive practices policy.
- FirstRand conflict of interest management policy.
- FirstRand whistle-blowing policy.
- FirstRand personal account trading policy.
- FirstRand ethical conduct in financial markets policy and minimum operating standards.
- FirstRand supplier code of conduct.

FUNCTION	AREAS OF FOCUS
ETHICAL CONDUCT	
Business conduct	The committee oversaw the following business conduct matters: - conflicts of interest management; - personal account trading; - anti-bribery and corruption prevention; - client desirability/reputation risk; - whistle-blowing programme, with the ethics line administered by Deloitte; and - FirstRand Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud and corruption.
Market conduct	- the committee reviewed initiatives under way across the group on management of conduct risk in relation to incentives and potential conflicts of interest, focusing on lead and referral fees, remuneration arrangements (including third parties), platform and rebate fees and financial inclusion; and - the committee reviewed initiatives to mitigate conduct risks focusing on product suitability and affordability assessments, customer debt relief and consumer education.

FUNCTION continued	AREAS OF FOCUS continued
ETHICAL CONDUCT continued	
Culture	The FirstRand philosophy was launched in April 2019. Roadshows were undertaken to present the philosophy to the businesses and segments. Thereafter the philosophy will be embedded within the group's culture, strategy and processes.
Environmental and social risk	The following items were discussed and noted by Setcom during the year: → The group's decision to not fund Thabametsi coal-fired independent power producer project. → The finalisation of the group's thermal coal financing policy. → The management of the social and reputational risk of the Saambou pricing issue.
Corporate social investment (CSI)	The committee monitored the group's progress on corporate social investment activities, principally undertaken through the FirstRand Foundation and FirstRand Empowerment Foundation.

Planned areas of focus

The committee will continue to review planned areas of focus against regulatory requirements and strategic priorities. In addition, the committee will continue to monitor and review pay practices for fairness, and to ensure that there is no gender and race-based pay discrimination while also focusing on ensuring that ethics is managed in a manner that produces an ethical organisational culture overall. In addition, focus has been placed on increasing black and female representation at management level. The committee will also engage appropriately on the development of the group's policy for oil and gas financing.

The EE plan for 2019 to 2022 has been developed and the committee will oversee its implementation. It will focus beyond merely addressing barriers, but rather seek to influence a culture of inclusion at FirstRand. As per correlation and regression analysis, the plan will focus on succession planning, gender inclusion, inclusive leadership and management and performance management.

During the year, Setcom underwent a benchmarking exercise to measure it against local and international best practice. The benchmark exercise has highlighted emerging trends, risks and opportunities. The committee will focus on action items emanating from this exercise in the new year.

Public reporting and assurance

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

NN GWAGWA
Chairman, social, ethics and transformation committee

7 October 2019

Governance outcome:

Sustainable value creation and performance

Responsible corporate citizenship

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

During the year, the board oversaw the creation of R156 billion in economic value for the group's stakeholders.

	2019		2018	
Statement of economic value added – IFRS	**R million**	**%**	R million	%
Value added				
Net interest income after impairment	**109 768**	**70.4**	82 110	65.2
Non-operating revenue	**47 460**	**30.4**	45 215	35.9
Non-operating expenses	**(1 277)**	**(0.8)**	(1 355)	(1.1)
Value added by operations	**155 951**	**100.0**	125 970	100.0
To employees				
Salaries, wages and other benefits	**32 337**	**20.7**	28 679	22.8
To providers of funding	**76 409**	**49.0**	56 966	45.2
Dividends to shareholders	**16 598**		15 387	
Interest paid	**59 811**		41 579	
To suppliers	**17 802**	**11.4**	16 246	12.9
To government	**11 941**	**7.7**	9 440	7.5
Normal tax	**10 584**		8 342	
Value-added tax	**1 270**		1 062	
Capital gains tax	**77**		7	
Other	**10**		29	
To communities				
CSI spend	**250**	**0.2**	235	0.2
To expansion and growth	**17 212**	**11.0**	14 404	11.4
Retained income	**14 280**		11 625	
Depreciation and amortisation	**3 681**		3 192	
Deferred income tax	**(749)**		(413)	
Total value added	**155 951**	**100.0**	125 970	100.0

NON-FINANCIAL REPORTING POLICIES

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

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

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

Governance outcome:

Trust and legitimacy through stakeholder engagement

Stakeholder engagement

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

The FirstRand group is cognisant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, governments, civil society and communities – play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and decentralised to the business which interacts directly with the stakeholder. The group's governance structures, including committees and forums, ensure that material stakeholder concerns are appropriately addressed.

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

Independent assurance report on selected non-financial information to the directors of FirstRand Limited

Group Internal Audit (GIA) has undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand Limited annual integrated report for the year ended 30 June 2019.

Sustainability reporting aims to:

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

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

DIRECTORS' RESPONSIBILITY

The directors are responsible for:

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

INTERNAL AUDIT RESPONSIBILITY

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

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

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

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

1. Verification and review of the accurate transfer and aggregation of information from supporting records to the FirstRand Limited annual integrated report relating to:
   - Doing business ethically, responsibly and sustainably:
     - Whistle-blowing line calls.
   - Driving strategic change through systemic social investing:
     - CSI spend – FirstRand Foundation;
     - CSI spend – FirstRand Empowerment Fund; and
     - CSI spend – FirstRand Staff Assistance Trust.
2. External assurance service providers perform verification assessments on selected non-financial data which forms the basis of disclosures in the FirstRand Limited *Annual integrated report*. GIA did not replicate verification assessments performed by the external assurance service providers, and reliance was placed on the assurance opinions issued by these service providers where warranted. GIA, however, reviewed the assurance reports issued by the external assurance service providers, and reviewed the incorporation of the data assessed by them in the FirstRand Limited *Annual integrated report* where relevant. These are reflected below.
   - Providing capital for inclusive economic development. This information was included in the scope of the review of the Department of Trade and Industry (dti) scorecard that was performed by Mosela Rating Agency:
     - lending to affordable housing;
     - spend on consumer financial education;
     - deepening access to financial services through electronic channels;
     - transformational infrastructure;
     - lending to small and medium enterprises (SMEs), BEE transactions and black agriculture;
     - spending on enterprise development; and
     - BEE procurement.
   - Creating an environment that maximises the potential of our people. This information was included in the scope of the review of the dti scorecard that was performed by Mosela Rating Agency:
     - SA workforce diversity;
     - middle and junior management diversity;
     - senior management diversity;
     - top management diversity;
     - workforce gender; and
     - skills development spend.

- Doing business ethically, responsibly and sustainably.
  - Direct carbon footprint: selected non-financial aspects in the 2019 suite of reports are independently assured by PricewaterhouseCoopers Inc. FirstRand Bank Limited's carbon footprint data for this South African operations has been prepared in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Reporting Guidelines. The assurance report will be included in the 2019 Report to society when issued.
  - Equator Principles transactions funded: selected non-financial aspects in the 2019 suite of reports are independently assured by PricewaterhouseCoopers Inc. The assurance report will be included in the 2019 Report to society when issued.

RESULTS OF WORK PERFORMED

Based on the results of the work performed on the selected non-financial information as presented in the FirstRand Limited *Annual integrated report* for the year ended 30 June 2019, GIA confirms that nothing has come to our attention that causes us to believe that the identified sustainability and governance related information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

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

Lachman

P LACHMAN
Acting chief audit executive

7 October 2019

04

summary risk and capital management report

04

summary risk and capital management report

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

Risk reporting

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

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

The group has made significant commitment to and investment in the implementation of *The principles for effective risk data aggregation and risk report* (BCBS 239), and remains committed to ensure implementation of the principles in line with the scope and timelines agreed with the PA.

Risk governance

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

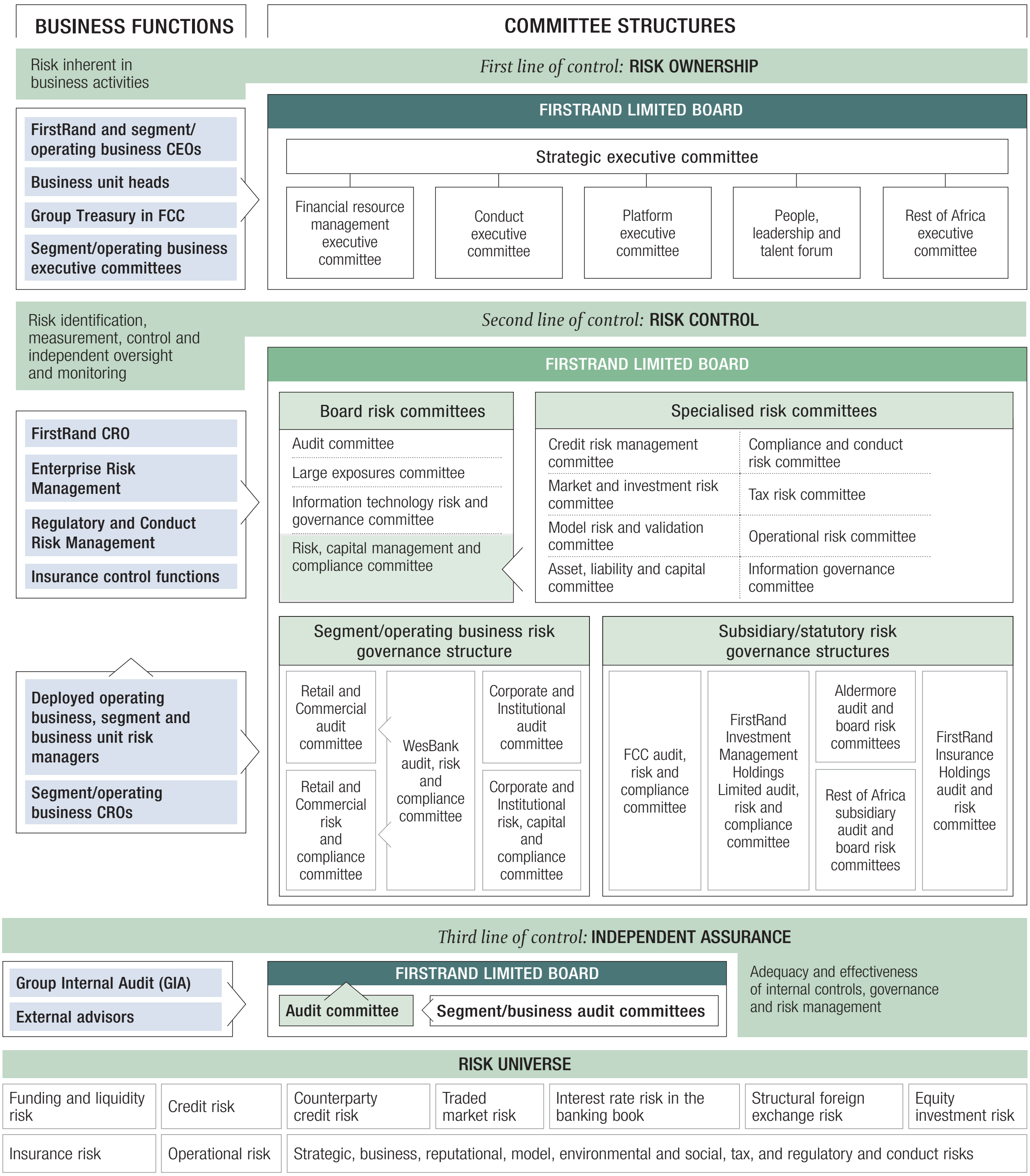
The group's business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation.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

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

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

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

BUSINESS PERFORMANCE AND RISK MANAGEMENT FRAMEWORK

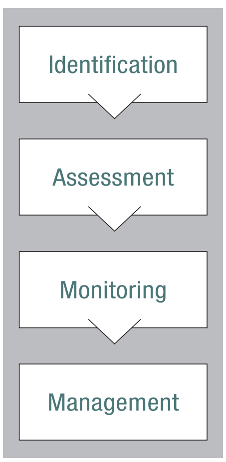


Risk management approach

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

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

CORE RISK COMPETENCIES



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

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

The risk management process provides the checks and balances necessary to ensure sustainability and performance, create opportunity, achieve desired objectives, and avoid adverse outcomes and reputational damage.

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

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

Risk appetite

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

RETURN AND RISK APPETITE STATEMENT

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

The risk/return framework ensures the group maintains an appropriate balance between risk and reward. Return targets and risk appetite limits are set to ensure the group achieves its overall strategic objectives, namely to:

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

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

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

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

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

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

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

The group cascades overall appetite into targets and limits at risk type, business and activity level, and these represent the constraints the group imposes to ensure its commitments are attainable. Risk management roles and responsibilities are outlined in the BPRMF.

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

RISK/RETURN FRAMEWORK

QUANTITATIVE MEASURES

Normal cycle

Performance targets

Returns	ROE **18% – 22%**
Earnings growth	Normalised earnings growth **Nominal GDP plus >0% – 3%**

Resource objectives and constraints

Solvency	CET1 capital **10% – 11%**	Leverage **>5.5%**
Liquidity	To exceed minimum regulatory requirements with appropriate buffers	

Credit rating*:
Equal to highest in SA banking industry

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

Normal downturn and stressed downturn

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

RISK LIMITS

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

QUALITATIVE PRINCIPLES

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

Financial resource management

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is 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 for different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level.

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

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

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

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

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

Business activities and resultant risks

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

	FNB	RMB	WesBank	Aldermore	Ashburton Investments	FCC
Key activities	**Retail and commercial banking, insurance, and wealth and investment management**	**Corporate and investment banking**	**Instalment finance and short-term insurance (VAPS*)**	**Asset and invoice finance, commercial and residential mortgages, vehicle asset finance and deposit taking**	**Asset management**	**Group-wide functions**
Market segments	→ Consumer → Small business → Agricultural → Medium corporate → Public sector	→ Financial institutions → Large corporates → Public sector	→ Retail, commercial and corporate	→ Retail and commercial	→ Retail and institutional	→ Institutional (and internal/ intragroup)
Products and services	→ Transactional → Deposit taking → Mortgage and personal loans → Credit and debit cards → Investment products → Insurance products (funeral, risk, credit life) → Card acquiring → Credit facilities → Connect (MVNO**) → Wealth and investment management	→ Advisory → Structured finance → Markets and structuring → Transactional banking → Deposit taking → Principal investing solutions and private equity	→ Asset-based finance → Full maintenance leasing → Personal loans → VAPS (short-term insurance)	→ Asset finance → Invoice finance → Commercial, buy-to-let and residential mortgages → Vehicle asset finance (MotoNovo) → Deposits	→ Traditional and alternative investment solutions	→ Group asset/ liability management → Funding and liquidity management → Funding instruments → Capital management → Capital issuance → Foreign exchange management → Tax risk management
Risks#	Retail and commercial credit risk Insurance risk	Corporate and counterparty credit risk Traded market risk	Retail, commercial and corporate credit risk	Retail and commercial credit risk Interest rate risk in the banking book Funding and liquidity risk		Interest rate risk in the banking book Funding and liquidity risk Structural foreign exchange risk
	Equity investment risk					
	Operational risk					
Other risks	Strategic, business, reputational, model, environmental and social, tax, regulatory and conduct risks					

* *Value-added products and services.*

** *Mobile virtual network operator.*

For risk definitions refer to pages 191 to 193.

Risk profile

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

	YEAR ENDED 30 JUNE 2019	RETURN AND RISK APPETITE – QUANTITATIVE MEASURES	YEAR UNDER REVIEW
GROWTH AND RETURNS	**Normalised ROE** **22.8%** 2018: 23.0%	**Normalised ROE** Long-term target **18% – 22%**	The quality of FirstRand's operating businesses' growth strategies and the disciplined allocation of financial resources have over time enabled the group to deliver on its earnings growth and return targets. The *CFO's report* provide an overview of the group's financial position and performance for the year ended 30 June 2019.
	Normalised earnings growth **6%** 2018: 8%	**Normalised earnings growth** Long-term target **Nominal GDP plus >0% – 3%**	
SOLVENCY	**Capital adequacy** **15.2%** 2018: 14.7%	**Capital adequacy** Target **>14%**	The Common Equity Tier 1 (CET1) ratio strengthened to 12.1% at 30 June 2019 and exceeded the group's internal target. The group continues to actively manage its capital stack, and to this end issued R5 billion of Additional Tier 1 (AT1) instruments and R2.6 billion of Tier 2 instruments in the domestic market. This resulted in an efficient capital structure, which is closely aligned with the group's internal targets. 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 group's leverage ratio exceeded its internal targets.
	Tier 1 **12.9%** 2018: 12.1%	**Tier 1** Target **>12%**	
	CET1 **12.1%** 2018: 11.5%	**CET1** Target **10% – 11%**	
	Leverage **7.5%** 2018: 7.1%	**Leverage** Target **>5.5%**	

Note: Capital and leverage ratios include unappropriated profits and the Day 1 transitional impact of IFRS 9.

LIQUIDITY	**LCR** **122%** 2018: 115%	**LCR** Minimum regulatory requirement: **100%** 2018: 90%	FirstRand continued to actively manage liquidity buffers through high-quality, highly liquid assets that are available as protection against unexpected liquidity stress events or market disruptions. As of 1 January 2019, the liquidity coverage ratio (LCR) requirement stepped up to the end-state minimum requirement of 100% from 90%. The group exceeded the minimum LCR with an average LCR of 122% over the quarter ended 30 June 2019. At 30 June 2019, the group's average available high-quality liquid assets (HQLA) holdings amounted to R249 billion.
	NSFR **118%** 2018: 112%	**NSFR** Minimum regulatory requirement: **100%**	The group exceeded the 100% minimum requirement with a net stable funding ratio (NSFR) of 118% at 30 June 2019.

EXPOSURES PER RISK TYPE

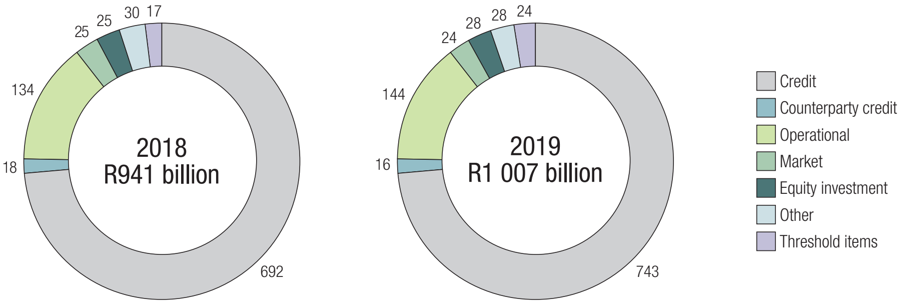
YEAR ENDED 30 JUNE 2019	RETURN AND RISK APPETITE – QUANTITATIVE MEASURES	YEAR UNDER REVIEW
Credit risk	**NPLs** **3.33%** 2018 (IAS 39): 2.36% 1 July 2018 (IFRS 9): 2.93% **Credit loss ratio** **88 bps** (including Aldermore) 2018: 84 bps* **99 bps** (excluding Aldermore) 2018: 90 bps* Long-run average **100 – 110 bps**	IFRS 9 contributed a material increase in NPLs mainly due to: → the lengthening of the write-off period from six to 12 months, particularly in unsecured; and → a more stringent definition for customer rehabilitation (technical cures). These IFRS 9-related changes, particularly the lengthening of the write-off period, accounted for more than half of the growth in NPLs. The underlying credit performance is captured under the operational NPLs definition. Taking into account the above context, total NPLs have increased 23% or R7 835 million since 1 July 2018, with operational NPLs increasing 14%. The increase in operational NPLs reflects strong book growth in certain unsecured portfolios, as well as macro pressures in some sectors affecting WesBank corporate, and drought-related impacts in FNB commercial's agric portfolio. This increase is within expectations and trend rate, given growth in underlying advances. The group's credit loss ratio of 99 bps (88 bps including Aldermore) increased 18% (excluding Aldermore) and remains below the group's through-the-cycle (TTC) range of 100 – 110 bps. Most of the group's lending books are trending in line with expectations.
Market risk	**10-day expected tail loss** **R631 million** 2018: R464 million	The interest rate asset class represented the most significant traded market risk exposure at 30 June 2019. The group's market risk profile remained within risk appetite.
Equity investment risk	**Equity investment carrying value as % of Tier 1** **9.6%** 2018: 11.7%	The 2019 financial year was characterised by significantly lower realisations relative to the prior year and R1.2 billion of new investments in the private equity portfolio. The quality of the investment portfolio remains acceptable and within risk appetite. The decrease in equity investment carrying value as a percentage of Tier 1 is due to a higher Tier 1 balance at 30 June 2019. The unrealised value in the portfolio was R3.5 billion (2018: R3.7 billion).
Interest rate risk in the banking book	**Net interest income sensitivity** **Down 200 bps** **-R4.4 billion** 2018: -R3.4 billion **Up 200 bps** **R3.5 billion** 2018: R3.1 billion	Assuming no change in the balance sheet nor any management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month net interest income (NII) of R4.4 billion. A similar increase in interest rates would result in an increase in projected 12-month NII of R3.5 billion. The group's average endowment book was R240 billion (excluding Aldermore) for the year.

* *IAS 39 basis.*

The group's RWA distribution shows that credit risk remains the most significant contributor to the group's overall risk profile, and is depicted in the charts below.

RWA ANALYSIS

R billion



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

Current and emerging challenges and opportunities

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

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

POLITICAL AND MACROECONOMIC ENVIRONMENT

Political and social risk in South Africa is increasing, exacerbated by scarcity of skill, youth unemployment, lack of new economic activity and challenges in the delivery of electricity, water and sanitation.

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

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

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

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

FINANCIAL RISKS

CURRENT AND EMERGING CHALLENGES	OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS
Funding, liquidity and capital	
→ The current environment of increasing cost and scarcity of financial resources, and potential for global financial market volatility, poses risks for FirstRand's funding, liquidity and capital profile. → The PA regulatory minimum capital requirements, which include buffer add-ons for domestic systemically important banks (D-SIB), the countercyclical buffer (CCyB) and the capital conservation requirements, are incorporated in the targets set for the group. Regulatory reforms, including proposed Basel III reforms, may pose further risks for required capital levels.	→ The group continues to focus on growing its deposit franchise through innovative products, as well as to focus on improving the risk profile of its institutional funding. → FirstRand continued to exceed internal capital targets with ongoing focus on optimising the capital stack and RWA. → The impact of the proposed regulatory reforms continues to be assessed and incorporated into the group's capital planning.
Credit and counterparty credit risk	
→ Credit risk remains high due to a macroeconomic environment characterised by low economic growth, structural constraints, high structural unemployment, and rising income and wealth disparities. → Credit and counterparty credit risks are impacted by the sovereign rating, policy uncertainty and financial distress of several large SOEs. → Consumers are expected to experience increased strain due to prolonged periods of muted economic growth. → The impact of climate risk on the group's lending book and pressure on the agricultural sector increase default risk for climate-sensitive areas. → Client risk due to breakdowns in clients' governance processes and fraud are difficult to detect and manage through the credit process.	→ Despite challenging economic conditions, the group is benefiting from prudent risk mitigation measures in place. → Developments in the corporate and public sector are closely monitored and managed. → The group reviews risk appetite and credit origination strategies on an ongoing basis. → Sovereign rating actions are also monitored, together with the ratings of associated entities, with proactive revisions, where required. → Continued focus on validation and refinement of IFRS 9 models (which came into effect on 1 July 2018). → The group is finalising the implementation of regulatory requirements with regards to the standardised approach for counterparty credit risk (SA-CCR).
Traded market risk	
→ The market risk environment continues to be affected by economic conditions and the political environment, which impact exchange rates, interest rates, and equity and commodity prices. → The group's overall diversified levels of market risk increased over the year, although they still remain within limits. There were no significant concentrations in the portfolio. → Impending changes to the regulatory environment, outlined in the BCBS document, *Fundamental review of the trading book,* will impact banks' operating platforms.	→ The group is reviewing and adapting the current operating platform for market risk activities, including platform capabilities across both front office and risk management areas, and aligning market risk processes, analyses and reporting in line with changes in regulatory requirements. → The BCBS document, *Fundamental review of the trading book,* remains a priority and the group continues to work with both regulators and the banking industry to understand, draft and implement these regulations.
Interest rate risk in the banking book and structural foreign exchange risk	
→ The SARB increased interest rates by 25 bps in November 2018, followed by a 25 bps decrease in July 2019. → Inflation remains at relatively low levels and continues to be actively monitored.	→ The group is addressing the new BCBS requirements for interest rate risk in the banking book. → The endowment portfolio is actively managed. → The group monitors its net open foreign currency position against limits, assesses and reviews foreign exchange exposures and continues to focus on enhancing the quality and frequency of reporting.

NON-FINANCIAL RISKS

CURRENT AND EMERGING CHALLENGES	OPPORTUNITIES AND RISK MANAGEMENT FOCUS AREAS
Operational, IT and information governance risk	
→ Operational risk is driven by the complex IT environment; the growing sophistication of cybercrime; the interplay between cyber risk, fraud and the effect on reputational risk; operational challenges in meeting various new regulatory requirements across multiple jurisdictions; the risk of process breakdowns in manually intensive process environments; industry-wide payments risk and organisational change. → The impact of external factors on business operations, such as disruptive protest actions and the threat of electricity supply interruptions, pose a risk to operations and require management to continuously review contingency plans to ensure minimal business disruption. → Increased business digitisation (including robotics, artificial intelligence and cloud computing) introduces additional risks due to the demand and speed of digital technology adoption, which the group must be in a position to speedily identify and mitigate. → Global demand for critical IT resources across industries poses a challenge to attracting and retaining the best IT skills. → Key vendor dependency and possible undesirable conduct of vendors may increase reputational risk and require management to monitor vendor interaction more rigorously.	→ Continue to address possible control weaknesses, ongoing improvements in system security, IT risk processes and operational business resilience capability. → Efforts to improve staff and customer awareness of cybercrime and information security are ongoing. → Develop an integrated group cybercrime strategy and cyber incident response planning and testing. → Continue to improve risk data management, aggregation and reporting. → Align IT risk management practices with changing business models and technological landscape. → Enhance vendor risk management processes throughout the vendor life cycle. → Improve information management capabilities and the control environment, and roll out awareness programmes on records management, data quality and data privacy management.
Regulatory and conduct risk	
→ Regulatory and conduct risk management is impacted by the changing regulatory landscape and the ongoing introduction of new and/or amended legislation and related regulatory instruments, which places pressure on resources which could impact profitability over the medium to long term. → Heightened scrutiny and monitoring by regulators and other stakeholders on regulatory compliance and ethical conduct.	→ Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new and amended local and international regulatory requirements, market conduct reforms, data privacy and financial crime legislation. → Focus on monitoring the risk culture with clear prevention and remediation frameworks. → Develop conduct risk programmes that are focused on defining key business metrics and materiality thresholds which are sufficiently noteworthy for board-level reporting. Undertake review exercises to evaluate internal practices against best practice recommendations in the Australian Royal Commission report. Undertake product and pricing and remuneration model reviews.

Disclosure of key risks

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

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

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

FINANCIAL AND INSURANCE RISKS

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

FINANCIAL AND INSURANCE RISKS continued

RISK TYPE	RISK DEFINITION	DISCLOSURE REQUIREMENT	REPORT REFERENCES
Non-traded market risk		→ IFRS 7 quantitative information → Governance, assessment and management → NII sensitivity → Banking book net asset value (NAV) sensitivity → Net structural foreign exposures	Annual financial statements Pillar 3 disclosure
→ Interest rate risk in the banking book	The sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates.		
→ Structural foreign exchange risk	The risk of an adverse impact on the group's financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures.		
Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.	→ IFRS 7 quantitative information	Annual financial statements
		→ Governance, assessment and management → Investment risk exposure, sensitivity and capital	Pillar 3 disclosure
Tax risk management	Tax risk is defined as the risk of: → financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties; → sanction or reputational damage due to non-compliance with the various revenue acts; and/or > the inefficient use of available mechanisms to benefit from tax dispensations. Accordingly, any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity's tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.	→ Pillar 3 disclosure requirements	Pillar 3 disclosure
Insurance risk	Insurance risk arises from the inherent uncertainties relating to liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting or claims management.	→ Assessment and management of insurance risk	Pillar 3 disclosure

NON-FINANCIAL RISKS

RISK TYPE	RISK DEFINITION	DISCLOSURE REQUIREMENT	REPORT REFERENCES
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people, or systems, or from external events. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Regulatory risk	The risk of statutory or regulatory sanction, material financial loss or reputational damage as a result of failure to comply with any applicable laws, regulations or supervisory requirements.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Conduct risk	Conduct risk arises when employees and directors behave in a manner that would not be considered fair to other employees, financial market participants, clients or other societal stakeholders.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Strategic risk	The risk to current or prospective earnings arising from inappropriate business models, decisions or improper implementation of such decisions.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Business risk	The risk to earnings, capital and sustainability from potential changes in the business environment, as well as planned new business and expansion activities.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Model risk	The use of models causes model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial losses, poor business and strategic decision-making, or damage to the group's reputation.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Reputational risk	The risk of reputational damage due to events such as compliance failures, pending litigations, underperformance or negative media coverage.	→ Assessment and management → Pillar 3 disclosure requirements	Pillar 3 disclosure
Environmental and social risk	Relates to environment, social and climate risks, which may impact or result from various other risk types.	→ Governance and assessment	Environmental and social risk report on www.firstrand.co.za/society/firstrand-contract-with-society/.

In terms of Regulation 43 of the *Regulations relating to banks*, the standardised disclosures are published on the group's website at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

05

firstrand group summary consolidated financial statements

05

firstrand group summary consolidated financial statements

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

for the year ended 30 June 2019

This summary consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2019 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on this summary consolidated financial statements appears on page 198.

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

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

BASIS OF PRESENTATION

The summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

FirstRand prepares its summary consolidated financial statements in accordance with:

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

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

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

The accounting policies are consistent with those applied for the year ended 30 June 2018, except for IFRS 9 and IFRS 15, which became effective in the current year. IFRS 9, which replaces IAS 39, had the most significant impact on the group, as IFRS 9 introduced a principle-based approach for classifying financial assets based on the entity's business model. It changed the way impairments are calculated on financial assets at amortised cost from the incurred loss model to the expected credit loss model. IFRS 15, which contains a single model that is applied when accounting for contracts with customers, replaced revenue recognition guidance previously included in IAS 18 and IFRIC 13.

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

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

Jaco van Wyk, CA(SA), supervised the preparation of the consolidated financial statements from which these summary consolidated financial statements were extracted. The consolidated annual financial statements were approved by the board of directors on 4 September 2019 and signed on its behalf by:

WR JARDINE	AP PULLINGER
Chairman	CEO

Sandton
7 October 2019

Independent auditors' report on summary consolidated financial statements

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Opinion

The summary consolidated financial statements of FirstRand Limited, set out on pages 203 to 244 of the accompanying annual integrated report, which comprise the summary consolidated statement of financial position as at 30 June 2019, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2019.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

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

Directors' responsibility for the summary consolidated financial statements

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

Auditors' responsibility

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

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per Partner: Darren Shipp

Woodlands Office Park
Johannesburg
7 October 2019

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Johannesburg
7 October 2019

Directors' report

for the year ended 30 June 2019

NATURE OF BUSINESS

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

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

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

Refer to page 77 for the simplified group structure.

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

CASH DIVIDEND DECLARATIONS

Ordinary shares

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

DIVIDENDS

ORDINARY SHARES

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

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

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

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

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

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

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

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

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R725 million were made on other equity instruments (2018: R466 million). Current tax of R58 million relating to the AT1 instruments was recognised directly in equity resulting in an aggregated net equity impact of R667 million.

B preference shares

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

DIVIDENDS DECLARED AND PAID

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

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2019 are shown in note 3 of the group's summary financial statements in the annual integrated report.

Ordinary share capital

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

Preference share capital

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

SHAREHOLDER ANALYSIS

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

%	2019	2018
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)	**34.1**	34.1
Public Investment Corporation	**9.0**	9.2
BEE partners	**5.2**	5.2
Financial Securities Limited (Remgro)	**3.9**	3.9

A further analysis of ordinary shareholders is set out on page 261.

EVENTS DURING 2019

Discovery Card

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

These advances do not meet the requirements to be classified as a disposal group held for sale.

Issue of Additional Tier 1 instruments

During the financial year, FirstRand Bank, a wholly owned subsidiary of FirstRand Limited, issued Basel III compliant Additional Tier 1 Capital Notes. Details of the instruments can be found in note 4 of these summary financial statements.

DIRECTORATE

Details of the board of directors are on pages 92 to 98.

BOARD CHANGES

The FirstRand Empowerment Foundation (the foundation) was established in 2005 as part of the group's broad-based black economic empowerment (B-BBEE) transaction, with the objective to create meaningful B-BBEE ownership of FirstRand. The B-BBEE participants included, amongst others, the Kagiso Charitable Trust, the WDB Trust and Mineworkers Investment Company (MIC). At that time, MS Bomela, PJ Makosholo and TS Mashego were appointed to the board in accordance with the contractual terms of the transaction and classified as non-executive directors.

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

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

Changes to the directorate are outlined below.

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

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

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

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

ORDINARY SHARES

	Direct beneficial (thousands)	Indirect beneficial (including held by associates) (thousands)	Indirect via RMBH (thousands)	**Total 2019 (thousands)**	Percentage holding %	Total 2018 (thousands)
Executive directors and prescribed officers						
HS Kellan	850	629	11	**1 490**	0.03	1 420
AP Pullinger	4 769	43	–	**4 812**	0.09	4 587
J Celliers	–	393	1	**394**	0.01	334
JR Formby	598	587	–	**1 185**	0.02	1 185
C de Kock	300	536	–	**836**	0.01	836
Non-executive directors						
HL Bosman	120	–	–	**120**	–	120
JP Burger	504	6 117	1 670	**8 291**	0.15	8 291
LL Dippenaar*	–	–	–	**–**	–	104 732
GG Gelink	102	–	–	**102**	–	102
PM Goss**	–	–	–	**–**	–	16 402
PK Harris**	–	–	–	**–**	–	9 786
NN Gwagwa	251	–	–	**251**	–	251
EG Matenge-Sebesho	–	77	–	**77**	–	77
T Winterboer#	15	–	–	**15**	–	–
RM Loubser	–	–	1 868	**1 868**	0.03	1 868
R Jardine	–	232	11	**243**	–	243
Total	7 509	8 614	3 561	**19 684**	0.34	150 234

* *Retired March 2018.*
** *Retired April 2018.*
# *Appointed 20 April 2018.*

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

B PREFERENCE SHARES

	Indirect beneficial (thousands)	**Total 2019 (thousands)**	Total 2018 (thousands)
Non-executive directors			
LL Dippenaar (retired 31 March 2018)	250	–	250
Total	250	–	250

WR JARDINE
Chairman

AP PULLINGER
CEO

4 September 2019

Company secretary's certification

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

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

C LOW
Company secretary

Sandton

4 September 2019

Summary consolidated income statement

for the year ended 30 June

R million	Notes	2019 IFRS 9	2018 IAS 39*
Interest income calculated using effective interest rate		**119 797**	90 670
Interest on other financial instruments and similar income		**471**	7
Interest and similar income		**120 268**	90 677
Interest expense and similar charges		**(59 811)**	(41 579)
Net interest income before impairment of advances		**60 457**	49 098
Impairment and fair value of credit on advances		**(10 500)**	(8 567)
– Impairment on amortised cost advances	2.1	**(10 431)**	(9 154)
– Fair value of credit on advances	2.1	**(69)**	587
Net interest income after impairment of advances		**49 957**	40 531
Non-interest revenue**		**46 048**	44 193
– Net fee and commission income		**30 971**	28 529
– Fee and commission income		**36 533**	33 596
– Fee and commission expense		**(5 562)**	(5 067)
– Insurance income		**4 128**	3 918
– Fair value income		**4 587**	7 027
– Fair value gains or losses		**9 338**	20 298
– Interest expense on fair value activities		**(4 751)**	(13 271)
– Gains less losses from investing activities		**3 610**	1 864
– Other non-interest income		**2 752**	2 855
Income from operations		**96 005**	84 724
Operating expenses		**(54 283)**	(48 462)
Net income from operations		**41 722**	36 262
Share of profit of associates after tax		**946**	519
Share of profit of joint ventures after tax		**284**	390
Income before indirect tax		**42 952**	37 171
Indirect tax		**(1 280)**	(1 077)
Profit before income tax		**41 672**	36 094
Income tax expense		**(9 912)**	(7 950)
Profit for the year		**31 760**	28 144
Attributable to			
Ordinary equityholders		**30 211**	26 546
Other equity instrument holders		**667**	466
Equityholders of the group		**30 878**	27 012
Non-controlling interests		**882**	1 132
Profit for the year		**31 760**	28 144
Earnings per share (cents)			
– Basic		**538.6**	473.3
– Diluted		**538.6**	473.3

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

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

Summary consolidated statement of other comprehensive income

for the year ended 30 June

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

Summary consolidated statement of financial position

as at 30 June

R million	Notes	2019 IFRS 9	2018 IAS 39
ASSETS			
Cash and cash equivalents		**102 518**	96 024
Derivative financial instruments		**47 104**	42 499
Commodities		**21 176**	13 424
Investment securities		**241 726**	208 937
Advances	1	**1 205 752**	1 121 227
– Advances to customers		**1 142 845**	1 065 997
– Marketable advances		**62 907**	55 230
Accounts receivable		**8 578**	9 884
Current tax asset		**267**	378
Non-current assets and disposal groups held for sale		**–**	112
Reinsurance assets		**196**	84
Investments in associates		**6 369**	5 537
Investments in joint ventures		**1 769**	1 726
Property and equipment		**17 800**	17 936
Intangible assets		**10 491**	10 847
Investment properties		**689**	754
Defined benefit post-employment asset		**6**	36
Deferred income tax asset		**4 621**	2 884
Total assets		**1 669 062**	1 532 289
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions		**5 374**	9 999
Derivative financial instruments		**52 597**	50 954
Creditors, accruals and provisions		**21 922**	19 620
Current tax liability		**1 643**	438
Deposits		**1 393 104**	1 267 448
Employee liabilities		**13 042**	11 534
Other liabilities		**5 974**	6 989
Policyholder liabilities		**5 263**	4 593
Tier 2 liabilities		**24 191**	28 439
Deferred income tax liability		**1 359**	1 477
Total liabilities		**1 524 469**	1 401 491
Equity			
Ordinary shares	3	**56**	56
Share premium	3	**8 023**	7 994
Reserves		**121 594**	112 975
Capital and reserves attributable to equityholders of the group		**129 673**	121 025
Other equity instruments	4	**10 734**	5 769
Non-controlling interests		**4 186**	4 004
Total equity		**144 593**	130 798
Total equities and liabilities		**1 669 062**	1 532 289

Summary consolidated statement of changes in equity

for the year ended 30 June

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

* *Other reserves include the FVOCI reserve.*

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

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

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

Summary consolidated statement of cash flows

for the year ended 30 June

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

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

Statement of headline earnings, earnings and dividends per share

for the year ended 30 June

	Earnings attributable R million		Cents per share	
	2019	2018	**2019**	2018
Headline earnings				
– Basic	**27 887**	26 509	**497.2**	472.7
– Diluted	**27 887**	26 509	**497.2**	472.7
Earnings attributable to ordinary equityholders				
– Basic	**30 211**	26 546	**538.6**	473.3
– Diluted	**30 211**	26 546	**538.6**	473.3
Dividends – ordinary				
– Interim			**139.0**	130.0
– Final declared/paid			**152.0**	145.0
Dividends – preference				
– Interim			**381.7**	386.2
– Final declared/paid			**384.2**	378.3

WEIGHTED AVERAGE NUMBER OF SHARES

	2019	2018
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(445 105)**	(1 363 218)
– Shares for client trading	**(445 105)**	(1 363 218)
Weighted average number of shares in issue	**5 609 042 896**	5 608 124 783
Diluted weighted average number of shares in issue	**5 609 042 896**	5 608 124 783

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

HEADLINE EARNINGS RECONCILIATION

	2019		2018	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders		**30 211**		26 546
Adjusted for				
Gain on investment activities of a capital nature*	**(1 928)**	**(1 497)**	(29)	(23)
Loss on disposal of available-for-sale assets	**–**	**–**	91	67
Transfer(to)/from foreign currency translation reserve	**(70)**	**(72)**	108	85
Gain on disposal of non-private equity associates*	**(1 083)**	**(840)**	–	–
Impairment of non-private equity associates	**31**	**31**	–	–
Gain on disposal of investments in subsidiaries	**(6)**	**(5)**	(97)	(75)
Gain on disposal of property and equipment	**(52)**	**(37)**	(63)	(35)
Property-related insurance recovery	**–**	**–**	(31)	(21)
Impairment of goodwill	**–**	**–**	12	7
Fair value movement of investment properties	**–**	**–**	(29)	(21)
Impairment of assets in terms of IAS 36	**123**	**96**	41	21
Gain from a bargain purchase**	**–**	**–**	(42)	(42)
Headline earnings attributable to ordinary equityholders		**27 887**		26 509

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

** *Refer to note 9 for details on the gain from a bargain purchase.*

Selected notes to the summary consolidated financial statements

for the year ended 30 June

1. ADVANCES

R million	Notes	2019 IFRS 9	2018 IAS 39
Value of advances		**1 239 914**	1 142 141
IAS 39 contractual interest suspended		**–**	(2 079)
Gross value of advances		**1 239 914**	1 140 062
Category analysis			
Overdrafts and cash management accounts		**82 642**	74 451
Term loans		**67 926**	62 225
Card loans		**35 516**	29 753
Instalment sales, hire purchase agreements and lease payments receivable		**232 103**	227 235
Property finance		**408 078**	374 027
Personal loans		**53 569**	45 324
Preference share agreements		**49 576**	48 644
Assets under agreement to resell		**45 315**	33 064
Investment bank term loans		**155 780**	150 383
Long-term loans to group associates and joint ventures		**2 473**	2 961
Other		**44 029**	36 765
Total customer advances		**1 177 007**	1 084 832
Marketable advances		**62 907**	55 230
Gross value of advances		**1 239 914**	1 140 062
Impairment and fair value of credit of advances	2.2	**(34 162)**	(18 835)
Net advances		**1 205 752**	1 121 227

2. IMPAIRMENT OF ADVANCES

2.1 Impairment and fair value of credit on advances

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

2. IMPAIRMENT OF ADVANCES *continued*

2.2 Reconciliation of the loss allowance on advances per class

Fair value

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

2. IMPAIRMENT OF ADVANCES *continued*

2.2 Reconciliation of the loss allowance on advances per class continued

Amortised cost

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

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

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

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

2. IMPAIRMENT OF ADVANCES *continued*

2.2 Reconciliation of the loss allowance on advances per class continued

Amortised cost and fair value

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

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

3. SHARE CAPITAL AND SHARE PREMIUM

Ordinary share capital and share premium

Authorised shares

	2019	2018
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2019			2018		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Treasury shares	**(385 962)**	**–**	**(33)**	(1 045 515)	–	(62)
Total issued share capital attributable to ordinary equityholders	**5 609 102 039**	**56**	**8 023**	5 608 442 486	56	7 994

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

The shareholding of subsidiaries in FirstRand Limited was 0.01% (2018: 0.02%) of total issued ordinary shares and these shares have been treated as treasury shares.

4. OTHER EQUITY INSTRUMENTS

Preference share capital

Authorised preference shares

	2019	2018
A preference shares – unlisted variable rate cumulative convertible redeemable*	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable*	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable*	**100 000 000**	100 000 000

* *Unissued.*

Issued shares

	2019		2018	
	Number of shares	**Ordinary equity instruments R million**	Number of shares	Ordinary equity instruments R million
B preference shares	**45 000 000**	**4 519**	45 000 000	4 519
Total issued share capital attributable to preference shareholders of the group	**45 000 000**	**4 519**	45 000 000	4 519

Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

4. OTHER EQUITY INSTRUMENTS *continued*

Additional Tier 1 capital

Issued notes

R million	Rate	2019	2018
FRB24	3 month JIBAR plus 445 basis points	**2 265**	–
FRB25	3 month JIBAR plus 440 basis points	**2 700**	–
Contingent convertible securities	11.875% per annum	**1 250**	1 250
Total additional Tier 1 capital		**6 215**	1 250
Total other equity instruments		**10 734**	5 769

FRB 24 and 25

During November 2018 and March 2019, FirstRand Bank, a wholly owned subsidiary of FirstRand Limited, issued Basel III compliant Additional Tier 1 (AT1) capital notes. The notes are perpetual and pay non-cumulative coupons on a quarterly basis. The total coupon paid during the financial year was R255 million. Current tax of R58 million relating to the AT1 instruments was recognised directly in equity resulting in an aggregated net equity impact of R197 million.

The terms of the notes give FirstRand Bank the option to redeem the notes if they are no longer eligible to qualify as a relevant class of regulatory capital. In addition, FirstRand Bank may write off the notes, in whole or in part, with no obligation to pay compensation to the noteholders upon the earlier of:

- the SARB giving notice that a write-off is required without which FirstRand Bank would become non-viable; or
- a decision being made to inject public sector capital, or equivalent support, without which FirstRand Bank would become non-viable, as determined by the SARB.

The AT1 notes have been classified as equity as the contractual terms do not contain an obligation to pay cash to the noteholders.

It should be noted that FRB 24 was incorrectly reflected in Tier 1 and Tier 2 Liabilities in the interim results as at 31 December 2018.

Contingent convertible securities

On 9 December 2014, the group's subsidiary Aldermore issued R1 250 million (£75 million) fixed-rate reset Additional Tier 1 perpetual subordinated contingent convertible securities.

The securities are perpetual and have no fixed redemption date. Redemption of the securities is at the option of Aldermore on 30 April 2020 and annually thereafter. The securities bear interest at an initial rate of 11.875% per annum until 30 April 2020 and thereafter at the relevant reset interest rate as provided in the Information Memorandum. Interest is payable, annually, in arrears on each interest payment date commencing 30 April 2015 and is non-cumulative. The borrower has the full discretion to cancel any interest scheduled to be paid on the securities.

These securities are convertible into ordinary shares of Aldermore in the event of Aldermore's common equity ratio falling below 7%. Although there are a number of additional terms relating to events such as acquisition and wind-up, there are no circumstances in which Aldermore has an unavoidable obligation to issue a variable number of its own shares.

5. CONTINGENCIES AND COMMITMENTS

R million	2019 IFRS 9	2018 IAS 39
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**38 273**	36 977
Letters of credit	**8 733**	10 681
Total contingencies	**47 006**	47 658
Irrevocable commitments	**136 580**	126 631
Committed capital expenditure	**4 034**	2 915
Operating lease commitments	**3 390**	3 588
Other	**136**	166
Contingencies and commitments	**191 146**	180 958
Legal proceedings		
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.		
Provision made for liabilities that are expected to materialise.	**192**	181
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by the directors.	**4 034**	2 915

6. FAIR VALUE MEASUREMENTS

6.1 *Valuation methodology*

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

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

Non-recurring fair value measurements

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

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

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

6. FAIR VALUE MEASUREMENTS *continued*

Financial instruments

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

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

Financial instruments not measured at fair value

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

6.2 Fair value hierarchy and measurements

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

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

6. FAIR VALUE MEASUREMENTS *continued*

Measurement of assets and liabilities at level 2

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

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

6. FAIR VALUE MEASUREMENTS *continued*

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

6. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by 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)

6. FAIR VALUE MEASUREMENTS *continued*

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

6. FAIR VALUE MEASUREMENTS *continued*

Measurement of assets and liabilities at level 3

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

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

6. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
LOANS AND ADVANCES TO CUSTOMERS continued			
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 year-on-year 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
Advances under repurchase agreements	Discounted cash flows	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong way risk is incorporated by factoring in the correlation between the FX rate and the default risk of the counterparty as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs

6. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES continued			
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data which to compare the third-party valuations to.	Third-party valuations used, minority and marketability adjustments
Investment properties	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Income capitalisation rates

6. FAIR VALUE MEASUREMENTS *continued*

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

Non-recurring fair value measurements

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

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

6. FAIR VALUE MEASUREMENTS *continued*

6.2.1 Fair value hierarchy

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

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

6. FAIR VALUE MEASUREMENTS *continued*

	2018 IAS 39			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	244	41 692	563	42 499
Advances	–	25 826	171 237	197 063
Investment securities	122 031	37 287	2 394	161 712
Non-recourse investments	–	11 160	–	11 160
Commodities	13 424	–	–	13 424
Investment properties	–	–	754	754
Total fair value assets – recurring	135 699	115 965	174 948	426 612
Liabilities				
Recurring fair value measurements				
Short trading positions	9 999	–	–	9 999
Derivative financial instruments	21	50 303	630	50 954
Deposits	1 354	93 226	514	95 094
Non-recourse deposits	–	11 160	–	11 160
Other liabilities	–	1 974	1 586	3 560
Policyholder liabilities under investment contracts	3 877	–	–	3 877
Total fair value liabilities – recurring	15 251	156 663	2 730	174 644

6. FAIR VALUE MEASUREMENT *continued*

6.3 Additional disclosures for level 3 financial instruments

6.3.1 Transfers between fair value hierarchy levels

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

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

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

6. FAIR VALUE MEASUREMENTS *continued*

6.3.2 Changes in level 3 instruments with recurring fair value measurements

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

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

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

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

6. FAIR VALUE MEASUREMENTS *continued*

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

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

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

	2019 IFRS 9		2018 IAS 39	
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Derivative financial instruments	**162**	**–**	11	–
Advances*	**2 183**	**–**	12 026	(1)
Investment securities	**1 340**	**1**	84	(7)
Investment properties	**–**	**–**	29	–
Total	**3 685**	**1**	12 150	(8)
Liabilities				
Derivative financial instruments	**37**	**–**	(299)	–
Deposits	**12**	**–**	24	–
Other liabilities	**144**	**–**	43	–
Total	**193**	**–**	(232)	–

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

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

6. FAIR VALUE MEASUREMENTS *continued*

6.3.4 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE 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%.

6. FAIR VALUE MEASUREMENTS *continued*

	2019 IFRS 9			2018 IAS 39		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**802**	**815**	**792**	563	569	556
Advances	**36 141**	**36 350**	**35 935**	171 237	171 958	170 603
Investment securities	**3 692**	**3 848**	**3 492**	2 394	2 598	2 254
Total financial assets measured at fair value in level 3	**40 635**	**41 013**	**40 219**	174 194	175 125	173 413
Liabilities						
Derivative financial instruments	**842**	**836**	**846**	630	624	637
Deposits	**1 238**	**1 221**	**1 256**	514	460	551
Other liabilities	**387**	**377**	**397**	1 586	1 566	1 607
Total financial liabilities measured at fair value in level 3	**2 467**	**2 434**	**2 499**	2 730	2 650	2 795

6. FAIR VALUE MEASUREMENTS *continued*

6.4 *Financial instruments not measured at fair value*

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2019 IFRS 9				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**1 126 028**	**1 136 277**	**–**	**110 953**	**1 025 324**
Investment securities	**118 950**	**118 668**	**88 102**	**24 572**	**5 994**
Total financial assets at amortised cost	**1 244 978**	**1 254 945**	**88 102**	**135 525**	**1 031 318**
Liabilities					
Deposits	**1 324 426**	**1 318 847**	**4 768**	**1 102 313**	**211 766**
Other liabilities	**5 398**	**5 388**	**–**	**3 015**	**2 373**
Tier 2 liabilities	**24 191**	**24 752**	**–**	**24 752**	**–**
Total financial liabilities at amortised cost	**1 354 015**	**1 348 987**	**4 768**	**1 130 080**	**214 139**

	2018 IAS 39				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	924 165	928 641	–	112 085	816 556
Investment securities	36 065	35 985	31 917	2 827	1 241
Total financial assets at amortised cost	960 230	964 626	31 917	114 912	817 797
Liabilities					
Deposits	1 161 194	1 161 975	3 959	980 291	177 725
Other liabilities	3 429	3 429	–	1 289	2 140
Tier 2 liabilities	28 439	28 881	–	28 881	–
Total financial liabilities at amortised cost	1 193 062	1 194 285	3 959	1 010 461	179 865

6.5 *Day 1 profit or loss*

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2019 IFRS 9**	2018 IAS 39
Opening balance	**54**	51
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**31**	13
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(35)**	(10)
Closing balance	**50**	54

7. SUMMARY SEGMENT INFORMATION

	2019 IFRS 9												
	FNB					RMB							
R million	FNB SA	FNB Africa	Total FNB	WesBank	Retail and commercial	Investment banking	Corporate banking	Total RMB	Aldermore	FCC (including Group Treasury) and other	FirstRand – normalised	Normalised adjustments	FirstRand – IFRS
Profit before tax	23 847	1 501	**25 348**	**2 580**	**27 928**	7 860	2 205	**10 065**	**2 389**	(1 694)	**38 688**	2 984	**41 672**
Total assets	419 082	57 552	**476 634**	**138 254**	**614 888**	459 295	64 681	**523 976**	**225 323**	304 852	**1 669 039**	23	**1 669 062**
Total liabilities*	401 763	57 789	**459 552**	**135 146**	**594 698**	449 127	63 214	**512 341**	**205 626**	211 804	**1 524 469**	–	**1 524 469**

* *Total liabilities are net of interdivisional balances.*

	2018 IAS 39												
	FNB					RMB							
R million	FNB SA	FNB Africa	Total FNB	WesBank	Retail and commercial	Investment banking	Corporate banking	Total RMB	Aldermore	FCC (including Group Treasury) and other	FirstRand – normalised	Normalised adjustments	FirstRand – IFRS
Profit before tax	21 669	1 145	**22 814**	**2 643**	**25 457**	8 410	1 977	**10 387**	**549**	(521)	**35 872**	222	**36 094**
Total assets	390 430	57 516	**447 946**	**142 104**	**590 050**	418 073	53 640	**471 713**	**189 867**	280 680	**1 532 310**	(21)	**1 532 289**
Total liabilities*	368 809	57 663	**426 472**	**139 643**	**566 115**	408 772	52 373	**461 145**	**176 089**	198 142	**1 401 491**	–	**1 401 491**

* *Total liabilities are net of interdivisional balances.*

8. EVENTS AFTER THE REPORTING PERIOD

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

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group has a portfolio of integrated financial services businesses comprising FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in Africa, the United Kingdom and India, and offers a universal set of transactional, lending, investment and insurance products and services.

The group's operations are conducted through its six significant wholly-owned subsidiaries:

SUBSIDIARY	OPERATION
FirstRand Bank Limited	SA banking
FirstRand EMA Holdings Proprietary Limited	Rest of Africa subsidiaries
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand International Limited (Guernsey)*	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance

* *FirstRand International Limited (Guernsey) acquired the entire issued share capital of Aldermore Group plc effective 1 April 2018. FirstRand International Limited (Guernsey) acquired the entire issued share capital of RMB International Mauritius (RMBIM) from FirstRand EMA Proprietary Limited effective 1 November 2018.*

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to page 77 for a simplified group structure.

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

9.1 *Acquisitions of subsidiaries*

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are set out as listed below.

	Aldermore		Other insignificant acquisitions	
R million	**2019**	2018	**2019**	2018
ASSETS				
Cash and cash equivalents	–	8 676	–	–
Derivative financial instruments	–	512	–	–
Accounts receivable	–	298	–	–
Advances	–	147 447	–	–
Investment securities	–	11 922	–	–
Investments in associates	–	81	–	–
Property and equipment	–	68	–	2
Investment properties	–	–	–	570
Deferred income tax asset	–	58	–	173
Intangible assets	–	244	–	4
Total assets acquired	–	169 306	–	749
LIABILITIES				
Derivative financial instruments	–	266	–	–
Creditors and accruals	–	1 597	–	164
Current tax liability	–	164	–	–
Deposits	–	153 735	–	284
Employee liabilities	–	28	–	–
Other liabilities	–	–	–	2
Deferred income tax liability	–	10	–	38
Tier 2 liabilities	–	1 030	–	–
Total liabilities acquired	–	156 830	–	488
Net asset value as at date of acquisition	–	12 476	–	261
Total goodwill is calculated as follows:				
Total cash consideration transferred	–	18 311	–	–
Total non-cash consideration transferred	–	–	–	219
Contingent consideration transferred	–	–	–	–
Less: net identifiable asset value at date of acquisition	–	(12 476)	–	(261)
Add: effective cash flow hedge	–	651	–	–
Less: intangible assets identified	–	(2 362)	–	–
Add: deferred tax	–	537	–	–
Add: Non-controlling interest at acquisition			–	–
Add: Non-controlling interests at acquisition of contingent convertible securities (AT1)	–	1 234	–	–
Goodwill on acquisition/(gain from a bargain purchase)	–	5 895	–	(42)

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

Significant acquisitions in 2019

There were no significant acquisitions in 2019.

Significant acquisitions in 2018

Aldermore

FirstRand Limited acquired control by obtaining the entire issued share capital of Aldermore Group plc (Aldermore) through FirstRand International Limited (Guernsey). Aldermore is a UK-based specialist lender and savings bank. The effective date of the acquisition was 1 April 2018. Aldermore is a separately reportable segment of the group. No changes to the provisional values attributed to the identifiable assets acquired and liabilities assumed were made.

9.1.1 Acquisitions that do not result in a change of control

	RMB private equity		Other insignificant acquisitions	
R million	**2019**	2018	**2019**	2018
Carrying amount of non-controlling interest acquired	**–**	(17)	**9**	28
Consideration paid to non-controlling interest acquired	**–**	(101)	**(23)**	(78)
– Discharged by cash consideration	**–**	(1)	**(23)**	(44)
– Non-cash consideration	**–**	(100)	**–**	(34)
Loss recognised directly in equity	**–**	(118)	**(14)**	(50)

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

9.2 Disposals of subsidiaries

9.2.1 Disposals of interest in subsidiaries with loss of control

	RMB private equity		Other insignificant disposals	
R million	**2019**	2018	**2019**	2018
ASSETS				
Cash and cash equivalents	**7**	5	**–**	401
Accounts receivable	**4**	3	**–**	–
Advances	**–**	679	**–**	–
Investments in associates	**–**	9	**–**	–
Property and equipment	**–**	2	**–**	–
Investment properties	**124**	448	**–**	–
Deferred income tax asset	**11**	167	**–**	–
Non-current assets and disposal groups held for sale	**–**	234	**–**	150
Total assets disposed of	**146**	1 547	**–**	551
LIABILITIES				
Creditors and accruals	**–**	459	**–**	–
Current tax liability	**4**	1	**–**	–
Other liabilities	**142**	–	**–**	–
Deferred income tax liability	**5**	–	**–**	–
Liabilities directly associated with disposal groups held for sale	**–**	171	**–**	–
Intergroup banking accounts	**–**	5	**–**	–
Amounts due to holding company and fellow subsidiary companies	**–**	979	**–**	–
Total liabilities disposed of	**151**	1 615	**–**	–
Net asset value as at date of disposal	**(5)**	(68)	**–**	551
Total gain on disposal is calculated as follows:				
Total consideration received	**5**	149	**–**	512
Total cash consideration received	**5**	149	**–**	469
Total non-cash consideration received	**–**	–	**–**	43
Add: non-controlling share of net asset value at disposal date	**(4)**	(11)	**–**	18
Less: group's portion of the net asset value on disposal	**5**	68	**–**	(551)
Gain/(loss) on disposal of controlling interest in a subsidiary	**6**	206	**–**	(21)
Cash flow information				
Discharged by cash consideration	**5**	149	**–**	469
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**(7)**	(5)	**–**	(401)
Net cash (outflow)/inflow on disposal of subsidiaries	**(2)**	144	**–**	68

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

Disposals in 2019

RMB Private Equity

FirstRand Investment Holdings Proprietary Limited disposed of several immaterial private equity subsidiaries. The net gain on the disposals was R6 million.

Disposals in 2018

RMB Private Equity

FirstRand Investment Holdings Proprietary Limited disposed of a private equity subsidiary that was held via Corvest Holdings Proprietary Limited. A gain of R206 million was made on the disposal of the subsidiary.

9.3 *Non-controlling interests*

The only subsidiaries that give rise to a significant non-controlling interest are First National Bank of Namibia Holdings Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank of Botswana Holdings Limited. The non-controlling interests recognised by the group results from First National Bank Holdings Botswana Limited's shareholding in First National Bank Botswana Limited. The non-controlling interests own 30.5% of First National Bank Botswana Limited.

In addition to the above the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMBIA Proprietary Limited sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank Namibia Holdings Limited	First National Bank Botswana Limited
Country of incorporation	**Namibia**	**Botswana**
% ownership held by NCI	**40.1**	**30.5**
% voting rights by NCI	**40.1**	**30.5**

R million	**2019**	2018	**2019**	2018
Balances included in the consolidated statement of financial position				
Total assets	**44 180**	39 430	**34 773**	32 952
Balances with central banks*	**431**	345	**1 123**	1 014
Total liabilities	**38 766**	34 414	**30 395**	28 812
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 865**	3 582	**2 133**	1 928
Non-interest revenue	**1 913**	1 902	**1 533**	1 379
Profit or loss before tax	**1 585**	1 551	**1 259**	1 072
Total comprehensive income	**1 086**	1 059	**989**	951
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**239**	224	**153**	133
Profit or loss attributable to non-controlling interests	**445**	439	**293**	251
Accumulated balance of non-controlling interests	**2 202**	2 050	**1 290**	1 195

* *These balances are not available to the group for day-to-day operational use.*

06

definitions, abbreviations and supplementary information

06

definitions, abbreviations and supplementary information

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

ACI	African, Coloured and Indian
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BASA	Banking Association South Africa
B-BBEE	Broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BCIP	Bonus conditional incentive plan
BEE	Black economic empowerment
BLSA	Business Leadership South Africa
BSE	Botswana Stock Exchange
CAE	Chief audit executive
CAF	Combined assurance forum
CAGR	Compound annual growth rate
CCIB	Commercial, corporate and investment banking
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CIO	Chief information officer
CIP	Conditional incentive plan
CIS	Collective investment scheme
COE	Cost of equity
COFI	Conduct of Financial Institutions
CSI	Corporate social investment
CTC	Cost to company
DAG	Directors' affairs and governance committee
D-SIB	Domestic systemically important bank
dti	Department of Trade and Industry
DWT	Dividend withholding tax
ECL	Expected credit loss
EDD	Enhanced due diligence
EE	Employment equity
EEA	Employment Equity Act
eGRC	Electronic group risk and compliance
EPS	Earnings per share
ERM	Enterprise risk management
EV	Embedded value
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRM	Financial resource management
FSB	Financial Services Board
FSC	Financial Sector Charter
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GDPR	General Data Protection Regulations
GIA	Group Internal Audit
GRI	Global Reporting Initiative
HQLA	High-quality liquid assets
ICAAP	Internal capital adequacy assessment process
IRBAs	Independent Regulatory Board for Auditors
IRRBB	Interest rate risk in the banking book

ISA	International Standards on Auditing
ITGF	IT governance framework
ITRGC	Information technology risk and governance committee
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LISP	Linked investment service provider
LSE	London Stock Exchange
LTEMRS	Long-term executive management retention scheme
LTI	Long-term incentive
LTIP	Long-term incentive plan
MAFR	Mandatory audit firm rotation
MIC	Mineworkers Investment Company
MOI	Memorandum of incorporation
MVNO	Mobile virtual network operator
NAV	Net asset value
NC	Nominations committee
NCNR	Non-cumulative non-redeemable
NHI	National Health Insurance
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
P/E	Price/earnings
PRA	Prudential Regulatory Authority
PSP	Performance share plan
PwC	PricewaterhouseCoopers Inc.
RCCC	Risk, capital management and compliance committee
RCRM	Regulatory conduct risk management
Remco	Remuneration committee
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
SA-CCR	Standardised approach for counterparty credit risk
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SMEs	Small and medium-sized enterprises
SOE	State-owned enterprises
STI	Short-term incentives
TCFD	Task Force on Climate-related Financial Disclosures
TRS	Total return swap
TSR	Total shareholder return
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
VWAP	Volume weighted average price
WBCSD	World Business Council for Sustainable Development
WIM	Wealth and investment management
WRI	World Resources Institute

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRS 5	Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	Financial Instruments – Disclosures
IFRS 8	Operating Segments
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRS 15	Revenue
IFRS 16	Leases
IFRS 17	Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

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

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

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

Description of difference between normalised and IFRS results

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

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

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 210.

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2019 IFRS 9

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

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2018 IAS 39

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	51 254	–	–	(2 252)
Impairment charge	(8 567)	–	–	–
Net interest income after impairment of advances	42 687	–	–	(2 252)
Total non-interest revenue	41 926	320	(18)	2 252
– Operational non-interest revenue	41 012	320	(13)	2 252
– Share of profit of associates and joint ventures after tax	914	–	(5)	–
Income from operations	84 613	320	(18)	–
Operating expenses	(47 664)	(320)	–	–
Income before tax	36 949	–	(18)	–
Indirect tax	(1 077)	–	–	–
Profit before tax	35 872	–	(18)	–
Income tax expense	(7 865)	–	–	–
Profit for the year	28 007	–	(18)	–
Attributable to				
Other equity instrument holders	(466)	–	–	–
Non-controlling interests	(1 130)	–	–	–
Ordinary equityholders	26 411	–	(18)	–
Headline and normalised earnings adjustments	–	–	18	–
Normalised earnings attributable to ordinary equityholders of the group	26 411	–	–	–

* *FirstRand shares held for client trading activities.*

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

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2019

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

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2018

	IAS 39		
R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	96 024	–	96 024
Derivative financial instruments	42 499	–	42 499
Commodities	13 424	–	13 424
Investment securities	209 004	(67)	208 937
Advances	1 121 227	–	1 121 227
– Advances to customers	1 065 997	–	1 065 997
– Marketable advances	55 230	–	55 230
Accounts receivable	9 884	–	9 884
Current tax asset	378	–	378
Non-current assets and disposal groups held for sale	112	–	112
Reinsurance assets	84	–	84
Investments in associates	5 537	–	5 537
Investments in joint ventures	1 680	46	1 726
Property and equipment	17 936	–	17 936
Intangible assets	10 847	–	10 847
Investment properties	754	–	754
Defined benefit post-employment asset	36	–	36
Deferred income tax asset	2 884	–	2 884
Total assets	1 532 310	(21)	1 532 289
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	9 999	–	9 999
Derivative financial instruments	50 954	–	50 954
Creditors, accruals and provisions	19 620	–	19 620
Current tax liability	438	–	438
Deposits	1 267 448	–	1 267 448
Employee liabilities	11 534	–	11 534
Other liabilities	6 989	–	6 989
Policyholder liabilities	4 593	–	4 593
Tier 2 liabilities	28 439	–	28 439
Deferred income tax liability	1 477	–	1 477
Total liabilities	1 401 491	–	1 401 491
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(62)	7 994
Reserves	112 934	41	112 975
Capital and reserves attributable to equityholders of the group	121 046	(21)	121 025
Other equity instruments	5 769	–	5 769
Non-controlling interests	4 004	–	4 004
Total equity	130 819	(21)	130 798
Total equities and liabilities	1 532 310	(21)	1 532 289

* *FirstRand shares held for client trading activities.*

07

shareholders' information

07

shareholders' information

Analysis of ordinary shareholders

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)		1 910 433	34.1
Public Investment Corporation		503 719	9.0
BEE partners*		290 603	5.2
Financial Securities Ltd (Remgro)		219 828	3.9
Subtotal		2 924 583	52.2
Other		2 684 905	47.8
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 261	38.0
Pension funds		827 435	14.7
Insurance companies and banks		239 498	4.3
Unit trusts		1 254 776	22.3
Individuals		32 458	0.6
BEE partners*		290 603	5.2
Other		834 457	14.9
Total		5 609 488	100.0
Public and non-public shareholders			
Public	54 538	3 181 115	56.7
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 261	38.0
– Directors and prescribed officers**	9	7 509	0.1
– BEE partners*	6	290 603	5.2
Total	54 555	5 609 488	100.0
Geographic ownership			
South Africa		3 689 255	65.8
International		1 538 572	27.4
Unknown/unanalysed		381 661	6.8
Total		5 609 488	100.0

* *Includes staff assistance trust.*

** *Reflects direct beneficial ownership.*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**6 146**	**45 000**	**100.0**
Non-public	**–**	**–**	**–**
Total	**6 146**	**45 000**	**100.0**

Performance on the JSE

	2019	2018
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**6 855**	6 389
High	**7 195**	7 725
Low	**5 900**	4 669
Weighted average	**6 608**	5 999
Closing price/net asset value per share	**2.97**	2.96
Closing price/earnings (headline)	**13.79**	13.52
Volume of shares traded (millions)	**2 717**	3 239
Value of shares traded (millions)	**179 308**	196 560
Market capitalisation (R billion)	**384.53**	358.39

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), MS Bomela, HL Bosman, JP Burger, JJ Durand (alternate), GG Gelink, NN Gwagwa, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, LL von Zeuner, T Winterboer

COMPANY SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton
2052

Listed financial instruments of the group

at 30 June 2019

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB13	ZAG000116286	FRB18	ZAG000135229	FRB23	ZAG000146754
FRB14	ZAG000116294	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB15	ZAG000124199	FRB20	ZAG000135385	FRB25	ZAG000157512
FRB16	ZAG000127622	FRB21	ZAG000140856	FRB26	ZAG000159955
FRB17	ZAG000127630	FRB22	ZAG000141219	FRB27	ZAG000159963
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX25	ZAG000152828
FRBZ02	ZAG000072711	FRJ26	ZAG000156969	FRX26	ZAG000112160
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX27	ZAG000142506
FRJ20	ZAG000109596	FRJ29	ZAG000156951	FRX28	ZAG000152836
FRJ21	ZAG000115858	FRX19	ZAG000073685	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS129	ZAG000125865	FRS169	ZAG000145780
FRS37	ZAG000077793	FRS131	ZAG000126186	FRS170	ZAG000145954
FRS43	ZAG000078643	FRS132	ZAG000126194	FRS171	ZAG000147448
FRS46	ZAG000079807	FRS133	ZAG000126541	FRS172	ZAG000147455
FRS49	ZAG000081787	FRS134	ZAG000126574	FRS173	ZAG000148180
FRS51	ZAG000086117	FRS135	ZAG000126608	FRS174	ZAG000148198
FRS62	ZAG000090614	FRS136	ZAG000126780	FRS175	ZAG000149451
FRS64	ZAG000092529	FRS137	ZAG000127549	FRS176	ZAG000149444
FRS81	ZAG000100892	FRS138	ZAG000127556	FRS177	ZAG000152885
FRS85	ZAG000104985	FRS142	ZAG000130782	FRS178	ZAG000153107
FRS87	ZAG000105420	FRS143	ZAG000130790	FRS179	ZAG000153321
FRS90	ZAG000106410	FRS145	ZAG000134263	FRS180	ZAG000154147
FRS100	ZAG000111634	FRS146	ZAG000134636	FRS181	ZAG000154188
FRS101	ZAG000111774	FRS147	ZAG000135724	FRS182	ZAG000154386
FRS103	ZAG000111840	FRS149	ZAG000136573	FRS183	ZAG000154568
FRS104	ZAG000111857	FRS150	ZAG000136615	FRS184	ZAG000155490
FRS108	ZAG000113515	FRS151	ZAG000136987	FRS185	ZAG000155540
FRS109	ZAG000113564	FRS152	ZAG000136995	FRS186	ZAG000156522
FRS110	ZAG000113663	FRS153	ZAG000137670	FRS187	ZAG000156514
FRS112	ZAG000115395	FRS158	ZAG000145012	FRS188	ZAG000156506
FRS114	ZAG000116070	FRS159	ZAG000145020	FRS189	ZAG000157462
FRS119	ZAG000118951	FRS160	ZAG000145038	FRS190	ZAG000157835
FRS120	ZAG000119298	FRS161	ZAG000145046	FRS191	ZAG000157827
FRS121	ZAG000120643	FRS162	ZAG000145111	FRS192	ZAG000157850
FRS122	ZAG000121062	FRS163	ZAG000145129	FRS193	ZAG000157892
FRS123	ZAG000121328	FRS164	ZAG000145160	FRS194	ZAG000160516
FRS124	ZAG000122953	FRS165	ZAG000145178	FRS195	ZAG000160524
FRS126	ZAG000125188	FRS167	ZAG000145764	RMBI01	ZAG000050865
FRS127	ZAG000125394	FRS168	ZAG000145772	RMBI02	ZAG000052986
Credit-linked notes					
FRC169	ZAG000104852	FRC246	ZAG000135476	FRC278	ZAG000153560
FRC178	ZAG000107897	FRC247	ZAG000135484	FRC279	ZAG000153578
FRC179	ZAG000108168	FRC248	ZAG000135450	FRC280	ZAG000153776
FRC181	ZAG000108549	FRC249	ZAG000135542	FRC281	ZAG000153834
FRC195	ZAG000114745	FRC250	ZAG000135559	FRC282	ZAG000154063
FRC207	ZAG000117649	FRC251	ZAG000141813	FRC283	ZAG000154394
FRC208	ZAG000117656	FRC252	ZAG000142225	FRC284	ZAG000154642
FRC209	ZAG000118613	FRC254	ZAG000144825	FRC285	ZAG000155201
FRC210	ZAG000120296	FRC256	ZAG000145806	FRC286	ZAG000156548
FRC212	ZAG000121054	FRC257	ZAG000146564	FRC287	ZAG000156860

Listed financial instruments of the group continued

at 30 June 2019

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes *continued*					
FRC213	ZAG000121047	FRC258	ZAG000146580	FRC288	ZAG000156852
FRC215	ZAG000121021	FRC259	ZAG000147414	FRC289	ZAG000157108
FRC219	ZAG000121138	FRC260	ZAG000147596	FRC290	ZAG000157447
FRC221	ZAG000121229	FRC261	ZAG000147653	FRC291	ZAG000157629
FRC225	ZAG000121435	FRC262	ZAG000147646	FRC292	ZAG000157777
FRC233	ZAG000128752	FRC264	ZAG000149345	FRC293	ZAG000158783
FRC234	ZAG000130816	FRC265	ZAG000149485	FRC294	ZAG000158791
FRC236	ZAG000135211	FRC266	ZAG000149824	FRC295	ZAG000159310
FRC237	ZAG000135203	FRC267	ZAG000150004	FRC296	ZAG000159369
FRC238	ZAG000135237	FRC269	ZAG000150806	FRC297	ZAG000159351
FRC239	ZAG000135245	FRC270	ZAG000151234	FRC298	ZAG000159427
FRC240	ZAG000135252	FRC271	ZAG000151556	FRC299	ZAG000159575
FRC241	ZAG000135393	FRC272	ZAG000151564	FRC300	ZAG000159674
FRC242	ZAG000135401	FRC274	ZAG000151952	FRC301	ZAG000159872
FRC243	ZAG000135419	FRC275	ZAG000152372	FRC302	ZAG000160029
FRC244	ZAG000135427	FRC276	ZAG000152430	FRC303	ZAG000160425
FRC245	ZAG000135468	FRC277	ZAG000153552	FRC304	ZAG000160565

Other

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK01	ZAE000193959	FRPT01	ZAE000205480

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1178685084	XS1810806395
XS0610341967	
XS1225512026	

Issuer: First National Bank of Namibia Limited

JSE

ISIN code
ZAG000142803
ZAG000142902

NSX

Domestic medium-term note programme

ISIN code
Senior unsecured
NA000A188PX0
NA000A188PY8
NA000A188PV4
NA000A19FKU3
NA000A188PW2
NA000A19FKV1
NA000A1G3AG0
NA000A1G3AF2

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Irish Stock Exchange

ISIN code
Contingent convertible securities
XS1150025549

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700

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

08

notice of annual general meeting

08

notice of annual general meeting

Invitation to shareholders by the chairman

Mr William Rodger Jardine wishes to extend an invitation to the shareholders to attend the 23rd annual general meeting (AGM) of FirstRand Limited (FirstRand or the company) to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton on Thursday, 28 November 2019 at 9:00.

FirstRand recognises and values its shareholders' presence at the AGM. The company believes that this provides a platform for shareholders to actively participate in matters as set forth in the notice of meeting and to raise any matters of concern. Our panel of chairpersons from the various board committees, including senior executive members and external audit, will be present to respond to any questions from the shareholders.

Refer to page 284 of the notice of AGM for the procedural requirements for the purposes of meeting participation.

SUMMARY OF RESOLUTIONS TO BE TABLED AT THE AGM

The following will be dealt with as the ordinary business and the ordinary resolutions below will be tabled for consideration at the AGM:

- present the consolidated audited annual financial statements of the company as approved by the board of directors of the company, including the reports of external audit, audit committee and directors' report for the year ended 30 June 2019;
- present the report of the social, ethics and transformation committee of the company for the financial year ended 30 June 2019;
- in terms of the provisions of the company's memorandum of incorporation (MOI) on director rotation, the directors who retire in terms of this provision offer themselves for re-election and the abridged curricula vitae have been included in the notice of AGM (resolutions number 1.1 to 1.4);
- in terms of the provisions of the company's MOI, the vacancy filled by the board of any person as a director during the year subsequent to the last AGM requires election by the shareholder at the AGM following such appointment (resolution number 1.5);
- to reappoint the company's joint auditors, Deloitte & Touche and PricewaterhouseCoopers Inc. (resolution number 2.1 and 2.2);
- a general authority to issue authorised but unissued ordinary shares for cash up to a maximum of 1.5% (excluding treasury shares) of the ordinary shares in issue as at date of this notice (resolution number 3); and
- to provide signing authority to the directors and/or company secretary of the company to sign documents as deemed necessary for the implementation of resolutions passed at the AGM (resolution number 4).

The advisory endorsement will be tabled for consideration at the AGM:

- To consider and endorse, by way of a non-binding advisory vote, the company's remuneration policy and remuneration implementation report. The full remuneration report is available on page 109 of the *Annual integrated report*.

The following special resolutions will be tabled for consideration at the AGM:

- a renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's shares by the company or any subsidiary during the year, should the directors deem the circumstances to be appropriate. Any repurchases will be made in accordance with the provisions of the Companies Act 71 of 2008 (the Act) and the JSE Limited Listings Requirements (Listings Requirements) (special resolution number 1);
- to provide financial assistance to directors and prescribed officers as employee share scheme beneficiaries and to provide financial assistance to related and interrelated entities. This is subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX when applicable (special resolutions number 2.1 and 2.2); and
- to approve the non-executive director's fees with effect from 1 December 2019 in accordance with the provisions of section 66(9) of the Act (special resolution number 3).

The following ordinary resolutions have been requisitioned by two shareholders:

- to report on the company's assessment of its exposure to climate-related risks (resolution number 5); and
- to adopt and publicly disclose a policy on fossil fuel, lending (resolution number 6).

Notice of annual general meeting

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the 23rd annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Thursday, 28 November 2019, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions endorsements and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Limited Listings Requirements (Listings Requirements) and the Banks Act 94 of 1990 (the Banks Act).

SALIENT DATES	
Record date to be eligible to receive the notice of AGM	Friday, 18 October 2019
Posting date	Thursday, 24 October 2019
Last day to trade to be eligible to attend and vote at the AGM	Tuesday, 19 November 2019
Record date to be eligible to attend and vote at the AGM	Friday, 22 November 2019
Proxies due (for administrative purposes) by 09:00*	Tuesday, 26 November 2019
AGM at 09:00**	Thursday, 28 November 2019

Notes:

The above dates and times are subject to amendment, provided that in the event of an amendment, an announcement will be released on SENS.

All dates and times indicated above are references to South African dates and times.

* *Alternatively, to be handed to the chairman of the AGM prior to its commencement.*

** *Results of AGM to be released on SENS on Friday, 29 November 2019.*

Agenda

1. ANNUAL FINANCIAL STATEMENTS

Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors' report for the year ended 30 June 2019 (available on the company's website, www.firstrand.co.za), and the summary financial statements, which are included in the 2019 annual integrated report, of which this notice forms part, distributed as required by the Act to shareholders.

2. SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee report is set out on pages 167 to 170 in the annual integrated report, as required in terms of regulation 43(5)(c) of the Act's Regulations, 2011.

3. ORDINARY RESOLUTIONS NUMBER 1.1 TO 1.4

Re-election of directors by way of separate resolutions

To re-elect Ms AT Nzimande, Ms MS Bomela, Mr GG Gelink and Mr F Knoetze as directors of the company by way of separate resolutions in accordance with the provisions of the company's memorandum of incorporation (MOI). The directors, being eligible, offer themselves for re-election.

Additional information in respect of ordinary resolutions number 1.1 to 1.4

Skills and experience of these directors are set out below for your information purposes.

The percentage of voting rights required for each ordinary resolution numbered 1.1 to 1.4 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

Directors standing for re-election to the board are as follows:

1.1 Amanda Tandiwe (Tandi) **Nzimande** :: 49*

Independent non-executive
South African
Appointed: 28 February 2008
Qualifications: CTA, CA(SA), HDip Co Law
Expertise in audit, risk and banking

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that period, she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Tandi is currently a partner at Chapter One Innovation Brokers, a business model research and development firm. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions.

Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professionals.

FirstRand – committee memberships:
- Directors' affairs and governance – chairperson
- Remuneration
- Social, ethics and transformation

Other governing body and professional positions held:
- Fellow of Africa Leadership initiative
- African Women Chartered Accountants
- Association of Black Securities Investment professionals

External listed directorships:
- None

1.2 Mary Sina **Bomela** :: 46*

Independent non-executive
South African
Appointed: 24 September 2011
Qualifications: BCom (Hons), CA(SA), MBA
Expertise in audit, risk and banking, resources and media

Mary was appointed to the position of CEO of the Mineworkers Investment Company Proprietary Limited (MIC) in July 2010 and was appointed to the board in September 2011.

Prior to joining the MIC, Mary was the CFO of Freight Dynamics and an executive in the corporate services division of the South African Institute of Chartered Accountants. She has held executive positions in the resources, media, utilities and financial services sector.

FirstRand – committee memberships:
- Directors' affairs and governance
- Risk, capital management and compliance

Other governing body and professional positions held:
- South African Institute of Chartered Accountants
- Institute of Directors

External listed directorships:
- Ascendis Health Limited
- Metrofile Holdings Limited
- Kumba Iron Ore Limited

* *The Prudential Authority issued Directive 4 of 2018 ("the Directive") on 5 October 2018 in terms of section 6(6) of the Banks Act 94 of 1990. The Directive set out that a director will be deemed as not being "independent" if such a director has served as an independent non-executive director for a period of nine years or longer and may still remain as a director of the company, but will not qualify as "independent." The board is considerate and committed to the requirements as set forth by the PA with specific regard to the composition of the board of directors (the board) to ensure continuity. The PA has granted dispensation to stagger the retirement of the directors affected by the Directive and therefore the retirement of the four female directors affected by the nine-year limit will occur incrementally from the 2019 AGM and will be completed at the end of the 2020 AGM. Amanda Tandiwe (Tandi) Nzimande and Mary Sina Bomela will retire from the board at the end of the 2020 AGM, so it is therefore proposed that they be re-elected for 12 months. During the year, a King IV independence assessment was performed on directors with a tenure of more than nine years. The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision-making in the best interests of the group.*

The following directors are standing for re-election in terms of the MOI:

1.3 Grant Glenn **Gelink** :: 69

Independent non-executive
South African
Appointed: 1 January 2013
Qualifications: BCom (Hons), BCompt (Hons), CA(SA)
Expertise in audit, risk and banking

Grant has had extensive work experience within Deloitte South Africa, which includes the following positions spanning over 26 years – CEO (2006 to 2012), CEO: human capital corporation (2004 to 2006), managing partner: consulting and advisory services (2001 to 2006) and partner in charge Pretoria office (1997 to 1999).

FirstRand – committee memberships:

- Audit – chairman
- Remuneration – chairman
- Directors' affairs and governance
- Information technology and risk governance
- Risk, capital management and compliance
- Retail and Commercial (formerly FNB) advisory board
- WesBank advisory board

Other governing body and professional positions held:

- South African Institute of Chartered Accountants

External listed directorships:

- Allied Electronics Corporation Limited (ALTRON)
- Grindrod Limited

1.4 Francois (Faffa) **Knoetze** :: 56

Non-executive director
South African
Appointed: 1 April 2016
Qualifications: BCom (Hons), FASSA, FIA
Expertise in finance, risk and insurance

Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa and the Institute of Actuaries in 1992.

After starting his actuarial career at Sanlam as a marketing actuary in the life business, he spent most of his working career at Alexander Forbes, where he was the valuator and consulting actuary to a number of pension and provident funds.

He joined Remgro in December 2013 and focuses on the company's interests in the financial services (insurance and banking) and sport industries.

FirstRand – committee memberships:

- Directors' affairs and governance
- Risk, capital management and compliance
- Social, ethics and transformation
- Retail and Commercial (formerly FNB) advisory board
- Corporate and Institutional (formerly RMB) advisory board
- WesBank advisory board

Other governing body and professional positions held:

- Fellow of the Institute and Faculty of Actuaries
- Fellow of Actuarial Society of South Africa

External listed directorships:

- Rand Merchant Investment Holdings Limited (alternate)
- RMB Holdings Limited (alternate)

4. ORDINARY RESOLUTION NUMBER 1.5

Vacancies filled by the directors during the year

Upon the recommendation of the nomination committee and the board, LL von Zeuner was appointed by the board to fill a vacancy in accordance with the Act and the company's MOI, and is now recommended by the board for election by shareholders by way of separate resolution.

Additional Information in respect of ordinary resolution number 1.5

Skills and experience of this director is set out below.

The percentage of voting rights required for ordinary resolution number 1.5 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Director standing for election to the board

Louis Leon **von Zeuner** :: 58

Independent non-executive
South African
Appointed: 1 February 2019
Qualifications: BEcon, Chartered Director (SA)
Expertise in audit, risk and banking, insurance

Mr von Zeuner has spent the greater part of his professional career in the banking industry and has more than 30 years' extensive experience in the financial services sector, including a diverse portfolio of other business sectors ranging from industrial, telecommunications, agriculture, sport and non-profit organisations. His exposure to banking and insurance keeps him close to the fast-changing regulatory landscape with a key focus on governance matters aside from strategy, profitability, sustainability and risk management.

His involvement in the turnaround of Telkom and the events of African Bank during and after the curatorship has provided him with the opportunity to play an instrumental role in management's key decisions.

Louis plays a leadership role in the activities of various organisations and contributes to business development and growth.

FirstRand – committee memberships:

- Directors' affairs and governance
- Audit
- Risk, capital management and compliance

Other governing body and professional positions held:

- SA Rugby

External listed directorships:

- Tongaat Hulett
- Transnet
- Telkom SA

5. RETIREMENT/RESIGNATION OF DIRECTORS

The following directors will be retiring at the conclusion of the 2019 annual general meeting and do not offer themselves for re-election.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Nolulamo Nobambiswano (Lulu) Gwagwa	At the conclusion of the annual general meeting, 28 November 2019	Independent non-executive director

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Ethel Gothatamodimo Matenge-Sebesho	At the conclusion of the annual general meeting, 28 November 2019	Independent non-executive director

The following director will be resigning at the conclusion of the 2019 annual general meeting.

DIRECTOR	DATE OF RESIGNATION	DESIGNATION
Jan Jonathan (Jannie) Durand	At the conclusion of the annual general meeting, 28 November 2019	Alternate non-executive director

6. ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.2

Reappointment of auditors

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. and recommend their reappointment as joint auditors of the company.

2.1 Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

Additional information in respect of ordinary resolutions numbers 2.1 to 2.2

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

The percentage of voting rights required for ordinary resolutions number 2.1 to 2.2 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7. ORDINARY RESOLUTION NUMBER 3

General authority to issue authorised but unissued ordinary shares for cash

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half percent) representing 84 136 531 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue;
  - the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;
  - any such general issues are subject to exchange control regulations and approval at that point in time;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
  - in respect of shares which are the subject of the general issue of shares for cash:
    - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
    - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
    - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 3

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

Additional information in respect of ordinary resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

8. ORDINARY RESOLUTION NUMBER 4

Signing authority

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 4

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

The percentage of voting rights required for ordinary resolution number 4 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

9. ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

9.1 *Endorsement of remuneration policy*

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on pages 114 to 122 in the remuneration report of the *Annual integrated report*.

9.2 *Endorsement of remuneration implementation report*

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on pages 123 to 126 in the remuneration report of the annual integrated report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote, however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. In the event that, either the remuneration policy or the implementation report, or both, are voted against by 25% (twenty-five per cent) or more of the voting rights exercised, the board will, as recommended by King IV and required by the Listing Requirements 3.84(k), implement certain measures to initiate engagement with the relevant shareholders. The outcome thereof will be disclosed in the 2020 annual integrated report.

10. SPECIAL RESOLUTION NUMBER 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiary(ies) (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the CEO of the Prudential Authority, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% (ten per cent) of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/(ies) of the company shall not exceed 10% (ten per cent) in aggregate of the number of issued shares in the company at any time;
- any such general repurchase will be subject to the applicable provisions of the Act, including sections 114 and 115 to the extent that section 48(8)(b) is applicable in relation to that particular repurchase;
- neither the company nor its subsidiary/(ies) will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group;
- any such general repurchases are subject to exchange control regulations and approval at that time;
- when the company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS in accordance with the JSE Listings Requirements; and
- at any time, the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reason and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary(ies) have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the Listings Requirements, is set out in Annexure 1.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

11. SPECIAL RESOLUTION NUMBER 2.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified staff of the company, and related and interrelated companies participate.

The percentage of voting rights required for this special resolution number 2.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

12. SPECIAL RESOLUTION NUMBER 2.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

The percentage of voting rights required for this special resolution number 2.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

13. SPECIAL RESOLUTION NUMBER 3

Remuneration of non-executive directors

Resolved to approve as a special resolution as recommended by the remuneration committee and the board, set out in the table below, the remuneration of the non-executive directors, in their capacity as non-executive directors, as contemplated in section 66(9) of the Act, with effect from 1 December 2019:

	Note	**Proposed remuneration for the 12-month period from 1 December 2019 to 30 November 2020 (excl. VAT)**	Remuneration for the 12-month period from 1 December 2018 to 30 November 2019 (excl. VAT)
Board			
Chairman	1	**6 821 802**	6 496 954
Director	2	**582 558**	554 817
Audit committee			
Chairman	3	**832 225**	792 595
Member		**416 113**	396 298
Risk, capital management and compliance committee			
Chairman	3	**832 225**	792 595
Member		**416 113**	396 298
Remuneration committee			
Chairman	3	**499 335**	475 557
Member		**249 667**	237 778
Directors' affairs and governance committee			
Chairman	3	**159 787**	152 178
Member		**79 893**	76 089
Large exposures committee			
Chairman	3	**587 108**	559 150
Member		**293 554**	279 575
Social, ethics and transformation committee			
Chairman	3/4	**451 148**	438 008
Member	4	**225 574**	219 004
Information technology risk and governance committee			
Chairman	3	**333 900**	318 000
Member		**166 950**	159 000
***Ad-hoc* work**			
Special technical	5	**5 099**	4 856
Standard	6	**3 329**	3 170

1. *The group chairman's fees cover chairmanship and membership of all board committees.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees for board committee chairpersons are twice that of committee members fees.*
4. *All fees were increased by 5% with the social, ethics and transformation committee increased by 3%, to align with industry benchmarks.*
5. *Special technical rate payable for highly specialised ad-hoc work on an hourly basis at the request of the board.*
6. *Standard ad-hoc rate payable for additional work on an hourly basis at the request of the responsible executive.*

Additional information in respect of special resolution number 3

The percentage of voting rights required for special resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

14. CLIMATE RISK RESOLUTIONS

These resolutions have been requisitioned by two shareholders in terms of section 65(3) of the Companies Act. The company's position in respect of these resolutions is set out on pages 282 and 283 of the *Annual integrated report*.

Paragraph 10.11(b) of Schedule 10 of the JSE Listing Requirements provides that an ordinary resolution is subject to a minimum notice period of 15 business days. In accordance with the above, these resolutions have been submitted for consideration by FirstRand Limited's (the company's or FirstRand's) shareholders at the company's annual general meeting to be held on 28 November 2019[1]:

ORDINARY RESOLUTION NUMBER 5

To report on the company's assessment of its exposure to climate-related risks

FirstRand states that it "supports the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and initiated a project during the 2018 financial year to begin implementing the recommendations of the TCFD."[2]

It is therefore resolved that the company should prepare a consolidated report to shareholders, by no later than end October 2020, at reasonable cost and omitting proprietary information, on its assessment of its exposure to climate-related risks (transition and physical) in its lending, investing and financing activities, including:

i. the amount and percentage of fossil fuel-related assets relative to total assets;

ii. a description of any significant concentrations of credit exposure to fossil fuel-related assets; and

iii. the amount of lending and other financing connected with climate-related opportunities.[3]

ORDINARY RESOLUTION NUMBER 6

To adopt and publicly disclose a policy on fossil fuel lending

Resolved that the company should adopt and publicly disclose on its website, by no later than end October 2020, a policy on lending to fossil fuel-related projects, including coal-fired power plants, coal mining operations and oil and gas exploration and production projects.

Brief explanatory note to the resolution as provided by the two shareholders for ordinary resolutions numbers 5 and 6

Banks' financing choices have a major role to play in promoting carbon reduction. Bank lending and investments make up a significant source of external capital for carbon intensive industries. Every rand invested by South African banks in fossil fuel-related assets increases climate risk, renders it harder to achieve a just transition to a low-carbon economy, and exposes those banks to financial, reputational and litigation risks.

FirstRand appears to have been an early leader in the public recognition of climate risk to the financial sector. In its Climate Change Statement of August 2010[4], the company stated that "[i]nvestment and financing decisions have the potential to profoundly change South Africa's GHG emissions footprint and could play a major role in the transition to a low carbon economy in South Africa". It also acknowledged that "a large portion of our climate change risk is as a result of our client's [sic] exposure to risk".

In the 2010 statement, FirstRand's then CEO, Sizwe Nxasana, said that "FirstRand has leading governance structures for addressing climate change, have [sic] a climate change policy, Board oversight and senior management responsibility, employee training and public disclosure efforts. This places FirstRand at an advantage for effectively implementing strategy in addressing climate change risks. Sound corporate governance practices position FirstRand to take early action on emerging opportunities related to climate change. As a developing country we cannot miss the opportunity of transition towards a low carbon economy. Sustainable economic development is not a luxury, but a requirement to strategically position our economy for this century".

1. *https://www.firstrand.co.za/InvestorCentre/Pages/investor-info.aspx.*
2. *FirstRand 2018 Report to Society, p64.*
3. *See "Climate-related opportunities", p6 TCFD Final Recommendations.*
4. *https://www.banktrack.org/download/climate_change_statement/fsr_climate_change_statement_17_08_10_0.pdf*

Six years later, the FirstRand Climate change and energy report 2016[5] asserted that "FirstRand is committed to assisting in the transition towards a low-carbon economy and supporting the Paris Agreement to keep global temperature increases below 2°C". In relation to "Managing indirect climate risks to FirstRand's financing activities arising from risks to clients", the 2016 report stated that "FirstRand has incorporated the management of indirect climate change risks into client credit risk reviews as part of its lending application processes".

However, FirstRand's progress on addressing climate risk now seems to have stalled: it has not adopted publicly available policies on the financing of fossil fuels, nor has it improved its disclosure on the extent to which its lending, investing and financing activities are exposing the company and its shareholders to climate risk and exacerbating the climate crisis by hindering the transition to a low-carbon economy. This is information which shareholders urgently need in order to make informed investment decisions.

FirstRand's 2018 *Annual integrated report* refers to the fact that a "*Climate change statement detailing the group's commitment to monitor and mitigate the effect of its operations on the climate was approved*", but it is unclear whether this refers to the company's 2016 Climate change and energy report, or to a different statement which is not publicly available.

Furthermore, the company's 2018 reports focus exclusively on emission reduction targets in relation to its direct, operational emissions. FirstRand does not describe its climate-related risks in its lending and other intermediary roles. There is no mention, despite significant public and shareholder interest in these projects over the past two years, of whether FirstRand will finance two proposed new coal-fired power stations, Thabametsi and Khanyisa. In its 2017 Environmental and social risk report, the Company said that it was "concerned about climate change and the risks it poses for Africa, clients and their businesses," but argued that developing nations and financial institutions face a dilemma in terms of balancing climate change against the "need to support economic growth and the energy supply that underpins it"[6] FirstRand does not describe how it manages this "dilemma" in its financing decision-making processes.

In summary, despite its early recognition of climate risk, FirstRand is not currently disclosing adequate information about its financing of fossil-fuel related assets to enable shareholders to make informed investment decisions. The purpose of this resolution is to provide all shareholders with the opportunity to indicate their support for improved disclosure.

Internationally, increasing numbers of banks have adopted policies to reduce carbon exposure in their loan and investment portfolios, including by ending or substantially reducing financing for new coal-fired power, coal mining, and oil and gas projects. Research from the Institute for Energy Economics and Financial Analysis, released on 27 February 2019, finds that over 100 major global financial institutions have introduced policies restricting coal funding.[7]

The Paris Agreement of 2015, agreed to by 197 parties, including South Africa[8], commits to holding the increase in the global average temperature "*to well below 2˚C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5˚C above pre-industrial levels.*"[9] The World Economic Forum states that "*the results of climate inaction are becoming increasingly clear*", and ranks extreme weather events and the failure of climate-change mitigation and adaptation as the top two risks facing the world in 2019.[10]

5. *https://www.firstrand.co.za/Sustainability/EquatorPrinciplesReports/2016%20FirstRand%20climate%20change%20and%20energy%20report.pdf*
6. *On page 14.*
7. *http://ieefa.org/ieefa-report-every-two-weeks-a-bank-insurer-or-lender-announces-new-coal-restrictions.*
8. *South Africa ratified the Paris Agreement on 1 November 2016. See https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=XXVII-7-d&chapter=27&clang=_en*
9. *https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement. In October 2018, the Intergovernmental Panel on Climate Change's released a report which concluded that even the 2 degree limit in the Paris Agreement is insufficient to limit the worst impacts of climate change, and that "rapid, far-reaching changes" must be made to ensure that net emissions of carbon dioxide fall to 45% of 2010 levels by 2030, reaching "net zero" around 2050, to avoid disastrous levels of global warming: see https://www.ipcc.ch/2018/10/08/summary-for-policymakers-of-ipcc-special-report-on-global-warming-of-1-5c-approved-by-governments/*
10. *https://www.weforum.org/agenda/2019/01/these-are-the-biggest-risks-facing-our-world-in-2019*

The Financial Stability Board[11], an international body that monitors and makes recommendations about the global financial system, set up the Task Force on Climate-Related Financial Disclosures (TCFD)[12], chaired by Michael Bloomberg, to establish a set of recommendations for disclosing clear, comparable, and consistent information about the risks and opportunities presented by climate change.

In its Supplemental Guidance for the Financial Sector, the TCFD states that "*A key element of the FSB's proposal for the Task Force was the development of climate-related disclosures that 'would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks'*".[13]

The TCFD highlights that: "***Banks are exposed to climate-related risks and opportunities through their lending and other financial intermediary activities as well as through their own operations****. As financial intermediaries, banks may assume exposure to material climate-related risks through their borrowers, customers, or counterparties. Banks that provide loans or trade the securities of companies with direct exposure to climate-related risks (e.g., fossil fuel producers, intensive fossil fuel consumers, real property owners, or agricultural/food companies) may accumulate climate-related risks via their credit and equity holdings. In particular, asset-specific credit or equity exposure to large fossil fuel producers or users could present risks that merit disclosure or discussion in a bank's financial filings* ***… Investors, lenders, insurance underwriters, and other stakeholders need to be able to distinguish among banks' exposures and risk profiles so that they can make informed financial decisions****.*"[14]

BOARD'S NON-ENDORSEMENT of proposed resolution number 5: To report on the company's assessment of its exposure to climate-related risks

As outlined in the above resolution context, shareholders acknowledge that FirstRand has identified climate change as a risk that needs to be assessed, managed and governed.

FirstRand is mindful of the TCFD's recommendations and aware of increasing investor interest in climate-related disclosure practices.

Whilst the board does not endorse this resolution, it fully agrees with the need for a consolidated report on the group's assessment of its exposure to climate-related risks (transition and physical) in its lending, investing and financing activities. ***However, the requisite deadline of October 2020 presents an unattainable time frame for the group.***

The group is in the process of developing a framework to manage all climate-driven financial risks. The aim of the framework is to support more informed investment, credit and insurance underwriting decisions, and to address and oversee these risks within the group's overall business strategy and risk appetite. This will also assist the FirstRand board and management in identifying any existing concentrations of carbon-related assets in the FirstRand portfolio, as well as exposures to climate-related risks. A formal multi departmental internal working group was established during the year to develop this framework.

This framework is expected to use scenario analysis to explore the resilience and vulnerabilities of FirstRand's business activities, based on different transition paths to a low-carbon economy, as well as a path where no transition occurs. This will, where appropriate, include short-term and long-term assessments. The longer-term exercise will inform strategic planning and decision-making.

The group is also a member of the Banking Association South Africa Climate Risk Committee and The Partnership for Carbon Accounting Financials (Global), which are industry forums that aim to create standardised accounting methodologies for climate risk.

Until the group's framework is fully developed and implemented, which will take longer than the proposed time frame of October 2020, the group cannot provide a full consolidated report on its assessment of its exposure to climate-related risks (transition and physical) in its lending, investing and financing activities.

11. https://www.fsb.org/

12. https://www.fsb-tcfd.org/about/

13. TCFD. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, p22

14. TCFD. Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, p23 (emphasis added)

However, FirstRand has every intention of incrementally increasing its disclosure going forward, which could in the near term include its direct financing of fossil fuel-related assets. Some aspects of the group's lending and other financing connected with climate- related opportunities are already included in the group's annual report to society.

Overall, the group is committed to greater climate risk disclosure, which it expects to evolve from qualitative to quantitative disclosure, spanning the next three to five years.

From a governance perspective, climate change risk is already reported to the board of FirstRand through the Risk, Capital Management and Compliance Committee of the group on a quarterly basis. Clearly as the group's understanding of climate risk improves, it will evaluate whether the group has the requisite skills at all levels of its business to appropriately respond.

Additional information in respect of ordinary resolution number 5

The percentage of voting rights required for ordinary resolution number 5 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

BOARD'S ENDORSEMENT of proposed resolution number 6: To adopt and publicly disclose a policy on fossil fuel lending

The group has a policy on thermal coal financing, which includes coal-fired power plants and coal mining operations. This policy is publicly available on the FirstRand website. The group is in the process of developing a policy for its oil and gas financing, which will be publicly available in the next 12 months.

The group has not participated in the coal IPP transactions presented to the market to date, given that they have not met the requirements of the group's thermal coal financing policy. The group confirms that it has not financed either the Thabametsi or the Khanyisa coal fired IPP projects.

Additional information in respect of ordinary resolution number 6

The percentage of voting rights required for ordinary resolution number 6 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

General

Shareholders wishing to attend the meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in their stead. A proxy need not be a shareholder. Shareholders are referred to the attached proxy form in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached proxy form in accordance with the instructions contained therein to be received for the orderly arrangement of matters on the day of the annual general meeting by The Meeting Specialist (Proprietary) Limited, JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107), by no later than 09:00 on Tuesday, 26 November 2019 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

If you are a dematerialised shareholder, other than with own-name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Dematerialised shareholders without own-name registration

Voting at the annual general meeting

- Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.
- If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.
- If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
- You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

- In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own-name registration

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the meeting facilitators (The Meeting Specialist) to be received by no later than 09:00 on Tuesday, 26 November 2019 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Certificated shareholders

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the meeting facilitators (The Meeting Specialist) to be received by no later than 09:00 on Tuesday, 26 November 2019 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Voting requirements

Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy holder need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of financial statements

The complete financial statements are available for inspection at the registered office and downloading on the company's website www.firstrand.co.za or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C LOW
Company secretary

4 September 2019

Transfer secretaries
Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Meeting facilitators
The Meeting Specialist (Proprietary) Limited
JSE Building, One Exchange Square
2 Gwen Lane
Sandown
2196

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

Annexure 1 – Additional information regarding special resolution number 1

For the purposes of considering special resolution number 1 and in compliance with paragraph 11.26 of the Listings Requirements, the information listed below has been included.

1. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 92 to 98 of the *Annual integrated report*, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the Listings Requirements.

2. MAJOR SHAREHOLDERS

Details of major shareholders of the company are set out on page 261 of the *Annual integrated report*.

3. SHARE CAPITAL OF THE COMPANY

Details of the share capital of the company are set out on page 218 of the *Annual integrated report*.

4. MATERIAL CHANGES

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the *Annual integrated report* to which this Annexure 1 forms part.

FirstRand

Form of proxy

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (FirstRand or the company)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2019 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Thursday, 28 November 2019 at 09:00 (the annual general meeting).

I/We

Of (address)

Email: Mobile/contact number:

being the holder(s) of (number of ordinary shares) shares in the company, appoint (see notes overleaf)

1. Or, failing him/her

2. Or, failing him/her

3. The chair of the annual general meeting as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and to vote for and/or against such ordinary and special resolutions and/or to abstain from voting in respect of the shares registered in my/our names, and at any adjournment thereof, in accordance with the following instructions (see notes overleaf):

	For	Against	Abstain
Ordinary resolutions Ordinary resolutions 1.1 to 1.4 – Re-election of directors of the company by way of separate resolution: 1.1 AT Nzimande			
1.2 MS Bomela			
1.3 GG Gelink			
1.4 F Knoetze			
Ordinary resolution 1.5 – Vacancy filled by director during the year 1.5 LL von Zeuner			
Ordinary resolution 2 – Appointment of external auditors 2.1 Appointment of Deloitte & Touche as external auditor			
2.2 Appointment of PricewaterhouseCoopers Inc. as external auditor			
Ordinary resolution 3 – General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution 4 – Signing authority			
Advisory endorsement	**For**	**Against**	**Abstain**
Advisory endorsement on a non-binding basis for the remuneration policy			
Advisory endorsement on a non-binding basis for the remuneration implementation report			
Special resolutions	**For**	**Against**	**Abstain**
Special resolution 1 – General authority to repurchase ordinary shares			
Special resolution 2.1 – Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution 2.2 – Financial assistance to related and interrelated entities			
Special resolution 3 – Remuneration of non-executive directors with effect from 1 December 2019			
Ordinary resolutions requisitioned by two shareholders	**For**	**Against**	**Abstain**
Ordinary resolution 5 – To report on the company's assessment of its exposure to climate-related risks by no later than end October 2020 (Not endorsed by the board – refer to pg 282)			
Ordinary resolution 6 – To adopt and publicly disclose a policy on fossil fuel lending by no later than end October 2020 (Endorsed by the board – refer to pg 283)			

Signed at (place) on (date) 2019

Signature

Assisted by me

(where applicable)

Proxy forms should (but are not required to) be received by the meeting facilitators, The Meeting Specialist (Proprietary) Limited, JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107), or email proxy@tmsmeetings.co.za, or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, Fax number +264 6124 8531, by no later than 09:00 on Thursday, 28 November 2019 for administrative purposes (or alternatively to be handed to the Chairman of the AGM prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

Notes to proxy form

USE OF PROXIES

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/(s) provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms should (but are not required to) be received by the meeting facilitators, The Meeting Specialist (Proprietary) Limited, JSE Building, One Exchange Square, 2 Gwen Lane, Sandown, 2196 (PO Box 62043, Marshalltown, 2107) or email proxy@tmsmeetings.co.za, or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 26 November 2019 for administrative purposes (or alternatively to be handed to the chairman of the AGM prior to its commencement). Proxy forms must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/(ies).
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person.

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FirstRand

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