FirstRand

annual financial statements

FOR THE YEAR ENDED 30 JUNE 2022

contents

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

five-year review and economic impact

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five-year review and economic impact

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Five-year review and economic impact

FIVE-YEAR REVIEW

R million	2018*	2019*	2020*	2021*	**2022**	Compound growth %
Statement of financial position						
Total assets - ***restated***	1 531 885	1 665 382	1 894 620	1 870 013	**2 004 402**	7
Average assets - ***restated***	1 374 815	1 598 634	1 780 001	1 882 317	**1 937 208**	9
Core lending advances	1 109 412	1 194 599	1 284 131	1 208 468	**1 311 441**	4
Average core lending advances	994 297	1 152 006	1 239 365	1 246 300	**1 259 955**	6
Impairment and fair value of credit of advances	18 835	34 162	49 380	50 618	**47 734**	26
NPLs	33 514	41 349	57 281	60 705	**50 886**	11
Gross advances before impairments	1 142 476	1 239 914	1 311 095	1 274 052	**1 382 058**	5
Deposits	1 267 448	1 393 104	1 535 015	1 542 078	**1 655 972**	7
Capital and reserves attributable to equityholders of the group	126 794	140 407	147 774	163 262	**176 426**	9
Treasury shares	15	(29)	72	25	**70**	47
Ordinary dividends	14 921	15 931	16 716	6 170	**17 390**	4
Total equity before dividends and treasury shares	141 730	156 309	164 562	169 457	**193 886**	8
Total ordinary equity	121 025	129 673	137 529	151 617	**164 781**	8
Assets under administration	1 867 270	2 001 400	2 258 429	2 282 511	**2 413 286**	7
Income statement						
Net interest income before impairment of advances	49 098	60 457	62 915	63 290	**66 375**	8
Impairment and fair value of credit of advances	(8 567)	(10 500)	(24 383)	(13 660)	**(7 080)**	(5)
Non-interest revenue	44 193	45 808	41 691	45 195	**48 248**	2
Share of profit of associates and joint ventures after tax	909	1 230	29	1 538	**1 491**	13
Operating expenses	(48 462)	(54 043)	(55 276)	(57 556)	**(60 769)**	6
Earnings attributable to ordinary equityholders	26 546	30 211	17 021	26 743	**32 761**	5
Headline earnings	26 509	27 887	17 326	26 950	**32 817**	5
Earnings per share (cents)						
- Basic	473.3	538.6	303.5	476.9	**584.3**	5
- Diluted	473.3	538.6	303.5	476.9	**584.3**	5
Headline earnings per share (cents)						
- Basic	472.7	497.3	308.9	480.5	**585.3**	5
- Diluted	472.7	497.3	308.9	480.5	**585.3**	5

* *Reclassifications of prior year numbers.*

FIVE-YEAR REVIEW continued

R million	2018	2019	2020	2021	**2022**	Compound growth %
Dividend per share (cents)	275.0	291.0	146.0	263.0	**342.0**	
Special dividend per share (cents)	-	-	-	-	**125.0**	
Dividend cover based on headline earnings	1.7	1.7	2.1	1.8	**1.7**	
NCNR preference dividends per share (cents)						
- February	386.2	381.7	374.7	253.6	**270.7**	(9)
- August	378.3	384.2	306.0	273.9	**307.4**	(5)
Net asset value per ordinary share (cents)	2 157.9	2 311.9	2 453.1	2 703.5	**2 938.6**	8
Shares in issue (millions)	5 609.5	5 609.5	5 609.5	5 609.5	**5 609.5**	-
Weighted average number of shares in issue (millions)	5 608.1	5 609.0	5 608.2	5 608.2	**5 606.7**	-
Diluted weighted average number of shares in issue (millions)	5 608.1	5 609.0	5 608.2	5 608.2	**5 606.7**	-

FIVE-YEAR REVIEW continued

R million	2018*	2019*	2020*	2021*	**2022**	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	23.1	22.2	13.0	18.6	**20.7**	
Price earnings ratio based on headline earnings (times)	13.5	13.8	12.3	11.2	**10.7**	
Price-to-book ratio (times)	3.0	3.0	1.6	2.0	**2.1**	
Market capitalisation (R million)	358 390	384 530	213 497	300 612	**349 864**	(1)
Closing share price (cents)	6 389	6 855	3 806	5 359	**6 237**	(1)
Cost-to-income ratio (%)	51.4	50.3	52.8	52.3	**52.3**	
Credit loss ratio (%) - core lending advances	0.86	0.91	1.97	1.10	**0.56**	
NPLs as a % of core lending advances	3.02	3.46	4.46	5.02	**3.88**	
Non-interest income as a % of total income	47.9	43.8	39.9	42.5	**42.8**	
Return on average total assets based on headline earnings (%) - ***restated***	1.9	1.7	1.0	1.4	**1.7**	
Interest margin on average advances (%)	4.9	5.2	5.1	5.1	**5.0**	
Exchange rates						
Rand/USD						
- Closing	13.80	14.13	17.36	14.26	**16.41**	
- Average	12.82	14.17	15.51	15.33	**15.19**	
Rand/GBP						
- Closing	18.18	17.98	21.43	19.72	**19.95**	
- Average	17.27	18.33	19.57	20.66	**20.21**	
Statement of financial position (USD)**						
Total assets - ***restated***	111 006	117 861	109 137	131 137	**122 145**	2
Advances	82 788	87 750	75 524	89 344	**84 220**	0
Deposits	91 844	98 592	88 423	108 140	**100 912**	2
Total equity	9 188	9 937	8 512	11 449	**10 751**	4
Assets under administration	135 309	141 642	130 094	160 064	**147 062**	2
Income statement (USD)#						
Earnings attributable to ordinary equityholders	2 071	2 132	1 097	1 744	**2 157**	1
Headline earnings	2 068	1 968	1 117	1 758	**2 160**	1
Statement of financial position (GBP)**						
Total assets - ***restated***	84 262	92 624	88 410	94 828	**100 471**	
Advances	62 842	68 961	61 180	64 607	**69 276**	2
Deposits	69 717	77 481	71 629	78 199	**83 006**	4
Total equity	6 974	7 809	6 896	8 279	**8 843**	6
Assets under administration	102 710	111 313	105 386	115 746	**120 967**	4
Income statement (GBP)#						
Earnings attributable to ordinary equityholders	1 537	1 648	870	1 294	**1 621**	1
Headline earnings	1 535	1 521	885	1 304	**1 624**	1

* *Reclassification of prior year numbers.*
** *The statement of financial position is converted using the closing rates as disclosed.*
# *The income statement is converted using the average rate as disclosed.*

ECONOMIC IMPACT

	2022		2021	
	R million	%	R million	%
Value added				
Net interest income after impairment	101 887	67.8	92 275	67.0
Non-operating revenue	49 604	33.0	47 186	34.2
Non-operating expenses	(1 215)	(0.8)	(1 636)	(1.2)
Value added by operations	150 276	100.0	137 825	100.0
To employees				
Salaries, wages and other benefits	36 621	24.4	34 358	24.9
To providers of funding	60 820	40.5	49 592	36.0
Dividends to shareholders	18 228		6 947	
Interest paid	42 592		42 645	
To suppliers	18 790	12.5	17 427	12.6
To government	14 647	9.7	11 777	8.6
Normal tax	12 950		10 232	
Value added tax	1 420		1 505	
Capital gains tax	-		-	
Other	277		40	
To communities				
Corporate social investment spend	221	0.1	152	0.1
To expansion and growth	19 177	12.8	24 519	17.8
Retained income	15 371		20 573	
Depreciation and amortisation	4 827		5 226	
Deferred income tax	(1 021)		(1 280)	
Total value added	150 276	100.0	137 825	100.0

firstrand group audited consolidated annual financial statements

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firstrand group audited consolidated annual financial statements

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AUDIT COMMITTEE REPORT

The committee herewith presents its report in respect of the group's financial year ended 30 June 2022. This report has been prepared based on the requirements of the South African Companies Act, 71 of 2008, as amended (Companies Act), the King Code of Governance for South Africa (King IV), the JSE Listings Requirements and other applicable regulatory requirements.

The group audit committee is constituted as a statutory committee of the FirstRand board in respect of the group's duties in terms of section 94(7) of the Companies Act and section 64 of the Banks Act of 1990 (Banks Act). The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the financial year.

The fundamental role of the audit committee is to assist the board in fulfilling its oversight responsibilities in areas that include internal and external audit functions, financial reporting (including the evaluation and efficiency of accounting policies), financial risk management, regulatory compliance and internal controls (including the effectiveness and adequacy thereof).

SUMMARY OF RESPONSIBILITIES

- Reviews the quality, independence and effectiveness of the statutory audit work performed by the group's external auditors.
- Recommends the appointment of the external audit firms to the board and approves the appointment of the audit lead partners after consideration of the enhanced due diligence results.
- Monitors the extent of non-audit engagements provided by the group's external audit firms, in accordance with approved internal policies and limits.
- Assists the board in evaluating the adequacy and effectiveness of FirstRand's internal control environment (including internal financial controls and IT-risk related controls), accounting practices, information systems and internal assurance processes.
- Ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities.
- Provides independent oversight regarding financial risks, including risks relating to the validity, accuracy and completeness of the interim financial results, annual financial statements and the annual integrated report (both financial and non-financial reports) and recommends these items to the board for approval.
- Receives and assesses the impact of reports on fraud and IT risks as these relate to financial reporting;
- Satisfies itself as to the expertise, resources and experience of the group financial director and finance function.
- Assesses and evaluates the effectiveness of the group's risk management processes regarding compliance with applicable legal, regulatory requirements and accounting policies in the preparation of the financial statements and external reports.

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

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

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

AUDIT COMMITTEE REPORT continued

COMPOSITION AND GOVERNANCE

Members of the committee satisfy the requirements for serving as members of an audit committee, as provided in section 94 of the Companies Act, King IV and the Banks Act. As a collective, the committee possesses the appropriate financial expertise, related qualifications, and a balance of skills and experience to discharge their responsibilities. All members are independent non-executive directors.

In addition to the group audit committee, divisional audit committees have been established and are chaired by the same competent independent non-executive members of the group audit committee.

The composition of the group audit committee and the attendance of meetings by its members for the 2022 financial year are set out below.

COMPOSITION	MEETINGS	NOVEMBER TRILATERAL
GG Gelink (chairman)	4/4	1/1
RM Loubser	4/4	1/1
LL von Zeuner	4/4	1/1
T Winterboer	4/4	1/1

ATTENDEES

- CEO
- COO
- Financial director
- Chief risk officer
- Chief audit executive
- Chairs of the subcommittees and other specialists
- External auditors
- Heads of finance, risk, internal audit and compliance

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

AUDIT COMMITTEE REPORT continued

AREAS OF FOCUS

In addition to the items detailed in the specific sections that follow, the committee performed the following during the year:

- Reviewed and considered the effectiveness of the internal financial controls and the going concern aspect of FirstRand and its subsidiaries, in terms of Regulation 40(4) of the Banks Act regulations (including specific approval of the list of loss-making entities and/or those with a negative net asset value).
- Reviewed the report on management's self-assessment of internal financial controls, enabling the directors' attestation in terms of the JSE Listings Requirements section 3.84(k).
- Conducted the quarterly financial analysis of the group's performance.
- Reviewed and approved the audit work plan.
- Reviewed and approved the audit committee charter.
- Recommended the intention to appoint two new audit firms for the 30 June 2024 and 30 June 2026 financial years to meet mandatory audit firm rotation (MAFR) requirements, after completing a detailed request for information process.
- Recommended the sequence in which the existing auditors will depart.
- Reviewed the impact of emerging and current regulation on the group.
- Reviewed and responded to the outcome of the statutory and regulatory audits.
- Noted management's response to JSE correspondence related to the group's annual financial statements (including the JSE proactive monitoring of financial statements report relating to the 2021 calendar year and additional reports issued from JSE for the 2022 financial year).
- Reviewed and approved the group's materiality framework.

AUDIT COMMITTEE REPORT continued

EXTERNAL AUDIT

The committee has satisfied itself as to the performance and quality of the external audit function, as well as independence of the external auditors and lead partners of the group, as set out in section 94(8) of the Companies Act. In reaching this conclusion, the following matters were considered:

- Representations made by the external auditors to the audit committee including the ISQC1 system of quality control representations.
- Independence criteria specified by the Independent Regulatory Board for Auditors (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, tenure of the auditors and rotation of the lead partners;
- Extent of non-audit work undertaken by the auditors for the group (in accordance with approved internal policy limits to ensure external audit independence is not jeopardised).
- Any matters arising from the closed meeting between audit firm senior leadership and the committee regarding the firm's risk and quality processes, independently from what the audit team disclosed to the committee
- The public conduct of audit firms, for example through media reports with follow-up sessions with the external auditors.
- The committee nominated, for re-election at the annual general meeting, Deloitte & Touche (Deloitte) and PricewaterhouseCoopers Inc. (PwC) as the external audit firms responsible for performing the functions of joint auditors for the 2023 financial year, and ensured that the appointment of the auditors complied with all required legislation. The committee also approved the proposed audit fees for the year under review.
- Deloitte and PwC have both been the group's external auditors for 12 years. As communicated on SENS, it is the group's intention to appoint Ernst & Young Incorporated (EY) as one of the joint auditors of FirstRand for the financial year ending 30 June 2024, and to appoint KPMG Incorporated (KPMG) as the other joint auditors for the financial year ending 30 June 2026. These appointments are in accordance with the mandatory audit firm rotation rule issued by IRBA. Both these appointments will be subject to further assessments to evaluate the skills and expertise and/or any significant changes that could potentially impact FirstRand closer to the commencement of the formal appointment process. The group's intention is to first replace Deloitte following the completion of the 30 June 2023 financial year audit and then replace PWC following the completion of the 30 June 2025 financial year audit.

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 above the highest threshold, it needs 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. The cumulative spend for the year to date is presented to the committee on a quarterly basis to keep track of the non-audit spend as well as the nature of services. The 2022 non-audit fees were 10% of the audit fees.

AUDIT COMMITTEE REPORT continued

INTERNAL AUDIT

The internal audit function's mission is to protect and enable sustainable growth for the FirstRand group and all its stakeholders. Group Internal Audit (GIA) leveraged its unique position in the group to deliver independent and objective assurance, data-driven insights and impactful advice.

GIA assists executive management and the audit committee into accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes within the group.

The committee reviewed and approved the annual internal audit charter and evaluated the independence, effectiveness and performance of GIA in compliance with its charter after having done the following:

- Assessed the performance of the chief audit executive and the arrangements of internal audit, and is satisfied that the function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.
- 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 the status of the audit plan to ensure it remained agile in its response to the changing risk landscape.
- Reviewed quarterly activity reports from internal audit which covered audit plan progress, insights, opportunities for improvement, a summary of audit observations with a focus on significant matters for escalation, a cumulative view on internal controls and risk management process maturity, and status updates on remediation efforts.

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 performed by internal audit was suitable for the purposes of external audit reliance. The international standards for the professional practice of internal auditing and the FirstRand group internal audit charter requires the internal audit function to be reviewed every five years by a qualified, independent assessor or assessment team from outside the group. This review was last performed by EY in 2020, with the overall assessment concluding that the activities of FirstRand's internal audit function generally conform to the Institute of Internal Auditors (IIA) standards.

AUDIT COMMITTEE REPORT continued

FINANCIAL STATEMENTS AND FINANCE FUNCTION

FirstRand maintains a strong risk culture and the effective functioning of its internal financial controls is relied upon to confirm the integrity and reliability of the financial statements. A formal attestation process relating to the effective functioning of internal financial controls within the operating businesses was successfully completed for a second year, enabling the positive attestation required from the CFO and CEO as stipulated in paragraph 3.84(k) of the JSE Listing Requirements.

Where deficiencies were identified and reported, the committee assessed the significance thereof, as well as the existence and effectiveness of mitigating controls, and reviewed the remediation actions implemented. 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, as well as the experience and continued professional development of the leadership team.

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 by its own analyses, sustains its conclusions reached for the 2022 financial year.

The committee recommended the consolidated financial statements, company financial statements and annual integrated report for the year ended 30 June 2022 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

Key audit matters identified by the external auditors are included in their report in the group's annual financial statements. These matters have been discussed and agreed upon 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. It is satisfied with management's treatment thereof and the audit response thereto.

The group's integrated report will be available on the group's website at www.firstrand.co.za/investors/annual-reporting from early October 2022.

CONCERNS / COMPLAINTS PROCESS

An audit committee process exists to receive and deal appropriately with any concerns or complaints relating to:
- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, or to the content or audit of the group's annual financial statements

AUDIT COMMITTEE REPORT continued

COMBINED ASSURANCE MODEL AND RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

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

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 these functions can leverage off one another.

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

The committee encouraged the focus of assurance activities on key risk areas and, robust discussion on emerging risks and the implication thereof for assurance providers. It fostered effective communication between the external and internal audit functions across assurance providers (i.e. business, risk, compliance, and internal and external audit functions).

FUTURE AREAS OF FOCUS

- Oversee the transition process of EY as joint auditors for the financial year ending 30 June 2024 and subsequently KPMG for the financial year ending 30 June 2026, in accordance with MAFR.
- Review and monitor the group's implementation plan as well as the disclosure impact relating to the adoption of IFRS 17, which will replace IFRS 4 Insurance Contracts, effective for annual reporting periods beginning on or after 1 January 2023.
- Keep abreast of any amendments to the JSE Listings Requirements.

GG Gelink
Chairman, audit committee
Sandton

14 September 2022

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited (the company or the group) are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements as at, and for the year ended 30 June 2022.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards, including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements, Banks Act, no. 94 of 1990 and the requirements of the Companies Act, no. 71 of 2008.

Simonet Terblanche, CA(SA), supervised the preparation of the annual financial statements for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review the directors are satisfied that it has adequate resources to continue in business for the foreseeable future and the going concern basis has been adopted in the preparation of the annual financial statements.

Chief executive and chief financial officers' responsibility statement relating to internal financial controls

The CEO and CFO, whose names appear below, hereby confirm that -

a) the consolidated annual financial statements of the group, which appears on pages B103 to B330, and the separate annual financial statements of the company, which appear on pages B331 to B348, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS.
b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer;
d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
e) where we are not satisfied, we have disclosed to the audit committee and auditors any deficiencies in the design or operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
f) we are not aware of any fraud involving directors.

The group's system of controls includes controls over the security of the website and specifically establishing and controlling the process for electronically distributing annual financial statements and other financial information to shareholders.

DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS continued

Approval of the separate and consolidated annual financial statements

The separate and consolidated annual financial statements, as set out on the pages outlined above, were approved by the board of directors on 14 September 2022.

It is the responsibility of the group's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no 71 of 2008. Their unmodified report appears on page B26.

WR Jardine
Chairman
Sandton

AP Pullinger
Chief executive officer

H Kellan
Chief financial officer

14 September 2022

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

14 September 2022

DIRECTORS' REPORT

for the year ended 30 June 2022

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank-controlling company with a primary listing on the 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 integrated financial services businesses comprises FNB, RMB, WesBank and Aldermore and offers a universal set of transactional, lending, investment and insurance products and services. The Centre franchise represents group-wide functions.

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

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

GROUP RESULTS

Profit after tax amounted to R34 639 million (2021: R28 310 million). The operating results and the state of affairs of the company and the group are fully disclosed in the annual financial statements.

DIVIDEND DECLARATIONS

Dividends

ORDINARY SHARES

	Year ended 30 June	
Cents per share	**2022**	2021
Interim (declared 2 March 2022)	**157.0**	110.0
Final (declared 14 September 2022)	**185.0**	153.0
Annual ordinary dividends	**342.0**	263.0
Special dividend (declared 14 September 2022)	**125.0**	-
Total dividends	**467.0**	263.0

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R838 million were made on other equity instruments (2021: R777 million). Current tax of R203 million (2021: R147 million) relating to the AT1 instruments was recognised in the income statement.

DIRECTORS' REPORT continued

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

	Year ended 30 June	
Cents per share	**2022**	2021
Period:		
1 September 2020 – 22 February 2021		253.6
23 February 2021 – 30 August 2021		273.9
31 August 2021 – 28 February 2022	**270.7**	
1 March 2022 – 29 August 2022	**307.4**	

Other distributions on the AT1 instruments and contingent convertible securities totalled R593 million (2021: R525 million).

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2022 are shown in note 28 to the group's financial statements.

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.

DIRECTORS' REPORT continued

SHAREHOLDER ANALYSIS

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

%	**2022**	2021
Public Investment Corporation	**16.1**	14.7
BEE partners	**5.2**	5.2
Royal Bafokeng Holdings	**3.0**	3.6
Remgro Limited	**2.4**	2.6

A further analysis of shareholders is set out in section C.

EVENTS AFTER REPORTING PERIOD

The disposal of non-current assets held for sale in FNB Tanzania was completed on 7 July 2022 (refer to Note 14).

On 8 July 2022, FirstRand offered to acquire the non-cumulative non-redeemable B preference shares (preference shares) at par value from the preference shareholders. This will result in a change in the classification of these preference shares from equity to liabilities in the 2023 financial year. On 25 August 2022, preference and ordinary shareholders approved the repurchase of FirstRand's preference shares at par. The realisation of RMB's private equity investment in Studio 88 is expected to close during October 2022.

DIRECTORS' REPORT continued

BOARD CHANGES

The following changes to the board of directors took place during the 2022 financial year.

		EFFECTIVE DATE
Resignations		
F Knoetze	Non-executive director	1 December 2021
Appointments		
PM Naidoo	Independent non-executive director	1 April 2022

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 caution or where participants have knowledge of price sensitive information. A director or prescribed officer is prohibited from using their position or confidential and price sensitive information to benefit themselves or any related party.

Under the requirements of the Companies Act. 71 of 2008 (the Act), a director must use their power and perform their functions in good faith and for a proper purpose in the best interest of the company. This includes the duty to avoid a conflict of interest. Directors' and officers' are required to notify the board of any matter in which they have a personal financial interest or in which they know that a related party has a personal financial interest in relation to particular items of business or other directorships. At the request of the chair, declarations are tabled before commencement of each board meeting and all board members are required to declare their interests and potential conflicts dealing with matters for consideration at the meeting.

In terms of the JSE Listings requirements, directors and prescribed officers are prohibited from dealing in any securities of the company during prohibited periods.

All directors' dealings require the prior approval of the chairman before trading in the company's securities, and the company secretary retains a record of all such dealings in securities 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.

DIRECTORS' REPORT continued

Directors' and Prescribed Officers' interest in ordinary shares in FirstRand Limited.

30 June 2022						
	Direct beneficial (thousands)	**Indirect beneficial (thousands)**	**Held by associates (thousands)**	**Total 2022 (thousands)**	Total 2021 (thousands)	Percentage holding %
Executive directors and prescribed officers						
A Pullinger	5 629	-	108	**5 737**	5 258	0.10
HS Kellan[*]	1 179	552	153	**1 884**	1 702	0.03
J Celliers	377	49	-	**426**	357	0.01
JR Formby	711	749	-	**1 460**	1 409	0.03
Non-executive directors						
JP Burger	-	6 764	124	**6 888**	7 741	0.13
GG Gelink	102	-	-	**102**	102	0.00
WR Jardine	11	232	4	**247**	247	0.00
RM Loubser	-	1 810	2	**1 812**	1 812	0.03
Z Roscherr	659	-	-	**659**	659	0.01
T Winterboer	15	-	-	**15**	15	0.00
L von Zeuner	5	3	-	**8**	8	0.00
PM Naidoo[#]	-	-	-	**-**	-	-
F Knoetze[†]	-	-	-	**-**	-	-
Total	8 688	10 159	391	**19 238**	**19 310**	**0.34**

[*] *Mr HS Kellan has 2 000 000 debt securities in FirstRand Bank Ltd which does not form part of this calculation.*
[#] *Appointed April 2022.*
[†] *Resigned December 2021.*

Directors' interests remained unchanged from the end of the financial year to the date of this report (including those of directors who have retired and resigned). None of these directors' holdings have been pledged as security, collateral or as a guarantee.

WR Jardine
Chairman
Sandton

AP Pullinger
Chief executive officer

H Kellan
Chief financial officer

14 September 2022

Independent auditors' report

To the Shareholders of FirstRand Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2022 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

What we have audited

FirstRand Limited's consolidated and separate financial statements set out on pages B34 to B348 comprise:

- the consolidated and separate statements of financial position as at 30 June 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the separate statement of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with

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National Executive: *R Redfearn Chief Executive Officer *GM Berry Chief Operating Officer JW Eshun Managing Director Business LN Mahluza Chief People Officer *N Sing Chief Risk Officer AP Theophanides Chief Sustainability Officer *NA le Riche Chief Growth Officer *ML Tshabalala Audit & Assurance AM Babu Consulting TA Odukoya Financial Advisory G Rammego Risk Advisory DI Kubeka Tax & Legal DP Ndlovu Chair of the Board
A full list of partners and directors is available on request. *Partner and Registered Auditor

B-BBEE rating: Level 1 contribution in terms of the DTI Generic Scorecard as per the amended Codes of Good Practice.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.

the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the Group for the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How the matter was addressed in the audit
Impairment of advances Significant macroeconomic uncertainty persists in the environment in which the Group operates. Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of IFRS 9 and industry developments. Impairment of advances is a matter of most significance to our current year audit due to the following: • Advances are material to the consolidated financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Event driven uncertainty and its impact on the assessment of ECL.	Our audit of the impairment of advances included, inter alia, the following audit procedures we performed with the assistance of our economic, credit and actuarial experts: • Across all significant portfolios we assessed the associated impairment practices applied by management against the requirements of IFRS 9. • We assessed the Group's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario views and associated probabilities in terms of the principles of IFRS 9. We considered whether the forecasts are sound in terms of macroeconomic forecasting principles. We reviewed the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussion with management and comparison to our own and benchmarked economic forecasts and independent market data and attendance of the governance forums. • We confirmed that the latest approved macroeconomic outlook has been appropriately incorporated into the forward looking estimate of ECL. The impact of events and risks not included in the macroeconomic forecasts was also considered.

Wholesale advances*:	Wholesale advances:
The areas of significant management judgement applied in the Stage 1 and Stage 2 modelling methodology and calculations include: • Input assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). • Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models. • Determining and weighting of scenario assumptions used in the forward-looking economic model to account for this uncertainty. • Assessing whether there has been a Significant Increase in Credit Risk (SICR) event since the origination date of the exposure to the reporting date (i.e. a trigger event that has caused a significant deterioration in credit risk and results in migration of the loan from Stage 1 to Stage 2). The assessment considers the impact of client behaviour, movements in ratings as well as judgemental factors which includes triggers for industries in distress. • Ensuring consistency between forward-looking information (FLI) and the SICR assessment and ECL calculations. • Additional provisions are recognised as post-model adjustments where there are constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile. The area of significant management judgement used in the ECL calculations applied to Stage 3 exposures include the assumptions used to estimate the recoverable amounts and timing of future cash flows of individual exposures, which have been classified as non-performing. ** This applies to wholesale advances apparent in RMB corporate and investment banking and Broader Africa, as well as Centre (including Group Treasury).*	We performed the following procedures on the ECL of wholesale advances with the assistance of our economic, credit and actuarial experts: • Considered the design, implementation and, where appropriate, operating effectiveness of relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance. • Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these are calibrated by using historical information to estimate forward looking ECL. • Tested controls over the credit risk management and governance processes when advancing new facilities or restructuring existing facilities. • Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics and agreeing model input data to underlying supporting documentation. • Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and alignment with the principles of IFRS 9. • Through independent reperformance on a sample basis, we assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EADs, PDs, LGDs and valuation of collateral in the current economic climate. • Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information and management's annual credit reviews. • We reperformed the ECL models based on management's methodologies and assessed the areas of judgement within the methodology. We also estimated an independent FLI assessment at an industry level to ensure the recent experience and economic outlook per industry are appropriately allowed for. • To supplement our model reperformance and independent view, we performed industry analyses, and assessed a sample of individual

	counterparties based on publicly available information to confirm appropriateness of the SICR assessment, assumptions applied and post-model adjustments raised. • In respect of Stage 3 advances, we tested the relevant key controls relating to the valuation of collateral (where applicable) for operating effectiveness, including inspecting a sample of legal agreements and underlying supporting documentation to assess the legal right to and existence of collateral and expected timing of future cash flows.
Retail and commercial advances:** Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the modelling process require significant management judgement, which include: • The input assumptions and methodologies applied to estimate the PD, LGD and EAD within the ECL calculations. • The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, considering the impact of the event driven uncertainty. • Determining the expected value to be realised from collateral and the time it will take to realise. • The determination of the write-off point and application of the cure rules. • The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations. • The continued application of an additional stressed forward-looking scenario to account for event-driven uncertainty. • Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty. • Additional provisions are recognised as post-model adjustments where there are	**Retail and commercial advances:** We performed the following procedures on the ECL within retail and commercial advances with the assistance of our economic, credit and actuarial experts, at a portfolio level, based on the applicable methodologies and inputs: • Considered the design, implementation and, where appropriate, operating effectiveness of relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance. • Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these are calibrated by using historical information to estimate forward looking ECL. • Through reperformance we tested the accurate implementation of the documented methodologies and assessed the alignment between the modelled outcomes and recent actual experience. • Independently recalculated the ECL by considering management's ECL calculation and our independent assessment of the component inputs. The independent results were compared to management's results. • Through applying the assumptions and data included in management's model, including the performance of cured accounts, assessed the accurate implementation of SICR classifications.

constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile. *** This applies to retail and commercial advances apparent in total retail secured and unsecured, FNB Commercial, WesBank corporate, UK operations and Broader Africa.* The credit impairment models are subject to formal model governance and approval. The related disclosures in the consolidated financial statements are included in: ● Sections 4 and 9.4 - Accounting policies; ● Note 11 - Advances; ● Note 12 - Impairment of advances; and ● Note 37 – Financial and Insurance risk.	• Tested the SICR thresholds applied and the resultant transfer into Stage 2 for SICR. This includes benchmarking of the volume of up-to-date accounts transferred to Stage 2 based on historical movements from performing into arrears and forward-looking expectation of default risk. • Tested the model ranking ability and model stability by testing the performance of client behavioural scores and other client behavioural data that drives PD estimates and SICR triggers. • Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially longer collateral realisations. • Assessed the potential impact on recoveries and cure from default for unsecured exposures by comparing estimates to historic experience of defaulted accounts. • Considered historical post write-off recoveries to evaluate management's assessment which indicates that the current write-off point is still the point at which there was no reasonable expectation of further recovery or part thereof. Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD. • Considered the assumptions used in the forward-looking economic model, the macroeconomic variables selected and the sensitivity of ECL components to each variable by comparing it to our own independent analysis and statistical estimates. • Where applicable, developed an independent view to assess management's additional stressed forward-looking scenario by using our own challenger model and associated credit index. • Tested the performance and sensitivity of the FLI model to evaluate whether the chosen macroeconomic factors and model design provide a reasonable representation of the impact of macroeconomic changes on the ECL results. • Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments relating to the impact on ECL of additional relevant information not catered for in the models. •

Valuation of complex financial instruments which are subject to significant judgements The valuation of complex financial instruments was considered to be a matter of most significance to the current year audit as management is required to exercise significant judgement in respect of complex valuation methodologies, as well as the determination of key inputs and assumptions. Factors such as unobservable inputs, funding costs, low levels of market liquidity, counterparty credit risk, market volatility, and economic and regulatory developments exacerbate the level of judgement required. The financial instruments impacted by management judgements, and which represented areas of most audit focus include: • Advances carried at fair value (level 3); and • Derivative financial instruments (level 2 and 3). The related disclosures in the consolidated financial statements are included in: Note 34 – Fair value measurements.	With the assistance of our valuation experts, we performed the following procedures on the valuation of complex financial instruments: • Tested the design, implementation and/or operating effectiveness, as appropriate, of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls relating to the relevant technology systems supporting valuations. • Performed a risk assessment on the key components of fair value, based on complexity, sensitivity and risk to direct our testing. The risk assessment was performed on curves, volatility surfaces, fair value models and valuation adjustments. • Evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to financial instrument valuation theory, market practice and the requirements of IFRS, and for consistency, with prior periods. • Assessed the appropriateness of the significant judgemental inputs used in valuations, including funding costs, low levels of market liquidity, counterparty credit risk, market volatility, against reasonable factors which impact the reported exit values, with reference to the best available independent information. • Considered the completeness and accuracy of management's assessment of valuation adjustments required to respond to market and regulatory developments impacting the portfolio. • Assessed the appropriateness of a sample of curves and volatility surfaces by reconstructing these using independently sourced market data. • For a sample of complex financial instruments, independently recalculated the fair values. • Evaluated the appropriateness of the fair value hierarchy disclosures with reference to the requirements of IFRS 13 - Fair value measurements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “FirstRand 2022 Annual Financial Statements”, which includes the Directors’ Report, the Audit Committee Report and the Company Secretary’s Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditors’ report, and the other sections of the document titled, “FirstRand 2022 Annual Integrated Report”, which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditors’ report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors’ report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Limited for 12 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 14 years.

DocuSigned by: Deloitte & Touche 73F987811C3242F...	PricewaterhouseCoopers Inc.
Deloitte & Touche	PricewaterhouseCoopers Inc.
Registered Auditor	Registered Auditor
Per Partner: Kevin Black	Director: Johannes Grosskopf
Johannesburg, South Africa	Johannesburg, South Africa
14 September 2022	14 September 2022

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

The group's consolidated and separate annual financial statements have been prepared in accordance with IFRS, including interpretations issued by the IFRS Interpretations Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, JSE Listings Requirements, the Banks Act and requirements of the Companies Act no 71 of 2008.

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2022; the income statements and statements of other comprehensive income; statements of changes in equity and statements of cash flows for the year ended; as well as the notes, which comprise a summary of significant accounting policies and other explanatory notes.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position, the income statement or the statement of other comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the group	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The group has a policy of rounding up in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.
Foreign operations with a different functional currency from the group presentation currency	The financial position and results of the group's foreign operations are translated at the closing or average exchange rate, as required per IAS 21. Upon consolidation, exchange differences arising on the translation of the net investment in foreign operations are recognised as a separate component of other comprehensive income (OCI) (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

1 INTRODUCTION AND BASIS OF PREPARATION continued

Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: ➢ Equity instruments - recognised in OCI as part of the fair value movement; and ➢ Debt instruments - allocated between profit or loss (those that relate to changes in amortised cost) and OCI (those that relate to changes in the fair value).

Persistent global and local economic uncertainty

The impact of the coronavirus (Covid-19) endemic and global uncertainty around inflation and interest rates, required management to apply significant judgements and estimates to quantify the impact on the annual financial statements.

The transition of Covid-19 from a global pandemic to endemic in the past financial year due to the successful rollout of vaccines globally has resulted in stabilisation of the global economy, with growth being noted early in the financial year due to the gradual resumption of economic activity within various affected sectors. Russia's invasion of Ukraine, however, dampened these positive gains, as evidenced by inflation increasing globally, mostly attributable to high food and energy prices. As such, interest rates are expected to increase to bring inflation back to target levels across the globe after a prolonged period of support from central banks during the Covid-19 pandemic.

Increasing inflation poses material risk to the global economy's recovery. In addition, domestic constraints on electricity supply and the associated extent of loadshedding contributes to additional uncertainty. As such, management judgement has been applied to quantify the impact of the existing and developing stressors on the global and local economy.

For more details refer to accounting policy note 9.4.

Application of the going concern principle

The directors reviewed the group and company's budgets and flow of funds forecasts for the next three years and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the above-mentioned economic uncertainty into consideration, including projections of the impact on the group's capital, funding and liquidity requirements, all of which have remained within internal targets and above regulatory requirements.

1 INTRODUCTION AND BASIS OF PREPARATION continued

As part of this assessment, the directors considered the sufficiency of the group's financial resources throughout the endemic. 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 the group'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 is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the group sets targets through different business cycles and scenarios.

On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

The group adopts the following significant accounting policies in preparing its financial statements. These policies have been consistently applied to all years presented.

Segmental analysis

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker (CODM) for the respective segments under the current operating business management structures. The information is prepared in terms of IFRS and certain adjustments are made to the segment results in order to eliminate the effect of non-taxable income and other segment-specific items that impact certain key ratios reviewed by the CODM when assessing the operating segments' performance. In addition, certain normalised adjustments are also processed to the segment results.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	**Subsidiaries, associates and joint arrangements**	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	**Income, expenses and taxation**	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	**Financial instruments**	Classification and measurement (section 4.1)	Impairment (section 4.2)	Derivatives and hedge accounting (section 4.5)
		Transfers, modifications and derecognition (section 4.3)	Offset and collateral (section 4.4)	

1 INTRODUCTION AND BASIS OF PREPARATION continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
5	**Other assets and liabilities**	Property and equipment (section 5.1)	Investment properties (section 5.1)	Intangible assets (section 5.1)
		Commodities (section 5.1)	Provisions (section 5.1)	
		Non-current assets held for sale (section 5.2)	Leases (section 5.3)	
6	**Capital and reserves**	Share capital and treasury shares	Dividends and non-cash distributions	Other reserves
7	**Transactions with employees**	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	**Non-banking activities**	Insurance activities (section 8.1)	Investment management activities (section 8.2)	
9	**Critical accounting estimates, assumptions and judgements**	Introduction (section 9.1)	Subsidiaries, associates and joint arrangements (section 9.2)	Taxation (section 9.3)
		Impairment of financial assets (section 9.4)	Provisions (section 9.5)	Transactions with employees (section 9.6)
		Insurance and investment management activities (section 9.7)		

New standards adopted in the current year

There were no new or amended IFRS standards which became effective for the year ended 30 June 2022 that impacted the group's reported earnings, financial position or reserves, or the accounting policies.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of it is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with it to determine whether the group has control, joint control or significant influence over the significant decisions that impact its relevant activities.			
Nature of the relationship between the group and the investee	Entities over which the group has control, as defined in IFRS 10, are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds not consolidated, but which the group has significant influence over.	A joint arrangement in terms of which the group and the other contracting parties have joint control, as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

Separate financial statements
The company measures investments in the above entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of them in the near future (within 12 months). These investments are measured at fair value less cost to sell in terms of IFRS 5.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets are recognised as goodwill or a gain on bargain purchase, as set out further below. Transaction costs are included in operating expenses within profit or loss, when incurred.	Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased or decreased to recognise the group's share of profit or loss from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact OCI are recognised directly in gains less losses from investing activities within non-interest revenue.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated to the extent of the group's interest in the entity, unless the transaction provides evidence of an impairment of the transferred asset.
Common control transaction	There is currently no guidance under IFRS for the accounting treatment of business combinations under common control. In terms of IAS 8, the group developed an accounting policy that requires that business combinations under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the net asset value and the amount paid (i.e. the purchase consideration) is recorded directly in equity.	
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested, i.e. a grouping of assets no higher than an operating segment of the group, or, if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans, but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position and are measured in terms of IFRS 9.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
		The value of such loans after any expected credit losses (ECL) raised for IFRS 9 where such loans are measured at amortised cost is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes.
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March, or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June, a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.1 Basis of consolidation and equity accounting continued

Consolidated financial statements		
	Consolidation	**Equity accounting**
Non-controlling interest	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests which do not result in a loss of control are treated as transactions with equityholders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equityholders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case-by-case basis.	Transactions with other shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

Interests in unconsolidated structured entities
Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However, because of a lack of power over the structured entity it is not consolidated. Normal customer or supplier relationships, where the group transacts with the structured entity on the same terms as other third parties, are not considered to be interests in the entity. From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS continued

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint ventures	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, and subsidiaries of these entities	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

KMP of the group are the FirstRand Limited board of directors and prescribed officers, including any entities which provide KMP services to the group. Their close family members include spouse/domestic partner and dependent children, domestic partner's dependent children and any other dependants of the individual or their domestic partner. Children over the age of 25 are not considered dependents.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss
Interest income includes: ➢ interest on financial instruments measured at amortised cost and debt instruments measured at FVOCI, including the effect of qualifying hedges for interest rate risk. ➢ interest on financial asset debt instruments measured at fair value through profit or loss (FVTPL) that are held by and managed as part of the group's funding or insurance operations. ➢ interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to: o the gross carrying amount of financial assets which are not credit impaired; and o the amortised cost of financial assets which represents the net carrying amount, from the month after the assets become credit-impaired (refer to section 4.2 of the accounting policies). ➢ modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to accounting policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount. ➢ modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. Interest expense includes: ➢ interest on financial liabilities measured at amortised cost; ➢ interest on financial liabilities measured at FVTPL that are held by and managed as part of the group's funding or insurance operations; ➢ interest on capitalised leases where the group is the lessee; and ➢ the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest. The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td colspan="2">Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the group assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the group can identify the contract and the performance obligation (i.e. the different goods or services) and can determine the transaction price, which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the group is the principal in its revenue arrangements as the group controls the goods and services before transferring them to the customer.</td></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the group by providing customers with a range of services and products, and consists of the following main categories:
➢ banking fee and commission income;
➢ knowledge-based fee and commission income;
➢ management, trust and fiduciary fees;
➢ fee and commission income from service providers; and
➢ other non-banking fee and commission income.

The bulk of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, is recognised at a point in time.

Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows:
➢ Fees for services rendered are recognised on an accrual basis as the service is rendered and the group’s performance obligation is satisfied, e.g. annual card fees and asset management and related fees.
➢ Commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis.

Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the group, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available.</td></tr>
</table>

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Fee and commission income	Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers and electricity, and traffic fines paid through FNB channels, as well as insurance commission. The group operates a customer loyalty programme, known as eBucks, in terms of which it undertakes to provide reward credits to qualifying customers to buy goods and services, which results in the recognition of a performance obligation which the group needs to fulfil. The supplier of the goods or services to be acquired by customers can either be the group or an external third party. The group recognises a contract liability referred to as the customer loyalty programme liability, which represents the deferred amount of revenue resulting from providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer, as the supplier of goods and services could either be the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised in the period in which the customer utilises their reward credits. When the group is acting as an agent, amounts collected and incurred on behalf of the principal are not recognised on a gross basis. Only the net commission retained by the group is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are those that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
Insurance income – non-risk-related	Where the group is acting as an agent, commissions and brokerage earned on the sale of insurance products to customers of the group on behalf of an insurer are recognised at the point that the significant obligation has been fulfilled. Income arising from third-party insurance cell captives and profit share agreements, where there is not a significant transfer of insurance risk, are executory contracts. Revenue is recognised when both parties have fulfilled their obligations.
Insurance income – risk-related	Insurance-related income represents the premiums written on short-term, long-term and vehicle-related warranty products which transfer significant insurance risk to the group, where the earned portion of the premium received is recognised as revenue. Reinsurance premiums are accounted for as expenses in the same accounting period as the premiums to which the reinsurance relates. Commissions payable, together with insurance benefits, claims and movements in insurance liabilities, provide the resultant insurance risk-related income.

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
Other non-interest revenue	The group, through its various operating businesses and subsidiaries, sells value-added products, services and goods to customers. Revenue is recognised from products sold by the eBucks online store at a point in time when control of the goods transfers to the customer. For telecommunication products and services which consist of smart devices, as well as data, airtime contracts and bundled products (SIM services), revenue is recognised at a point in time when the smart device has been delivered to the customer, whereas revenue from SIM services are recognised over time, as and when the service is consumed by the customer (i.e. over the contract term).
Fair value gains or losses	

Fair value gains or losses of the group recognised in non-interest revenue include the following:

- fair value adjustments and interest on financial instruments at FVTPL, including derivative instruments that do not qualify for hedge accounting;
- fair value adjustments that are not related to credit risk on advances designated at FVTPL;
- a component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. Interest expense is reduced by the amount that is included in fair value income;
- fair value adjustment on financial instruments designated at FVTPL in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations, for which the interest component is recognised in net interest income. The change in the fair value of a financial liability designated at FVTPL attributable to changes in its credit risk is presented in OCI, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on policyholder liabilities and non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movements on these liabilities are directly linked to fair value movements on the underlying assets;
- ordinary and preference dividends on equity instruments at FVTPL;
- any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued;
- fair value gains or losses on policyholder liabilities under investment contracts; and
- fair value gains or losses on commodities acquired for short-term trading purposes, including commodities acquired with the intention of reselling in the short term, or if they form part of the trading operations of the group and certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risks and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any gains or losses on the sale of financial assets measured at amortised cost; ➢ impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at FVOCI; ➢ any amounts recycled from OCI in respect of debt instruments measured at FVOCI; ➢ dividend income on any equity instruments that are considered long-term investments of the group, including non-trading equity instruments measured at FVOCI; and ➢ fair value gains or losses on investment property held at FVTPL.
Dividend income
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and also includes value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3.2 Income tax expenses

Income tax includes South African and foreign corporate tax payable and includes capital gains tax, where applicable.

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

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	➢ Provision for loan impairment. ➢ Instalment credit assets. ➢ Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts. ➢ Provisions for pensions and other post-retirement benefits. ➢ Share-based payment liabilities. ➢ Investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future. ➢ Cash flow hedges.
Measurement	The liability method under IAS 12 is used, which means applying tax rates and laws applicable at the reporting date, which are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or OCI. Items recognised directly in equity or OCI relate to: ➢ the issuance or buy-back of share capital; ➢ fair value remeasurement of financial assets measured at FVOCI; ➢ remeasurements of defined benefit post-employment plans; and ➢ derivatives designated as hedging instruments in effective cash flow hedge relationships. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in OCI and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available, against which the unused tax losses can be utilised, based on management's review of the budget and forecast information. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

Deferred income tax	
Substantively enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

4 FINANCIAL INSTRUMENTS

The group recognises purchases and sale of financial instruments that require delivery within the timeframe established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

4.1 Classification and measurement

4.1.1 Initial measurement

All financial instruments are initially measured at fair value including transaction costs, except for those classified as FVTPL, in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as detailed under accounting policy 3.1, depending on the underlying nature of the income.

Immediately after initial recognition, an ECL allowance is recognised for newly originated financial assets measured at amortised cost or FVOCI debt instruments.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets

Management determines the classification of its financial assets at initial recognition, based on:

- the group’s business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset.

Business model

The group distinguishes three main business models for managing financial assets:

- holding financial assets to collect contractual cash flows;
- managing financial assets and liabilities on a fair value basis or selling financial assets; and
- a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at a franchise level, although franchises will perform the assessment on a portfolio or subportfolio level, depending on the manner in which groups of financial assets are managed in each franchise.

The main consideration in determining the different business models across the group is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

In considering whether the business objective of holding a group of financial assets is achieved primarily through collecting contractual cash flows, among other considerations, management monitors the frequency and significance of sales of financial assets out of these portfolios for purposes other than managing credit risk. For the purposes of performing the business model assessment, the group only considers a transaction a sale if the asset is derecognised for accounting purposes. For example, a repurchase transaction where a financial asset is sold with the commitment to buy back the asset at a fixed price at a future date is not considered a sale transaction, because substantially all the risks and rewards relating to the ownership of the asset have not been transferred and the asset is not derecognised from an accounting perspective. Where the group participates in a National Treasury switch and the participation is voluntary, the transaction will be executed at fair value. When there is a business rationale documented as to why the group has elected to participate in the National Treasury switch, this will not be considered a sale transaction for purposes of the business model assessment.

If sales of financial assets are infrequent, the significance of these sales is considered by comparing the carrying amount of assets sold during the period and cumulatively to the total carrying amount of assets held in the business model. If sales are either infrequent or insignificant, these sales will not impact the conclusion that the business model for holding financial assets is to collect contractual cash flows. In addition, where the issuer initiates a repurchase of the financial assets which was not anticipated in the terms of the financial asset, the repurchase is not seen as a sale for the purposes of assessing the business model of that group of financial assets.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets
Business model
Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum are considered to be infrequent. If sales take place more than once per annum it doesn't mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and number of sales relative to the total assets in the business model to determine whether they are significant. A change in business model only occurs on the rare occasion when the group changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.
Cash flow characteristics
In order for a debt instrument to be measured at amortised cost or FVOCI, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at FVTPL include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.
Amortised cost
Financial assets are measured at amortised cost using the effective interest rate method when they are held to collect contractual cash flows which are SPPI, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the group, as well as certain investment securities utilised for liquidity risk management of the group. For purchased or originated credit-impaired financial assets, the group applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset, and incorporates the impact of ECL in the estimated future cash flows of the financial asset.
Cash and cash equivalents
Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

<table>
<tr><th colspan="3">Classification and subsequent measurement of financial assets</th></tr>
<tr><th colspan="3">Retail advances</th></tr>
<tr><td rowspan="2">Retail advances</td><td>Business model</td><td>Cash flow characteristics</td></tr>
<tr><td>The FNB, WesBank and Aldermore businesses hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices.
The products under this business model include:
➢ residential mortgages;
➢ vehicle and asset finance;
➢ personal loans;
➢ credit cards; and
➢ other retail products such as overdrafts.</td><td>The cash flows on retail advances are SPPI. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td rowspan="2">Corporate and commercial advances</td><td>Business model</td><td>Cash flow characteristics</td></tr>
<tr><td>The business models of FNB, WesBank, RMB and Aldermore are also focused on collecting contractual cash flows on corporate and commercial advances and growing these advances within acceptable credit appetite limits.
The products under in this business model include:
➢ trade and working capital finance;
➢ specialised finance;
➢ commercial property finance; and
➢ asset-backed finance.

These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold through syndication. These sales are, however, either insignificant in value in relation to the value of advances held to collect cash flows or infrequent, and therefore the held-to-collect business model is still appropriate.</td><td>The cash flows on corporate and commercial advances are SPPI. Interest charged to customers compensates the group for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Corporate and commercial advances		
	Within RMB, debt for large corporates and institutions is structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold in the secondary market to facilitate funding. These sales are, however, insignificant in value in relation to the value of RMB advances held to collect cash flows and therefore the held to collect business model is still appropriate. In other portfolios, RMB originates advances with the intention to distribute. These advances are included under a different business model and are measured at FVTPL (as set out further below).	The cash flows on these advances are considered to be SPPI if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at FVTPL.
Marketable advances	Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.	The cash flows on these advances are SPPI.
Investment securities		
Investment securities	Group Treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are SPPI.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are SPPI.
Other assets		
Other assets	Other assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are SPPI.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Mandatory at FVTPL		
Corporate advances	In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved timeframe. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices, or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (SPVs), with the intention of selling these notes to external parties. These include notes issued by an SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes is merely incidental.	Advances which are acquired to distribute are included in this category.
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	
	All equity investments of the group are managed on a fair value basis, either through FVTPL or designated at FVOCI.	
Derivative assets	Derivatives are either held for trading or to hedge risk. These instruments are managed on a fair value basis.	
Designated at FVTPL		
Advances	Certain advances with fixed interest rates in RMB have been designated at FVTPL in order to eliminate an accounting mismatch that would otherwise result from measuring these assets on a different basis. The cash flows on these advances are considered to be SPPI.	
Investment securities	Group Treasury holds investment securities (typically treasury bills) for liquidity purposes.	

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets		
Debt instruments at FVOCI		
Investment securities	The treasury division of the group holds certain investment securities for liquidity management purposes. Local regulators require that the bank/branch prove liquidity of its assets by way of periodic outright sales. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.	The cash flows on these investment securities are SPPI.
Equity investments at FVOCI		
Investment securities	The group has elected to designate certain equity investments not held for trading to be measured at FVOCI.	

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial instruments
The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write-down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group. Compound instruments are those financial instruments that have components of both financial liabilities and equity, such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.

Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at FVTPL: ➢ deposits; ➢ creditors; ➢ Tier 2 liabilities; and ➢ other funding liabilities.
Financial liabilities measured mandatory at FVTPL
The following held for trading liabilities are measured at FVTPL: ➢ derivative liabilities; and ➢ short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

4 FINANCIAL INSTRUMENTS continued

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments continued

Financial liabilities designated at FVTPL

A financial liability other than one held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial liabilities which is managed and its performance evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated at FVTPL.

The financial liabilities that the group designated at FVTPL are the following:

- deposits; and
- other funding liabilities.

Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains or losses arising on remeasurement recognised in profit or loss to the extent that they are not part of a designated hedge accounting relationship. However, for non-derivative financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment

This policy applies to:

- financial assets measured at amortised cost, including other financial assets and cash;
- debt instruments measured at FVOCI;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the group is the lessor.

Refer to accounting policy note 9.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

4 FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

Expected credit losses			
Loss allowance on financial assets			
Credit risk has not increased significantly since initial recognition (Stage 1)	**Credit risk has increased significantly since initial recognition, but asset is not credit-impaired (Stage 2)**	**Asset has become credit-impaired since initial recognition (Stage 3)**	**Purchased or originated credit-impaired**
12-month ECL	Lifetime expected credit losses (LECL)	LECL	Movement in LECL since initial recognition

Advances	
SICR since initial recognition	In order to determine whether an advance has experienced a significant increase in credit risk (SICR), the PD of the asset calculated at the origination date is compared to that calculated at the reporting date (incorporating forward looking information). The origination date is defined as the most recent date at which the group has repriced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification, it results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated, on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a SICR. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a SICR. One such qualitative consideration is the appearance of wholesale and commercial small and medium-sized enterprise (SME) facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a SICR, and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a SICR are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a SICR has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of *SARB Directive 7 of 2015*.

4 FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

<table>
<tr><th colspan="2">Advances</th></tr>
<tr><td>Credit impaired financial assets</td><td>Advances are considered credit-impaired if they meet the definition of default.

The group's definition of default applied to calculating provisions under IFRS 9 has been aligned to the definition applied to regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes.

Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, are more than three instalments in arrears.

In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay their credit obligations in full without any recourse by the group to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency.

Any distressed restructures of accounts which have experienced a SICR since initial recognition are defined as default events.

Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale is determined judgementally through a committee process.</td></tr>
<tr><td>Purchased or originated credit impaired</td><td>Financial assets that meet the above-mentioned definition of credit-impaired at initial recognition and remain classified as such for the duration of the agreement.</td></tr>
<tr><td>Write-offs</td><td>Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised):
➢ By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account.
➢ Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral, and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency.
➢ Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee.
➢ Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where they are assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.2 Impairment of financial assets and off-balance sheet exposures subject to impairment continued

Advances	
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets, i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a LECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, LGD and EAD) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a SICR and default definitions are then applied and the ECL calculated in the same way as for advances. The SICR thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures. The group does not use the low credit risk exemption for investment securities, including government bonds.

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

- the contractual rights or obligations expire or are extinguished, discharged or cancelled, for example an outright sale or settlement;
- they are transferred and the derecognition criteria of IFRS 9 are met; or
- the contractual terms of the instrument are substantially modified and the derecognition criteria of IFRS 9 are met.

Financial assets are derecognised when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass-through arrangement).

If the contractual cash flows of a financial asset measured at amortised cost are modified (changed or restructured, including distressed restructures), the group determines whether this is a substantial modification, which could result in the derecognition of the existing asset and the recognition of a new asset. If the change is simply a non-substantial modification of the existing terms it would not result in derecognition.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

A modification of a financial asset is substantial and will thus result in derecognition of the original financial asset where the modified contractual terms are priced to reflect current conditions on the date of modification and are not merely an attempt to recover outstanding amounts. Where the modification does not result in an accounting derecognition the original asset continues to be recognised.

Derecognition of financial liabilities includes a situation of substantial modification of the terms and conditions of an existing financial liability. A substantial modification of the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the group in the normal course of business, in terms of which it transfers financial assets directly to third parties or structured entities, or modifies the contractual terms of the asset and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Traditional securitisations and other structured transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third-party investors, for example variable rate notes or investment grade commercial paper. The group's obligations towards the third-party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities, i.e. the note holders only have a claim to the ring-fenced assets in the structured entity, and not to other assets of the group. The group consolidates these securitisations and SPVs as structured entities in terms of IFRS 10.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation towards third-party note holders as a separate category of deposits. These deposits are usually measured at amortised cost.
Reverse repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specific future date. The counterparty’s only recourse is to the transferred investment securities and advances that are subject to the agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation for the cash received as a separate category of deposits.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

Transaction type	Description	Accounting treatment
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
Transfers with derecognition		
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the group would be willing to offer a customer with a similar risk profile.	The existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	The existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.
Neither transferred nor derecognised		
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The group continues to recognise the advances and recognises associated credit derivatives which are measured at FVTPL.

4 FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNAs) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the group are set out in the following table.

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association (ISDA) MNAs. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNAs. Where the group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are offset in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yield a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

4 FINANCIAL INSTRUMENTS continued

4.5 Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at FVTPL with movements in fair value recognised in fair value gains or losses within non-interest revenue in the consolidated income statement. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The group elected to adopt IFRS 9 for cash flow and fair value hedges. IAS 39 will continue to be applied to portfolio hedges, which the group refers to as macro-hedges, to which fair value hedge accounting has been applied.

Hedge accounting

Derivatives held for risk management purposes are classified either as fair value hedges or cash flow hedges depending on the nature of the risk being hedged, where the hedges meet the required documentation criteria under IFRS 9/IAS 39 and are calculated to be effective.

The group extensively hedges with interest rate swaps which will be impacted by the Financial Stability Board's undertaking to fundamentally review and reform major interest rate benchmarks used globally and locally by financial market participants. This review seeks to replace existing global and local IBORs with alternative reference rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The group is monitoring and evaluating developments in the market and the impact thereof on accounting.

Fair value hedge accounting

Fair value hedge accounting does not change the recording of gains or losses on derivatives, but it does result in recognising changes in the fair value of the hedged item attributable to the hedged risk that would otherwise not be recognised in the income statement. The change in the fair value of the hedged item is taken to non-interest revenue under fair value gains or losses. If a hedge relationship no longer meets the criteria for hedge accounting, hedge accounting is discontinued. The cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement based on a recalculated effective interest rate, unless the hedged item has been derecognised, in which case it is recognised in the income statement immediately.

Cash flow hedge accounting

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of the hedging derivatives is recognised in the cash flow hedge reserve in OCI and reclassified to profit or loss in the periods in which the hedged item affects profit or loss. The ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

The accumulated gains and losses recognised in OCI are reclassified to the income statement in the same periods in which the hedged item affects profit or loss. When a hedge relationship is discontinued, or partially discontinued, any cumulative gain or loss recognised in OCI remains in equity until the hedged item affects the income statement.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Property and equipment (owned and right of use)</th></tr>
<tr><td>Property and equipment of the group include:
➢ assets utilised by the group in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner-occupied properties);
➢ assets which are owned by the group and leased to third parties under operating leases as part of the group’s revenue-generating operations;
➢ capitalised leased assets; and
➢ other assets utilised by the group in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.</td><td>Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated.

Depreciation is recognised on the straight-line basis over the useful life of the asset, except for assets capitalised under leases where the group is the lessee, in which case it is depreciated per the leases accounting policy 5.3.

Freehold property and property held under leasing agreements:
- Buildings and structures 40 - 50 years
- Mechanical and electrical 14 - 20 years
- Components 14 - 20 years
- Sundries 3 – 5 years
- Computer equipment 3 – 5 years
- Other equipment 3 – 10 years</td></tr>
<tr><th colspan="2">Investment properties</th></tr>
<tr><td>Investment properties are those held to earn rental income and/or for capital appreciation that are not occupied by the companies in the group.

When investment properties become owner-occupied, the group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.</td><td>The fair value gains or losses are adjusted for any potential double counting arising from the recognition of lease income on the straight-line basis, compared to the accrual basis normally assumed in the fair value determination.</td></tr>
</table>

5 OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Intangible assets</th></tr>
<tr><td>Intangible assets of the group include:
➢ Internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met.
➢ External computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit to the group exceeding the costs incurred for more than one financial period.
➢ Material acquired trademarks, patents and similar rights are capitalised when the group will receive a benefit from these intangible assets for more than one financial period.

All other costs related to intangible assets are expensed in the financial period incurred.</td><td>Cost less accumulated amortisation and any impairment losses.

Amortisation is on a straight-line basis over the useful life of the asset. The useful life of each asset is assessed individually.

The benchmarks used when assessing the useful life of the individual assets are:
- Software development costs 3 years
- Trademarks 10 – 20 years
- Other 3 – 10 years</td></tr>
<tr><td>Goodwill arising from business combinations is recognised as an intangible asset.</td><td>Refer to accounting policy 2.1.</td></tr>
<tr><th colspan="2">Commodities</th></tr>
<tr><td>Commodities acquired for short-term trading purposes include the following:
➢ commodities acquired with the intention to resell in the short term or if they form part of the trading operations of the group; and
➢ certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date where the risks and rewards of ownership are deemed to have transferred to the group in terms of IFRS 15.</td><td>Fair value less costs to sell with changes in fair value being recognised as fair value gains or losses within non-interest revenue.</td></tr>
<tr><td>Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments.</td><td>FVTPL.</td></tr>
</table>

5 OTHER ASSETS AND LIABILITIES continued

5.1 Classification and measurement continued

Classification	Measurement
Provisions	
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions are related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value-added products and services business. The group recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).	

Other assets that are subject to depreciation, and intangible assets other than goodwill acquired as part of a business combination (refer to accounting policy 2.1), are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from their use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of non-interest revenue.

5.2 Non-current assets and disposal groups held for sale

If a disposal group contains assets that are outside of the measurement scope of IFRS 5, those assets are remeasured in terms of the relevant IFRS standards and any impairment loss on the disposal group is allocated only to those non-current assets in the disposal group that are within the measurement scope of IFRS 5, until the assets are reduced to zero. The group has elected to recognise any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 as excess impairment within operating expenses with a corresponding adjustment to the assets whose measurement is outside of the scope of IFRS 5, until those assets are reduced to zero. Any subsequent increases in fair value less costs to sell are recognised in non-interest revenue when realised.

5.3 Leases

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

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

5 OTHER ASSETS AND LIABILITIES continued

5.3 Leases continued

	Group company is the lessee	Group company is the lessor
At inception	The group recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as lease assets with a replacement value of R100 000 or less at the inception of the lease).	The group recognises assets sold under a finance lease as finance lease receivables included in advances and impair the advances, as required, in line with the impairment of financial assets accounting policy in section 4.2. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculations on lease receivables.
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The group applies IAS 36 to determine whether a ROUA is impaired and accounts for any identified impairment loss.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3) is recognised and calculated by applying the original effective interest rate to the net carrying amount.
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the consolidated statement of financial position.

5 OTHER ASSETS AND LIABILITIES continued

5.3 Leases continued

	Group company is the lessee	Group company is the lessor
Operating leases	For short-term and low-value leases, which the group has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to accounting policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.
Finance lease agreements (including hire purchases) where the group is the lessor	The group regards finance lease agreements (including hire purchases) as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credit finance charges to interest revenue in proportion to capital balances outstanding.	

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the group does not have the unilateral ability to avoid repayments, are classified as other liabilities.	The group's equity includes ordinary shares, contingently convertible securities, Additional Tier 1 notes and non-cumulative non-redeemable (NCNR) preference shares. Contingently convertible securities, Additional Tier 1 notes and NCNR preference shares are classified as other equity instruments in the financial statements. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed.	The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.

6 CAPITAL AND RESERVES continued

Transaction	Liability	Equity
	The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	
Treasury shares, i.e. where the group purchases its own equity share capital	If the group reacquires its own equity instruments, those instruments are deducted from the group's equity.	The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental costs is included in shareholders' equity.
Other reserves	Not applicable	Other reserves recognised by the group include general risk reserves, required to be held by some of the group's African operations capital redemption reserve funds and insurance contingency reserves. These reserves are required by in-country legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable in the specific jurisdiction.

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees. The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

Defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

7 TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

Defined contribution plans	
	Measurement On the date of the purchase, the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for the new retiree would be slightly higher than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of nominal and inflation-linked government-issued bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.

Liability for short-term employee benefits	
Leave pay	The group recognises a liability for employees' rights to annual leave in respect of past service. The amount recognised by the group is based on the current salary of employees and the contractual terms between employees and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.

7 TRANSACTIONS WITH EMPLOYEES continued

7.2 Share-based payment transactions

The group operates a cash-settled and an immaterial equity-settled share-based incentive plan for employees.

Awards granted under cash-settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

Awards granted under equity-settled plans result in an expense to be recognised in profit or loss at the fair value of the employee services received in exchange for the grant of the awards over the vesting period of the awards. A corresponding credit to a share-based payment reserve in the statement of changes in equity is recognised when the expense is recognised.

8 NON-BANKING ACTIVITIES

8.1 Insurance activities

Insurance activities include contracts issued by the group, which transfer significant insurance risk or financial risk. Furthermore, the group has entered into reinsurance contracts.

Insurance contracts are contracts under which the group, as the insurer, accepts significant insurance risk from the policyholder by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. The group defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are significantly more (at least 10%) than the benefits payable if the insured event did not occur. The group issues insurance contracts in terms of the Insurance Act 18 of 2017 (Insurance Act) as well as the Short-term Insurance Act 53 of 1998 (Short-term Act).

Investment contracts which are linked-fund policies falling within the scope of the Insurance Act are viewed as a form of long-term insurance from a legal perspective. However, as investment contracts do not convey insurance risk upon the company, they are scoped out of IFRS 4 and are accounted for in terms of IFRS 9. Investment contracts are classified as financial liabilities, measured at FVTPL.

The group obtains reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on certain long-term and short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to policyholders.

Insurance contracts	
Premiums	Premiums on insurance contracts are recognised when due. Premiums are recognised gross of commission payable to intermediaries and reinsurance premiums net of eBucks before the deduction of acquisition costs.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

	Short-term insurance contracts	Long-term insurance contracts
Claims and benefits paid	Claims and benefits paid consist of claims and claims handling expenses paid during the financial year and are determined by the market value of the indemnification received by the policyholder. Salvages and third-party recoveries are also included here. The salvage amount is the amount received by the company from the sale of the policyholder’s property which is damaged beyond economic repair. The insurer will purchase new property for the policyholder, while the damaged property will be sold by the insurance company. The income received from the sale of the damaged property will be netted off against the claims paid, which represents the cost of the new property. Recoveries represent the insurer’s recovery for its insured damage from either the insurer of the other party to the loss event, or a third-party which is the insured individual who was involved in the loss event.	Claims and benefits paid are recognised when the amounts are paid over to the customers and are determined with reference to the contract entered into with the policyholder.
Policyholder liability	In terms of IFRS 4, insurance contracts may be measured under existing local practice. The provision for the outstanding claims reserve (OCR) comprises the group’s estimate of settling all claims reported (notified claims) but remains unpaid at year end, and claims incurred but not reported (IBNR).	In terms of IFRS 4, measurement of policyholder liabilities arising from insurance contracts are measured using existing local practices. The group utilises the Standards of Actuarial Practice (SAPs) 104 issued by the Actuarial Society of South Africa (ASSA) to determine the policyholder liabilities that are classified as long-term insurance contracts.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

	Short-term insurance contracts	Long-term insurance contracts
	For OCR, each notified claim relating to one of the group's policies is assessed on a case-by-case basis with due regard to the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar claims. Standardised policies and procedures are applied to claims assessments. The provision for each notified claim includes an estimate of the associated claim handling costs. The ultimate cost of incurred claims may vary as a result of future developments or better information becoming available about the current circumstances. Adjustments to the quantum of claims provisions established in prior years are reflected in the annual financial statements for the period in which the adjustments are made and disclosed separately, if material. A provision is raised for claims incurred but not yet reported (IBNR) based on historical experience. The group determines the IBNR claims by using actuarial modelling.	Policyholder liabilities are measured either on a discounted or undiscounted basis, depending on the features of the contracts. *Discounted liabilities* The valuation is performed on a policy-by-policy basis by discounting the best estimate of future expected premiums, risk benefits, reinsurance and expenses at the risk-free rate. These calculations are performed using best estimate assumptions (lapse, expenses, premium collection, mortality, morbidity, retrenchment, inflation and yield curve) adjusted by compulsory margins as specified in SAP-104 and further discretionary margins where appropriate. Where the policyholder liability calculated above results in an asset, the group elects to zerorise the policyholder liability and as a result, there is no discounted policyholder liability recognised on the statement of financial position. *Undiscounted liabilities* Undiscounted policyholder liabilities under insurance contracts comprise a provision for claims IBNR and OCR. IBNR and OCR liabilities are measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not. The IBNR is a retrospective forward-looking insurance liability, taking into account incurred but not yet reported events, using historical data as the main driver in determining the best estimate for the IBNR. OCR is calculated by reviewing individual claims and the effect of both internal and external foreseeable events, such as changes in claims-handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its OCR.

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

	Short-term insurance contracts	Long-term insurance contracts
Changes in the policyholder liabilities	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately, if material.	Any differences between valuation assumptions and actual experience, and any change in liabilities resulting from changes in valuation assumptions, are recognised in profit or loss as part of insurance income in non-interest revenue over the life of the contract. If future experience under a policy contract is exactly in line with the assumptions employed at the initial recognition of the contract, the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins.
Liability adequacy test	The insurance liability is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.	Liabilities are calculated in terms of the financial soundness valuation (FSV) basis as described in SAP 104. Since the FSV basis meets the minimum requirement of the liability adequacy test, it is not necessary to perform additional adequacy tests on the liability component.
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business. Acquisition costs are expensed as they are incurred.	
Insurance premium receivables and payables	Amounts due from policyholders relate to insurance premiums receivable from policyholders whose payments were not received on the due date and are included in other assets. Insurance creditors and accruals include sundry creditors as well as the reinsurer premium due and are included in creditors, accruals and provisions. Collection rates, applicable to the product arrears rules, are applied to amounts that are not successfully collected from premium debtors to determine the amount that is recoverable. In the current year, an overall collection rate of 83% (2021: 60%) was assumed. The recoverable amount is excluded from amounts that are not successfully collected. The unrecoverable amount is then included in the measurement of the impairment provision. The collection rates are determined using historical information and trends available to the company. The unrecoverable amount is determined on a product level.	

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

<table>
<tr><th colspan="2">Reinsurance contracts held</th></tr>
<tr><td>Definitions</td><td>Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.</td></tr>
<tr><td>Premiums/ insurance claims recovered</td><td>Premiums paid to reinsurers are recognised as a deduction against premium income at the undiscounted amounts in terms of the contract when they become due for payment.

Insurance claims recovered from reinsurers are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.</td></tr>
<tr><td>Profit share from reinsurer</td><td>The entity is party to profit-sharing arrangements with its reinsurers which enable the entity to receive an experience refund. The experience refund is a percentage of the entity's eligible reinsurance premium, claims paid, and reinsurance claims received (reinsurance profit or loss). The percentages applied to the reinsurance profit or loss are stated and specific to each profit-sharing arrangement.

The payment terms of the experience refund are specific to the reinsurance profit-sharing arrangements.</td></tr>
<tr><td>Reinsurance assets</td><td>The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including:
➢ short-term balances due from reinsurers on settled claims (included in other assets); and
➢ receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets).

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

IFRS 4 requires reinsurance assets to be reduced to the extent of the impairment of such reinsurance assets and specifies the conditions for impairment – objective evidence, the result of an event, and reliably measurable impacts on the amounts that the cedant may not receive from the reinsurer. This is an in accordance with the incurred loss model specified in IAS 39, i.e. an event must have occurred in order for the impairment to be recognised.

Whilst IFRS 4 does not include specific guidance as to what types of events would trigger an impairment test, the guidance in IAS 39 for objective evidence of impairment is used.</td></tr>
<tr><td>Changes in reinsurance assets</td><td>Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised in profit or loss as an adjustment to premium income included in non-interest revenue.</td></tr>
<tr><td>Related reinsurance payables</td><td>Liabilities relating to reinsurance comprising premiums payable for reinsurance contracts are included in accounts payable and are recognised as an expense when they fall due in terms of the contract.</td></tr>
</table>

8 NON-BANKING ACTIVITIES continued

8.1 Insurance activities continued

Investment contracts	
Definitions	Contracts that only transfer financial risk with no significant insurance risk and are within the scope of IFRS 9. These comprise linked-fund policies.
Contributions	Contributions received are recorded as an increase in investment contract liabilities.
Benefits	Benefits incurred are recorded as withdrawals from investment contract liabilities.
Policyholder liabilities	These are recognised within policyholder liabilities in the statement of financial position when the group becomes party to the contractual provisions of the contract. These liabilities are designated at FVTPL on initial recognition. The fair value of the financial liability recognised is never less than the amount payable on surrender, discounted for the required notice period, where applicable.
Fair value adjustments in policyholder liabilities held under investment contracts	The movement in the policyholder liabilities under investment contracts is recognised as a fair value adjustment on the statement of comprehensive income for both linked and non-linked contracts.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in managing assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets of the group, but of the client and are held in a fiduciary capacity. However, the group discloses the value of the assets in its notes.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within non-interest revenue in the period to which the service relates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the material critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 34.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements

Subsidiaries	
Only one party can have control over a subsidiary. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group's exposure to variable returns. In operating entities, shareholding is most often the clearest indication of control. However, for structured entities and investment management funds, judgement is often needed to determine which investors have control of the entity or fund. Generally, where the group's shareholding is greater than 50%, the investment is accounted for as a subsidiary.	
Decision-making power	Some of the major factors considered by the group in making this determination include the following: ➢ the purpose and design of the entity; ➢ what the relevant activities of the entity are; ➢ who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering: o what percentage of voting rights is held by the group and the dispersion and behaviour of other investors; o potential voting rights and whether these increase/decrease the group's voting powers; o who makes the operating and capital decisions; o who appoints and determines the remuneration of the KMP of the entity; o whether any investor has any veto rights on decisions; o whether there are any management contracts in place that confer decision-making rights; o whether the group provides significant funding or guarantees to the entity; and o whether the group's exposure is disproportionate to its voting rights; ➢ whether the group is exposed to any downside risk or upside potential that the entity was designed to create; ➢ to what extent the group is involved in the setup of the entity; and ➢ to what extent the group is responsible to ensure that the entity operates as intended.
Exposure to variable returns	Factors considered include: ➢ the group's rights in respect of profit or residual distributions; ➢ the group's rights in respect of repayments and return of debt funding; ➢ whether the group receives any remuneration from servicing assets or liabilities of the entity; ➢ whether the group provides any credit or liquidity support to the entity; ➢ whether the group receives any management fees and whether these are market-related; and ➢ whether the group can obtain any synergies through the shareholding not available to other shareholders. Benefits could be non-financial in nature, such as employee services etc.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Subsidiaries	
Ability to use power to affect returns	Factors considered include: ➢ whether the group is acting as an agent or principal; ➢ if the group has any *de facto* decision-making rights; ➢ whether the decision-making rights the group has are protective or substantive; and ➢ whether the group has the practical ability to direct the relevant activities.

Associates	Joint arrangements
Determining whether the group has significant influence over an entity: ➢ Significant influence may arise from rights other than voting rights, for example management agreements. ➢ The group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.	Determining whether the group has joint control over an entity: ➢ The group considers all contractual arrangements to determine whether unanimous consent is required in all circumstances. ➢ A joint arrangement is classified as a joint venture when it is a separate legal entity, and the shareholders share in the net assets of the separate legal entity which requires consideration of the practical decision-making ability and management control over the activities of the joint arrangement.

Structured entities
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity, specific consideration is given to the purpose and design of the structured entity, and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

Investment funds
The group acts as fund manager to a number of investment funds. In terms of a mandate the group is required to make active investment management decisions in respect of the fund. Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees), as well as the investors' right to remove the group as fund manager. If the other investors are able to remove the group as fund manager easily or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for other investors. Other investors are considered to be able to remove the fund manager easily if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement, the fund is consolidated.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Investment funds

Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back into the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities.

Where such funds are not consolidated or equity accounted, the group accounts for the investments in the funds as investment securities in terms of IFRS 9.

Where investments in funds managed by the group meet the criteria for consolidation but are considered to be financially inconsequential both individually and in aggregate with other inconsequential investments in funds, they are not consolidated by the group, and are recognised as marketable advances.

As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12, except where other investors can easily remove the group as fund manager without cause as this represents rights similar to voting rights.

The group receives investment management fees from the funds for investment management services rendered. These fees are typical of supplier-customer relationships in the investment management industry.

Where the group provides seed funding or has any other interests in investment funds it manages, and does not consolidate, the investment is considered to represent a typical customer-supplier relationship.

Impairment of goodwill

The carrying amount of goodwill is tested annually for impairment in accordance with the group's policy. Goodwill is considered to be impaired when its recoverable amount is less than its carrying amount. The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates and is therefore not combined at group level. The group's goodwill impairment test is performed on the balances as at 31 March annually. However, for the current year, as in the prior year, balances for Aldermore were tested at 30 June.

The goodwill balance as at 30 June is allocated to the following significant CGUs:

R million	**Segment the goodwill is allocated to**	**2022**	2021
Aldermore	Aldermore	**7 095**	7 021
WesBank	WesBank	**345**	405
African operations	FNB broader Africa	**152**	172
Other	Various	**130**	127
Total		**7 722**	7 725

Refer to note 3 (Operating expenses) for details of the impairment charge recognised in profit or loss.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Determination of recoverable amount

The recoverable amount of all CGUs to which goodwill is allocated, with the exception of goodwill attributable to the WesBank segment, was determined using the value in use methodology. The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows (cash flow projections) to its present value using a pre-tax weighted average cost of capital discount rate. The recoverable amount of the goodwill attributable to the WesBank segment was determined using fair value less costs to sell in the current year. The fair value was determined using the discounted cash flow methodology.

Management's judgement in estimating the recoverable amount of a CGU

The cash flow projections for each CGU are based on budgets and forecasts approved by the board as part of the annual budget and forecast process undertaken in April and May each year. The budgets and forecasts are based on historical data adjusted for management's expectation of future performance. Expected future performance is determined using both internal and external sources of information. The board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support the strategy, current market conditions and the macroeconomic outlook.

For the impairment test using the value in use methodology, all cash flow projections were based on approved budgets and forecasts. Cash flow projections up to 2027 were prepared for Aldermore, whereas the cash flows projections until 2026 were considered for other CGUs.

The terminal cash flows are calculated from the final cash flow period, which is extrapolated into perpetuity, using the estimated growth rates stated below. These growth rates are consistent with economic reports specific to the country in which each CGU operates.

To determine the net present value, the cash flows of the CGU are discounted using the weighted average cost of capital for the specific CGU, adjusted for specific risks relating to the CGU.

Where fair value less cost to sell has been used to determine the recoverable amount of the CGU, the discounted cash flow valuation technique is adopted. The fair value is determined by discounting future cash flows using the weighted average cost of capital for the specific CGU, which is adjusted for risks specific to the CGU. The cash flows projections, including the terminal cash flows, are estimated using the same process as explained above. The key assumptions in determining the fair value are the discount rate and growth rate.

For the purpose of the fair value hierarchy, the determination of this fair value is categorised as level 3.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.2 Subsidiaries, associates and joint arrangements continued

Determination of recoverable amount

The table below shows the discount rates and the growth rates used in calculating the value in use for the CGUs.

	Discount rates		Growth rates	
R million	**2022**	2021	**2022**	2021
Aldermore	**14.90**	14.77	**2.00**	2.00
WesBank*	**19.80 – 20.50**	23.83	**4.70**	4.40
African operations**	**15.45 – 29.53**	15.31 – 29.33	**4.90 – 8.00**	(2.00) – 3.00
Other	**19.79**	20.83	**3.00**	3.00

* *Prior year has been re-presented to align to the goodwill allocated to the WesBank segment.*

** *In the prior year, the post-tax discount rate was disclosed. The comparative information has been updated to reflect the pre-tax discount rate.*

Impairment results

Other than those CGUs where goodwill has been impaired, a reasonable change in projected cash flows, the discount rate or growth rate of the above-mentioned CGUs results in their recoverable amount being sufficiently in excess of the carrying amount resulting in changes to the assumptions not changing the final outcome of the test. The goodwill attributable to the Aldermore CGU in the current and prior period were not shown to be sensitive to changes in assumptions supporting the recoverable amount as the recoverable amount calculated is materially higher than the carrying amount attributable to Aldermore.

Foreign operations

Management has reviewed the economies of the countries where the group's foreign operations are actively conducted and has not identified any hyperinflationary economies in terms of the requirements of IFRS. The group operates in South Africa, Namibia, Botswana, Eswatini, Mozambique, Zambia, Lesotho, Tanzania, Ghana, Nigeria, Mauritius, Wales, the United Kingdom, Guernsey and India. The group has representative offices in the United States of America, Kenya, Angola and Shanghai. The office in Angola has no lending or deposit-taking activities at this point.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.3 Taxation

The group is subject to direct tax in a number of jurisdictions. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business.

The group recognises liabilities for uncertain tax positions in accordance with the criteria defined within IAS 12 and IFRIC 23, based on objective estimates of the amount of tax that may be due, which is calculated, where relevant, with reference to expert advice received. Where payment is determined to be possible but not probable, the tax exposure is disclosed as a contingent liability. The group recognises probable liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Within South Africa, changes in tax rates are regarded as substantially enacted from the time they are announced in terms of the Finance Minister's budget statement. However, this principle only applies when the change in tax rate is not inextricably linked to other changes in the tax laws. Where changes in the tax rate are explicitly aligned to other changes in the tax law, then the change in tax rate is regarded to be substantially enacted when it has been approved by Parliament and signed by the President.

The Finance Minister's budget speech, which indicated the lowering of the corporate tax rate to 27% for years of assessment commencing on or after 1 April 2022, has been substantially enacted as the change in the tax rate is not inextricably linked to other changes in the tax laws. As such, deferred tax assets and liabilities have been calculated at the corporate tax rate of 27%.

Furthermore, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the entities in the group in order to utilise the deferred tax assets.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. The group adopts the PD/LGD approach to calculate ECL for advances. ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to predict borrower's behaviour and transaction characteristics in accordance and to align with IFRS 9, based on relationships observed in historical data related to the group of accounts to which the model will be applied. Models are used to estimate impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

Forward-looking information
Forward-looking macroeconomic information has been incorporated into expected credit loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgement-based adjustments consider a range of forecast macroeconomic scenarios as inputs. Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macroeconomic forum, which is responsible for oversight and is independent of credit and modelling functions. To arrive at the range of macroeconomic forecasts teams of economists, both locally and within the various subsidiaries, assess the micro- and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent is noted and explained at the FirstRand macroeconomic forum. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process. Quantitative techniques applied estimate the impact of forecast macroeconomic factors on ECL using various techniques dependent on the portfolio within which models will be applied.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information
Within the RMB corporate and investment banking portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on ECL. These stress testing models are industry-specific and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scalars based on historical S&P default data. Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance. The approach applied within the UK operations is aligned with the approach applied within domestic retail portfolios, with FLI-adjusted ECL estimates determined on the basis of a combination of regression-based modelling and expert judgement. Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental post-model adjustments have been applied to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios. For the group's South African and broader Africa operations, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario. However, given the unprecedented event-driven uncertainty in the global and South African economy and the inability of economic forecasts and existing statistical models to adequately capture these shocks, an additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios specifically as at 30 June 2021 and again as at 30 June 2022. Refer to page B157 for more details. The inclusion of this forward-looking scenario is a temporary measure to capture this uncertainty. The reason for limiting the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporates stressed scenarios for high-risk industries and the impact within broader Africa was not found to be material. The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information

Scenario	Probability	Description
Baseline	54% (2021: 58%)	• Global economic growth slows towards trend level and developed market (DM) inflation remains high but does not spiral out of control. • South Africa struggles to lift the potential growth rate meaningfully over the forecast horizon. • Confidence normalises from depressed levels inducing a normalisation in credit and savings growth. • Social unrest remains elevated but does not significantly impair confidence or operating conditions. • The climate transition progresses slowly and negotiations on the detail of the climate change deal at the United Nations Climate Change conference (COP26 deal) takes a long time with lack of meaningful implementation progress. • Russia's invasion of Ukraine contributes to higher headline inflation which limits the potential upside to real disposable income growth.
Upside	14% (2021: 13%)	• Global growth remains elevated keeping commodity prices elevated through the forecast horizon. • The South African government manages the carbon transition effectively and negotiations on the detail of the COP26 deal make meaningful progress. • Social unrest abates and the inflationary impact of Russia's invasion of Ukraine moderates significantly. • Broader fiscal and economic reforms lift the potential growth rate meaningfully over the forecast horizon. • Private sector confidence and related investment lift, resulting in higher credit extension and a drawdown in precautionary savings.
Downside	32% (2021: 29%)	• The South African government experiences significant setbacks in its efforts to manage the energy transition and decarbonisation process. • The country fails to implement growth-enhancing economic reforms. • The Covid-19 epidemic resurges resulting in increased economic restrictions. • Real credit extension falls and savings lift. • Global inflation lifts above central banks' comfort levels, resulting in significant policy tightening with negative knock-on consequences for global financial conditions and risk appetite. • Russia's invasion of Ukraine drives headline inflation significantly higher and real disposable income growth significantly lower.
Temporary stress scenario		• The ECL impact of the temporary stress scenario as well as its impact on staging of the GCA has been tracked separately for classes of advances within the retail and commercial portfolios, where the temporary stress scenario had a material impact. Therefore, for the retail and commercial portfolios a weighting of 8% (2021: 11%) has been attributed to the temporary scenario, 13% (2021: 11%) to the upside scenario, 29% (2021: 26%) attributed to the downside and 50% (2021: 52%) to the baseline scenario.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information

The following table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2022, for the group's UK operations:

Scenario	Probability	Description
Base	45% (2021: 50%)	• The macroeconomic environment remains very delicate with consumer confidence collapsing and growth slowing in the face of surging inflation. • Inflation lifts considerably while energy prices present significant uncertainty to the inflation outlook. • Economic activity slows and underlying growth weakens. • Real incomes decline and noisy idiosyncrasies (e.g. additional June bank holiday) result in pockets of negative growth. • Despite the weakness, labour market conditions remain tight and inflation pressures induce the BoE to increase the bank rate in response.
Upside	5% (2021: 10%)	• A range of global and domestic headwinds such as geopolitical tensions, Covid-19-related restrictions, and supply chain and inflationary pressures abate significantly quicker than currently expected. • Inflation expectations settle at a higher level in a frictionless manner, allowing for a period of higher wage growth, confidence, household spending and business investment.
Downside	35% (2021: 25%)	• Geopolitical tensions and supply chain disruptions intensify further, triggering substantial further upside pressure in commodity, agricultural and energy prices. • Inflation and other forward-looking expectations surge, causing central banks to react aggressively to contain 'second round' effects. • This causes the BoE via the monetary policy committee (MPC) to raise the bank rate to 3.5%. • Coupled with an additional substantial squeeze on household and business finances and falling confidence levels, the UK falls into a mild recession with higher unemployment (7.8% peak) and falling house prices (-14% peak to trough). • The MPC then ease policy once the recovery takes hold, to support economic activity.
Severe downside	15% (2021: 15%)	• Geopolitical tensions and supply chain disruptions intensify further, triggering substantial further upside pressure in commodity, agricultural and energy prices. • Inflation and other forward-looking expectations surge, causing central banks to react aggressively to contain 'second round' effects. • The UK economy experiences a deep recession, for example due to the emergence of a vaccine resistant strain of Covid-19 or a severe synchronised global trade/demand shock, resulting in large permanent scarring on the UK economy. • The MPC lower the bank rate into negative territory and the UK enters a 'lower for longer' interest rates environment to support economic activity. • There is a record 24% fall in house prices and a sharp rise in unemployment comparable to the financial crisis. • Economic indicators struggle to recover, with a number of variables (GDP, wage growth, productivity, inflation, asset growth) growing at a rate below trend.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information
Overview of forward-looking information included in the 30 June 2022 impairment of advances
During the year ended 30 June 2022 global economic growth continued to moderate with the sectoral composition of activity shifting from goods towards services. The invasion of Ukraine exacerbated the already elevated cost of living pressures in both developed and emerging economies. Central banks embarked on a course of interest rate hikes to stem inflation with plans to reduce fiscal stimulus, but this needs to be balanced with shielding consumers from the impacts of slowing growth and higher inflation. The complexity of these policy actions, combined with a significant increase in geopolitical risk, resulted in ongoing market volatility.
South Africa
South Africa's inflation rate lifted towards the top of the central bank's target range, resulting in an interest rate hiking cycle to lower longer-term inflation expectations. Real economic activity continued to slow – domestic household consumption in particular was impacted by the higher headline inflation. Despite the slowdown in overall activity, household data indicates that income levels among the employed have improved, following the deep contractions experienced in 2020, and retail confidence is returning. This, combined with a reduction in precautionary savings rates, underpinned household credit growth and provides some support to house prices.
With confidence slowly improving, credit demand in the corporate sector increased. Signs of positive structural reform developments included the liberalisation of energy production, confirmed private sector involvement in Transnet and the ports, and the successful completion of the 5G spectrum auction in March 2022.
United Kingdom
By the financial year end, the UK macroeconomic environment was characterised by falling consumer confidence and surging inflation. Energy and food prices continued to drive inflation higher while declining real incomes and lower confidence began to push economic activity lower. The BoE raised interest rates to control inflation. Although house prices remained elevated, signals suggested that house price growth will begin to slow given weaker economic activity and higher interest rates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Forward-looking information
Broader Africa **General** The operating environment in the countries in broader Africa where the group operates was largely characterised by the recovery in commodity prices. Structural weaknesses in most of the countries pre-date the pandemic and will continue to constrain the recovery in the medium term – in particular Ghana and Zambia, given their distressed debt positions and further fiscal pressures in Southern African Customs Union (SACU) countries. **Namibia** Growth in Namibia began to lift gradually from its pandemic lows driven by base effects, increased mining output and an improvement in SACU revenues. These factors pose an upside to growth alongside expected investments in renewable energy infrastructure. Despite these improvements, rising inflation remained a constraint to economic activity overall. Due to the currency peg with the South African rand, Namibia's monetary policy flexibility is constrained during hiking cycles as interest rates must be on par with or above those of South Africa's in line with Namibia's official monetary policy framework. Monetary policy therefore poses further constraints on growth expectations given the country's weak consumption fundamentals, particularly as households are already highly indebted. **Botswana** During the year Botswana's economy rebounded due to a significant recovery in the mining sector. Growth in the 12 months to March 2022 expanded by 13% year-on-year (compared to -8.8% year-on-year at the same time last year) primarily led by improved diamond mining activities as global demand continued to recover. In the medium term, the mining sector should also be supported by the resumption of local copper mining activity. However, the disruptions caused by the war between Russia and Ukraine, along with the sanctions imposed on Russia, pose upside risks to inflation. Inflation in Botswana increased considerably during the year, due to these factors as well as higher administered prices, while a new policy rate, termed the Monetary Policy Rate, was implemented. Persistently high inflation and monetary policy risk may limit the upside to economic activity gains.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in. The information below reflects the group's forecasts for each period at 30 June.

30 June 2022

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Applicable across all portfolios									
Real GDP growth	3.50	3.20	3.10	2.00	1.60	1.60	(2.70)	(0.90)	(0.90)
CPI inflation	5.60	4.40	4.40	6.40	4.60	4.60	9.90	9.30	5.80
Repo rate	5.75	5.25	5.25	5.75	5.75	5.75	10.00	10.00	7.50
Retail-specific									
Retail real income growth	2.30	2.40	2.80	1.30	1.20	1.50	(1.70)	(0.70)	(0.90)
House price index growth*	5.90	6.40	7.00	3.40	3.20	3.60	(4.50)	(1.70)	(2.10)
Household debt to income	67.40	68.20	68.60	66.40	66.60	66.70	65.40	64.90	64.60
Employment growth	0.80	0.60	0.90	0.50	0.30	0.50	(0.60)	(0.20)	(0.30)
Wholesale-specific									
Fixed capital formation	2.10	7.20	6.80	1.20	3.60	3.50	(1.60)	(1.90)	(2.00)
Foreign exchange rate (USD/ZAR)	13.30	13.90	14.50	15.70	16.40	17.10	23.60	23.00	20.50

* *Applicable to the secured portfolio.*

(%)	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
	Real GDP growth	CPI inflation	Repo rate	Retail real income growth	House price index growth*	Household debt to income	Employment growth
2023	(4.10)	13.10	12.50	(2.60)	(6.80)	64.80	(1.00)
2024	(2.10)	13.80	14.00	(1.60)	(4.10)	63.90	(0.40)
2025	(2.10)	11.00	12.00	(2.00)	(4.90)	63.20	(0.60)

* *Applicable to the secured portfolio.*

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

UK (%)	Upside scenario			Baseline expectation			Downside scenario			Severe scenario		
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	4.00	2.70	2.20	0.60	1.70	1.80	(3.00)	0.90	1.50	(3.10)	0.50	1.10
CPI inflation	4.70	2.60	2.30	4.90	1.80	1.80	7.10	1.50	2.00	2.30	0.80	1.20
BOE rate	2.00	2.00	2.00	1.50	1.50	1.50	3.00	2.25	1.75	(0.50)	(0.50)	(0.50)
Household disposable income growth	3.80	2.50	2.20	1.90	3.30	2.60	(2.00)	3.80	4.00	1.50	2.80	2.30
House price index growth*	3.10	3.00	3.00	1.10	2.00	2.20	(6.80)	1.70	2.40	(6.70)	1.10	1.60
Unemployment rate**	3.40	3.40	3.40	3.90	3.90	3.90	7.80	7.20	6.80	8.80	8.50	8.20

* *Applicable to the secured portfolio.*
** *In the prior year employment growth was used while in the current year unemployment rate was forecast.*

Broader Africa

Namibia (%)	Upside scenario			Baseline expectation			Downside scenario		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	4.75	5.50	5.50	2.90	3.10	3.50	(0.85)	(0.50)	(0.50)
CPI inflation	4.80	4.40	4.20	5.00	4.90	4.70	7.30	7.20	7.20
Repo rate	5.75	5.25	5.25	5.50	5.75	5.75	10.00	8.00	7.00

Botswana (%)	Upside scenario			Baseline expectation			Downside scenario		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Real GDP growth	5.25	5.45	5.50	3.70	3.90	4.00	0.90	0.55	0.40
CPI inflation	9.30	5.83	4.50	10.65	6.88	4.90	12.89	9.49	8.22
Repo rate	2.65	2.90	2.90	3.65	3.90	3.90	4.03	4.40	4.40

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

30 June 2021

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024
	Applicable across all portfolios								
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.20	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.35	6.50	6.50
	Retail-specific								
Retail real income growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price index growth*	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt to income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.50
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
	Wholesale-specific								
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

* *Applicable to the secured portfolio.*

(%)	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
	Real GDP growth	**CPI inflation**	**Repo rate**	**Retail real income growth**	**House price Index growth***	**Household debt to income**	**Employment growth**
2022	(1.20)	7.60	3.50	(0.40)	(1.00)	75.90	(0.20)
2023	(5.10)	10.30	6.00	(3.80)	(8.20)	76.00	(1.90)
2024	(6.20)	11.80	8.50	(4.10)	(16.00)	76.00	(1.10)

* *Applicable to the secured portfolio.*

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

UK	Upside scenario			Baseline scenario			Downside scenario			Severe scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	10.78	4.18	3.29	7.73	2.08	1.46	3.09	0.75	2.37	(6.13)	(1.53)	1.06
CPI inflation*	3.70	2.60	1.30	1.80	1.70	1.70	0.70	1.10	1.90	0.10	0.80	2.00
BOE rate*	0.90	1.13	1.25	0.10	0.10	0.10	(0.50)	0.00	0.00	(0.50)	(0.50)	(0.50)
Household disposable income growth	2.63	1.60	2.07	(0.81)	1.94	1.18	(3.69)	0.04	0.95	(1.03)	0.09	(1.18)
House price index growth**	3.38	2.30	8.64	(0.57)	(2.25)	0.54	(2.75)	(7.50)	(2.43)	(8.12)	(17.76)	(11.75)
Employment growth	1.63	2.21	0.45	(0.26)	0.30	0.51	0.06	(0.20)	0.44	(2.54)	0.49	1.06

* *Comparative CPI inflation and Bank of England rate has been disclosed in the current year.*
** *Applicable to the secured portfolio.*

Broader Africa

Namibia	Upside scenario			Baseline scenario			Downside scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	3.25	3.75	4.50	1.40	2.30	2.00	(3.00)	(1.50)	(1.00)
CPI inflation	3.00	3.00	3.00	3.80	4.00	4.10	5.92	6.75	7.00
Repo rate	2.75	2.50	2.50	3.75	4.00	4.00	6.25	6.50	6.50

Botswana	Upside scenario			Baseline scenario			Downside scenario		
(%)	2022	2023	2024	2022	2023	2024	2022	2023	2024
Real GDP growth	8.00	7.00	6.30	5.10	4.10	3.70	2.34	2.30	2.20
CPI inflation	3.90	2.80	2.60	5.50	4.00	3.60	6.40	5.50	5.30
Repo rate	3.25	3.00	3.00	3.75	3.75	3.75	5.50	5.50	5.50

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Significant macroeconomic factors

The following table reflects the impact on the performing (stage 1 and stage 2) impairment provisions on advances, if the probability weighting assigned to each of the scenarios were increased to 100%.

	R million	% change on total IFRS 9 provision
IFRS 9 impairment provision at 30 June 2022	**21 379**	
Scenarios		
Baseline	**20 355**	**(5)**
Upside	**18 436**	**(14)**
Downside*	**24 629**	**15**
IFRS 9 impairment provision at 30 June 2021	22 237	
Scenarios		
Baseline	21 388	(4)
Upside	19 485	(12)
Downside*	25 424	14

* *Due to the non-linearity of the temporary stress scenario, the scenario increases to R31 866 million (2021: R29 818 million) when a probability weighting of 100% to the temporary stress scenario is added to the downside scenario.*

Please note, the analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include any changes to post-model adjustments.

Judgement	Retail and retail SME	Wholesale and commercial SME
Measurement of the 12-month and LECL	Parameters are determined on a basis whereby exposures are pooled at a portfolio level (at a minimum). Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics in addition to historical drawdown and payment behaviour.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate ECL, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2"></td><td>LGDs are determined by estimating expected future cash flows, adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes.

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within historical data will continue to be relevant in the future.</td><td></td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and LECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining lifetime is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit.

ECL on open accounts are discounted from the expected date of default to the reporting date using the asset’s original effective interest rate or a reasonable approximation thereof.</td></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)</td><td>SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors.

In the prior year, additional judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress, were calibrated into the SICR triggers. Additional enhancements were incorporated including SICR rules that cater for behaviour that had not been previously captured. These specific updates catered for performing customers, in particular those in severely impacted sectors that may have exhausted or close to having exhausted their emergency savings, but for which the strain of this was likely to only become evident shortly after year end. In the current year, no additional judgemental triggers have been added.</td><td>SICR triggers continue to be determined based on client behaviour and the internal FirstRand client rating or risk score, as well as judgemental factors, which include triggers for industries in distress, potentially resulting in the client being added to the watch list through the group’s ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a SICR.</td></tr>
</table>

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td>Prior and current year: Sensitivity staging</td><td colspan="2">The move from 12-month ECL (stage 1) to LECL (stage 2) can result in a substantial increase in ECL. The sensitivity information provided in the table below details the estimated additional ECL charge to the income statement that the group would need to recognise if 5% of the stage 1 gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2022. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.
<table>
<tr><th></th><th colspan="2">30 June 2022</th></tr>
<tr><th>R million</th><th>5% increase in gross carrying amount of exposure</th><th>Increase in the loss allowance</th></tr>
<tr><td>Retail</td><td>30 195</td><td>2 054</td></tr>
<tr><td>Wholesale, commercial and other (including Group Treasury)</td><td>30 731</td><td>3 929</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>60 926</td><td>5 983</td></tr>
</table>
<table>
<tr><th></th><th colspan="2">30 June 2021</th></tr>
<tr><th>R million</th><th>5% increase in gross carrying amount of exposure</th><th>Increase in the loss allowance</th></tr>
<tr><td>Retail</td><td>28 705</td><td>2 006</td></tr>
<tr><td>Wholesale, commercial and other (including Group Treasury)</td><td>26 392</td><td>3 986</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>55 097</td><td>5 992</td></tr>
</table>
</td></tr>
<tr><td>Government – guaranteed loan scheme</td><td colspan="2">During 2020, an arrangement facilitated by the Banking Association of South Africa (BASA), between the South African Reserve Bank (SARB) and participating banks in South Africa was concluded whereby the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME government-guaranteed loan scheme (the scheme). The group is a participant in the scheme. In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to on-lend to qualifying SME customers who would be charged the prime interest rate on the advance (ring-fenced portfolio). The loans are repayable up to a maximum of seven years, with no early settlement penalties applied. As part of the scheme, the group would share up to a maximum loss of 6% if the advances in the portfolio were to default. The SARB would compensate the group for all other credit losses suffered (limited guarantee) on the ring-fenced portfolio. The SARB is compensated for accepting such credit risk exposure by receiving a credit loss protection premium from the group, the terms of which are identical for all participants in the scheme. The group is acting as principal in the overall structure and as such has recognised loans advanced to customers (note 11).</td></tr>
</table>

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
	The limited guaranteed arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme. The group considers credit enhancements that are obtained from a third party at approximately the same time as the loan agreement is entered into with the customer, so as to mitigate the credit risk associated specifically with customers, as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.	

9.5 Provisions

Provisions for litigation
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of the legal risk of potential litigation on the bank's litigation database.

9.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% (2021:21%) of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The group considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2020), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.6 Transactions with employees continued

Employee benefits – defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash-settled share-based payment plans	
Determination of fair value of the award	The award is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk-free interest rate; and ➢ staff turnover and historical forfeiture rates as indicators of future conditions.
Equity-settled share-based payment plans	
Determination of fair value of the award	The total value of the services received is calculated with reference to the fair value of the award on grant date. The fair value of the award is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of awards expected to vest.

9.7 Insurance and investment management activities

Long-term insurance contracts	
Determination/ valuation of policyholder liability for long- term insurance contracts – FSV method	Policyholder liabilities under long-term insurance contracts are valued in terms of the FSV method as is required by professional guidance note SAP 104 issued by the ASSA. This methodology is applied to each product type depending on the nature of the contract and the associated risks. Under this method, the liability is determined as the best estimate of the future cash flows relating to the insurance contracts plus certain compulsory and discretionary margins. A repudiation factor is applied when calculating the liability based on historical claim repudiation rates.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

Long-term insurance contracts	
Best estimate of future cash flows	The best estimate of future cash flows considers certain assumptions i.e., expected future experience as well as revised expectations of future income, claims and expenditure. Differences between the assumptions used at the start and end of the period give rise to revised liability quantification. The expected level of terminations is incorporated into the liabilities, irrespective of whether this leads to an increase or a decrease in the liabilities.
Discretionary margins	The main discretionary margins utilised in the valuation are as follows: ➢ additional prospective margins are held in respect of decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected; and ➢ where the present value of expected future inflows are greater than the value of expected future outflows, as assessed on a policy-by-policy basis and grouped per product, portfolio and tax fund, results in an asset, the company elects to zeroise the policyholder liability. As a result, there are no discounted policyholder liabilities recognised on the statement of financial position except those relating to positive policyholder liabilities.
Liabilities for claims	OCR represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement, but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim and a repudiation factor is applied when calculating the liability based on historical claim repudiation rates. IBNR claims are claims incurred but not yet reported or paid. The liability is estimated by assuming that future trends in reporting of claims will be similar to the past. The profile of claims run-off (over time) is modelled by using historical data of the group and chain-ladder techniques. The profile is then applied to actual claims data of recent periods for which the run-off is believed to be incomplete.

Key assumptions to which the estimation of liabilities is particularly sensitive
Material judgement is required in determining liabilities and in the choice of assumptions. Assumptions in use are based on experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continual basis in order to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities is particularly sensitive are as follows (assumptions have been adjusted for the expected impact of Covid-19 where appropriate):

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

Key assumptions to which the estimation of liabilities is particularly sensitive	
Mortality, retrenchment and morbidity rates	Assumptions are based on standard industry tables, national tables, reinsurer tables or internal tables where sufficient data is available, according to the type of contract written and the factors underlying the risk profiles of the insured person. They reflect recent historical experience and are adjusted when appropriate to reflect the group's own experiences. An appropriate, but not excessive, prudent allowance is made for expected future trends. Assumptions are differentiated by gender, underwriting class and contract types. An increase in actual mortality rates will lead to an increase in claims and related expenditure thereby reducing profits for shareholders.
Expenses	Operating expense assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses are taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in expenses would result in an increase in expenditure thereby reducing profits for shareholders.
Lapse and cancellation rates	Lapses relate to the termination of policies due to non-payment of premiums. Cancellations relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the group's experience and vary by product type, policy duration and sales channel. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.
Discount rate	Life insurance liabilities are determined as the sum of the discounted value of the expected benefits paid to policyholders and future administration expenses directly related to the contract, less the discounted value of the expected contractual premiums that would be required to meet these future cash outflows. Discount rates are based on risk-free rates published by the Prudential Authority for the calculation of solvency assessment and management returns. A decrease in the discount rate will increase the asset.

9 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

9.7 Insurance and investment management activities continued

Investment contracts	
Valuation of policyholder liability under investment contracts	The fair value of investment contracts without fixed benefits and unit-linked contracts is calculated using the current unit price that reflects the fair values of the underlying financial assets and/or derivatives. For unit-linked contracts, the unitised investment funds linked to the financial liability are multiplied by the number of units attributed to the policyholder at the statement of financial position date. For investment contracts with fixed and guaranteed terms, a valuation model is used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity. For investment contracts with no guaranteed returns, the return is derived from the performance of the underlying unit trust or share portfolio and is valued at fair value at each reporting date.

10 RESTATEMENT OF PRIOR YEAR NUMBERS

The group has made the following changes to the presentation of derivative assets and derivative liabilities.

10.1 Description of restatements

During the financial year, the group obtained a legal opinion which confirmed the group's legal right to set off positions held with the London Clearing House (LCH), of which FirstRand Securities, a subsidiary of FirstRand International, is a clearing member. The group restated its financial statements to appropriately reflect the net presentation of derivative assets and derivative liabilities with the LCH in the comparative information.

The change in presentation has no impact on the profit or loss or net asset value of the group and only affects the presentation of derivative assets and derivative liabilities on the statement of financial position.

10 RESTATEMENT OF PRIOR YEAR NUMBERS continued

10.2 Restated consolidated statement of financial position

as at 30 June

R million	As previously reported 2020	Offsetting	Restated 2020	As previously reported 2021	Offsetting	Restated 2021
ASSETS						
Cash and cash equivalents	136 002	-	136 002	135 059	-	135 059
Derivative financial instruments	147 515	(31 919)	115 596	82 728	(16 267)	66 461
Commodities	21 344	-	21 344	18 641	-	18 641
Investment securities	297 469	-	297 469	368 187	-	368 187
Advances	1 261 715	-	1 261 715	1 223 434	-	1 223 434
- Advances to customers*	1 191 281	-	1 191 281	1 152 956	-	1 152 956
- Marketable advances	70 434	-	70 434	70 478	-	70 478
Other assets	11 256	-	11 256	9 216	-	9 216
Current tax asset	598	-	598	409	-	409
Non-current assets and disposal groups held for sale	3 065	-	3 065	565	-	565
Reinsurance assets	240	-	240	387	-	387
Investments in associates	6 882	-	6 882	8 644	-	8 644
Investments in joint ventures	1 749	-	1 749	2 116	-	2 116
Property and equipment	21 369	-	21 369	20 190	-	20 190
Intangible assets	11 638	-	11 638	9 932	-	9 932
Investment properties	722	-	722	659	-	659
Defined benefit post-employment asset	-	-	-	9	-	9
Deferred income tax asset	4 975	-	4 975	6 104	-	6 104
Total assets	1 926 539	(31 919)	1 894 620	1 886 280	(16 267)	1 870 013
EQUITY AND LIABILITIES						
Liabilities						
Short trading positions	5 062	-	5 062	18 945	-	18 945
Derivative financial instruments	162 193	(31 919)	130 274	84 436	(16 267)	68 169
Creditors, accruals and provisions	21 038	-	21 038	22 765	-	22 765
Current tax liability	499	-	499	1 280	-	1 280
Liabilities directly associated with disposal groups held for sale	1 427	-	1 427	613	-	613
Deposits	1 535 015	-	1 535 015	1 542 078	-	1 542 078
Employee liabilities	8 820	-	8 820	11 319	-	11 319
Other liabilities	8 203	-	8 203	7 741	-	7 741
Policyholder liabilities	6 430	-	6 430	7 389	-	7 389
Tier 2 liabilities	24 614	-	24 614	20 940	-	20 940
Deferred income tax liability	1 318	-	1 318	887	-	887
Total liabilities	1 774 619	(31 919)	1 742 700	1 718 393	(16 267)	1 702 126
Equity						
Ordinary shares	56	-	56	56	-	56
Share premium	8 008		8 008	7 973	-	7 973
Reserves	129 465	-	129 465	143 588	-	143 588
Capital and reserves attributable to equityholders of the group	137 529	-	137 529	151 617	-	151 617
Other equity instruments	10 245	-	10 245	11 645	-	11 645
Non-controlling interests	4 146	-	4 146	4 625	-	4 625
Total equity	151 920	-	151 920	167 887	-	167 887
Total equity and liabilities	1 926 539	(31 919)	1 894 620	1 886 280	(16 267)	1 870 013

* *Included in advances to customers are assets under agreements to resell of R70 617 million (2021: R65 584 million; 2020: R26 964 million).*

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2022	2021
Interest income calculated using effective interest rate		**107 515**	103 912
Interest on other financial instruments and similar income		**1 452**	2 023
Interest and similar income	1.1	**108 967**	105 935
Interest expense and similar charges	1.2	**(42 592)**	(42 645)
Net interest income before impairment of advances		**66 375**	63 290
Impairment and fair value of credit of advances		**(7 080)**	(13 660)
- Impairment on amortised cost advances	12	**(6 539)**	(13 400)
- Fair value of credit on advances	12	**(541)**	(260)
Net interest income after impairment of advances		**59 295**	49 630
Non-interest revenue	2	**48 248**	45 195
- Net fee and commission income	2.1	**33 396**	31 686
- Fee and commission income		**39 967**	37 462
- Fee and commission expense		**(6 571)**	(5 776)
- Insurance income	2.2	**4 297**	3 335
- Fair value income	2.3	**6 835**	6 574
- Fair value gains and losses		**12 790**	10 900
- Interest expense on fair value activities		**(5 955)**	(4 326)
- Gains less losses from investing activities	2.4	**515**	271
- Other non-interest income	2.5	**3 205**	3 329
Income from operations		**107 543**	94 825
Operating expenses	3	**(60 769)**	(57 556)
Net income from operations		**46 774**	37 269
Share of profit of associates after tax	16	**895**	1 133
Share of profit of joint ventures after tax	17	**596**	405
Income before indirect tax		**48 265**	38 807
Indirect tax	4.1	**(1 433)**	(1 516)
Income before income tax		**46 832**	37 291
Income tax expense	4.2	**(12 193)**	(8 981)
Profit for the year		**34 639**	28 310
Attributable to			
Ordinary equityholders		**32 761**	26 743
Other equity instrument holders		**838**	777
Equityholders of the group		**33 599**	27 520
Non-controlling interests		**1 040**	790
Profit for the year		**34 639**	28 310
Earnings per share (cents)			
- Basic	5	**584.3**	476.9
- Diluted	5	**584.3**	476.9

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2022	2021
Profit for the year	**34 639**	28 310
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(3 712)**	(640)
(Losses)/gains arising during the year	**(2 138)**	968
Reclassification adjustments for amounts included in profit or loss	**(2 972)**	(1 891)
Deferred income tax	**1 398**	283
FVOCI debt reserve	**(50)**	392
(Losses)/gains arising during the year	**(65)**	584
Reclassification adjustments for amounts included in profit or loss	**(15)**	(34)
Deferred income tax	**30**	(158)
Exchange differences on translating foreign operations	**2 007**	(5 872)
Gains/(losses) arising during the year	**1 997**	(5 830)
Deferred income tax	**10**	(42)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**13**	90
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**4**	(271)
Gains/(losses) arising during the year	**10**	(351)
Deferred income tax	**(6)**	80
Remeasurements on defined benefit post-employment plans	**41**	(177)
Gains/(losses) arising during the year	**59**	(252)
Deferred income tax	**(18)**	75
Other comprehensive loss for the year	**(1 697)**	(6 478)
Total comprehensive income for the year	**32 942**	21 832
Attributable to		
Ordinary equityholders	**31 037**	20 408
Other equity instrument holders	**838**	777
Equityholders of the group	**31 875**	21 185
Non-controlling interests	**1 067**	647
Total comprehensive income for the year	**32 942**	21 832

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2022	2021**	2020**
ASSETS				
Cash and cash equivalents	7	**143 636**	135 059	136 002
Derivative financial instruments	8	**65 667**	66 461	115 596
Commodities	9	**17 580**	18 641	21 344
Investment securities	10	**382 149**	368 187	297 469
Advances	11	**1 334 324**	1 223 434	1 261 715
- Advances to customers*		**1 262 083**	1 152 956	1 191 281
- Marketable advances		**72 241**	70 478	70 434
Other assets	13	**9 597**	9 216	11 256
Current tax asset		**624**	409	598
Non-current assets and disposal groups held for sale	14	**1 501**	565	3 065
Reinsurance assets	15	**583**	387	240
Investments in associates	16	**8 178**	8 644	6 882
Investments in joint ventures	17	**2 618**	2 116	1 749
Property and equipment	18	**19 725**	20 190	21 369
Intangible assets	19	**9 459**	9 932	11 638
Investment properties	20	**698**	659	722
Defined benefit post-employment asset	21	**35**	9	-
Deferred income tax asset	22	**8 028**	6 104	4 975
Total assets		**2 004 402**	1 870 013	1 894 620
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	23	**14 623**	18 945	5 062
Derivative financial instruments	8	**64 547**	68 169	130 274
Creditors, accruals and provisions	24	**35 761**	22 765	21 038
Current tax liability		**803**	1 280	499
Liabilities directly associated with disposal groups held for sale	14	**824**	613	1 427
Deposits	25	**1 655 972**	1 542 078	1 535 015
Employee liabilities	21	**13 862**	11 319	8 820
Other liabilities	26	**8 248**	7 741	8 203
Policyholder liabilities	15	**7 424**	7 389	6 430
Tier 2 liabilities	27	**20 937**	20 940	24 614
Deferred income tax liability	22	**692**	887	1 318
Total liabilities		**1 823 693**	1 702 126	1 742 700
Equity				
Ordinary shares	28	**56**	56	56
Share premium	28	**7 905**	7 973	8 008
Reserves		**156 820**	143 588	129 465
Capital and reserves attributable to equityholders of the group		**164 781**	151 617	137 529
Other equity instruments	29	**11 645**	11 645	10 245
Non-controlling interests		**4 283**	4 625	4 146
Total equity		**180 709**	167 887	151 920
Total equity and liabilities		**2 004 402**	1 870 013	1 894 620

* *Included in advances to customers are assets under agreements to resell of R70 617 million (2021: R65 584 million; 2020: R26 964 million).*

** *Restated, refer to section 10 of the accounting policies.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2020	56	8 008	**8 064**	(420)	1 995
Net proceeds of issue of share capital	-	-	**-**	-	-
Disposal of subsidiaries	-	-	**-**	-	-
Additional Tier 1 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	-	(35)	**(35)**	-	-
Total comprehensive income for the year	-	-	**-**	(177)	(640)
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	(177)	(640)
Balance as at 30 June 2021	56	7 973	**8 029**	(597)	1 355
Net proceeds of issue of share capital	-	-	**-**	-	-
Disposal of subsidiaries	-	-	**-**	-	-
Additional Tier 1 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	-	(68)	**(68)**	-	-
Total comprehensive income for the year	-	-	**-**	41	(3 712)
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	41	(3 712)
Balance as at 30 June 2022	56	7 905	**7 961**	(556)	(2 357)

* *Refer to note 28.2 for a breakdown of other reserves.*

** *Other equity instruments at 30 June 2022 include R4 519 (2021: R4 519 million) of non-cumulative, non-redeemable preference shares and R7 126 (2021: R7 126 million) of AT1 instruments.*

	Ordinary share capital and ordinary equityholders' funds							
	Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instru-ments ****	**Non-controlling interests**	**Total equity**
	24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**
	-	-	-	-	**-**	**-**	**(2)**	**(2)**
	-	-	-	-	**-**	**-**	**376**	**376**
	-	-	-	-	**-**	**1 400**	**-**	**1 400**
	20	-	131	(148)	**3**	**-**	**3**	**6**
	-	-	-	(6 170)	**(6 170)**	**-**	**(489)**	**(6 659)**
	-	-	-	-	**-**	**(777)**	**-**	**(777)**
	-	-	60	(60)	**-**	**-**	**-**	**-**
	-	-	-	(134)	**(134)**	**-**	**(56)**	**(190)**
	-	-	-	16	**16**	**-**	**-**	**(19)**
	-	(5 713)	195	26 743	**20 408**	**777**	**647**	**21 832**
	-	-	-	26 743	**26 743**	**777**	**790**	**28 310**
	-	(5 713)	195	-	**(6 335)**	**-**	**(143)**	**(6 478)**
	44	2 773	1 176	138 837	**143 588**	**11 645**	**4 625**	**167 887**
	-	-	-	-	**-**	**-**	**-**	**-**
	-	-	-	-	**-**	**-**	**-**	**-**
	-	-	-	-	**-**	**-**	**-**	**-**
	-	-	203	(278)	**(75)**	**-**	**29**	**(46)**
	-	-	-	(17 390)	**(17 390)**	**-**	**(1 026)**	**(18 416)**
	-	-	-	-	**-**	**(838)**	**-**	**(838)**
	-	-	(55)	55	**-**	**-**	**-**	**-**
	-	-	-	(364)	**(364)**	**-**	**(412)**	**(776)**
	-	-	-	24	**24**	**-**	**-**	**(44)**
	-	1 993	(46)	32 761	**31 037**	**838**	**1 067**	**32 942**
	-	-	-	32 761	**32 761**	**838**	**1 040**	**34 639**
	-	1 993	(46)	-	**(1 724)**	**-**	**27**	**(1 697)**
	44	4 766	1 278	153 645	**156 820**	**11 645**	**4 283**	**180 709**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2022	2021
Cash flows from operating activities			
Interest and fee commission receipts		**150 467**	131 715
- Interest received		**113 464**	97 326
- Fee and commission received		**39 967**	37 462
- Insurance income received		**3 607**	2 703
- Fee and commission paid		**(6 571)**	(5 776)
Trading and other income		**3 539**	3 238
Interest payments		**(37 778)**	(36 499)
Other operating expenses		**(45 355)**	(43 677)
Dividends received		**3 065**	2 929
Dividends paid		**(18 228)**	(6 947)
Dividends paid to non-controlling interest		**(1 026)**	(489)
Taxation paid		**(14 984)**	(10 698)
Cash generated from operating activities		**39 700**	39 572
Movements in operating assets and liabilities		**(29 899)**	(30 434)
- Liquid assets and trading securities		**(200)**	(75 198)
- Advances		**(92 260)**	(44 458)
- Deposits		**61 655**	82 663
- Other assets		**(194)**	2 472
- Creditors		**6 930**	864
- Employee liabilities		**(5 241)**	(4 079)
- Total other liabilities		**(589)**	7 302
- Other operating liabilities*		**(428)**	6 490
- Reinsurance assets		**(196)**	(147)
- Policyholder liabilities		**35**	959
Net cash generated from operating activities		**9 801**	9 138
Cash flows from investing activities			
Acquisition of investments in associates	16	**(236)**	(93)
Proceeds on disposal of investments in associates	16	**1**	37
Acquisition of investments in joint ventures	17	**(92)**	(45)
Proceeds on disposal of investments in joint ventures	17	**40**	-
Acquisition of investments in subsidiaries	30.1	**21**	(31)
Proceeds on disposal of subsidiaries	30.2	**-**	(2)
Acquisition of property and equipment	18	**(3 265)**	(3 160)
Proceeds on disposal of property and equipment	18	**617**	539
Acquisition of intangible assets and investment properties	19,20	**(409)**	(257)
Proceeds on disposal of non-current assets held for sale	14	**25**	-
Net cash outflow from investing activities		**(3 298)**	(3 012)

CONSOLIDATED STATEMENT OF CASH FLOWS continued

for the year ended 30 June

R million	Notes	2022	2021
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities	26.1	**1 067**	1 306
Redemption of other financing liabilities	26.1	**(842)**	(1 110)
Principal payments towards lease liabilities	26.1	**(1 030)**	(1 053)
Proceeds from issue of Tier 2 liabilities	27.1	**2 742**	3 111
Capital repaid on Tier 2 liabilities	27.1	**(3 577)**	(4 903)
Acquisition of additional interest in subsidiaries from non-controlling interest	30.1.1	**(866)**	(139)
Proceeds from issue of AT1 equity instruments	29	**-**	1 400
Net cash outflow from financing activities		**(2 506)**	(1 388)
Net increase in cash and cash equivalents		**3 997**	4 738
Cash and cash equivalents at the beginning of the year		**135 059**	136 002
Effect of exchange rate changes on cash and cash equivalents		**4 631**	(5 594)
Transfer to non-current assets held for sale	14	**(51)**	(87)
Cash and cash equivalents at the end of the year	7	**143 636**	135 059

* *Other operating liabilities consist of various operating liabilities, the most significant balances include short trading positions, derivative financial instruments and deferred tax balance provisions.*

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

R million	2022	2021
Analysis of interest and similar income		
Debt instruments at fair value through other comprehensive income	**1 187**	1 037
Instruments at fair value through profit and loss	**1 450**	1 979
Instruments at amortised cost	**106 328**	102 874
Non-financial instruments	**2**	45
Interest and similar income	**108 967**	105 935
Advances	**87 726**	85 292
- Overdrafts and cash management accounts	**6 569**	6 089
- Term loans	**4 740**	4 374
- Card loans	**4 296**	4 013
- Instalment sales and hire purchase agreements*	**16 250**	17 167
- Lease payments receivable	**644**	708
- Property finance	**27 157**	25 821
- Home loans	**22 968**	21 990
- Commercial property finance	**4 189**	3 831
- Personal loans	**9 865**	10 234
- Preference share agreements	**2 330**	2 575
- Assets under agreement to resell	**767**	582
- Investment bank term loans	**8 698**	8 081
- Long-term loans to group associates and joint ventures	**53**	75
- Other customer advances	**2 160**	1 729
- Invoice finance	**612**	476
- Marketable advances	**3 585**	3 368
Cash and cash equivalents	**1 501**	1 136
Investment securities	**13 209**	11 961
Accrued on off-market advances	**49**	40
Interest on derivatives qualifying as hedging instruments	**6 347**	7 445
Other	**135**	61
Interest and similar income	**108 967**	105 935

** Despite benefiting from lower cost of funds and good growth in new business origination, MotoNovo's pre-provision operating profit was impacted by an operational event relating to non-compliance with the UK Consumer Credit Act, whereby notices of sums in arrears (NOSIAs) were not correctly issued to qualifying customers as a result of a system coding error. This event was identified during the Covid-19 pandemic period, but extends back a number of years and, as a result, certain interest and fees amounting to R465 million are required to be refunded to customers. The group has appropriately provided for this one-off event, including the operational cost and the consequential impact to impairments.*

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2022	2021
Analysis of interest expense and similar charges		
Instruments at amortised cost	**(42 455)**	(42 483)
Non-financial instruments	**(137)**	(162)
Interest expense and similar charges	**(42 592)**	(42 645)
Deposits	**(42 014)**	(38 714)
Deposits from customers	**(31 021)**	(27 398)
- Current accounts	**(3 413)**	(2 901)
- Savings deposits	**(875)**	(577)
- Call deposits	**(10 532)**	(8 954)
- Fixed and notice deposits	**(15 219)**	(13 783)
- Other deposits	**(982)**	(1 183)
Debt securities	**(9 614)**	(9 900)
- Negotiable certificates of deposit	**(2 021)**	(1 761)
- Fixed and floating rate notes	**(7 593)**	(8 139)
Securitisation issuances	**(467)**	(549)
Repurchase agreements	**(377)**	(449)
Securities lending	**(86)**	(90)
Cash collateral and credit-linked notes	**(449)**	(328)
Other funding liabilities	**(239)**	(193)
Lease liabilities	**(143)**	(162)
Tier 2 liabilities	**(1 396)**	(1 479)
Interest on derivatives qualifying as hedging instruments	**(4 560)**	(6 262)
Other	**(195)**	(161)
Gross interest expense and similar charges	**(48 547)**	(46 971)
Less: interest expense on fair value activities reallocated	**5 955**	4 326
Interest expense and similar charges	**(42 592)**	(42 645)

2 NON-INTEREST REVENUE

R million	Notes	2022	2021
Analysis of non-interest revenue			
Fee and commission income		**39 967**	37 462
- Instruments at amortised cost		**32 907**	30 751
- Instruments at fair value through profit or loss		**9**	10
- Non-financial instruments		**7 051**	6 701
Fee and commission expenses		**(6 571)**	(5 776)
Net fee and commission income	2.1	**33 396**	31 686
Insurance income	2.2	**4 297**	3 335
- Instruments mandatory at fair value through profit or loss		**4 178**	8 669
- Instruments designated at fair value through profit or loss		**2 467**	(155)
- Translation gains or losses on instruments not held at fair value through profit or loss		**190**	(1 940)
Fair value income	2.3	**6 835**	6 574
- Instruments at fair value through profit or loss		**221**	496
- Designated fair value through profit or loss		**37**	273
- Mandatory fair value through profit or loss		**184**	223
- Instruments at amortised cost		**137**	(323)
- Instruments at fair value through other comprehensive income		**27**	46
- Non-financial instruments		**130**	52
Gains less losses from investing activities*	2.4	**515**	271
Other non-interest revenue	2.5	**3 205**	3 329
Total non-interest revenue		**48 248**	45 195

* *The term investing activities used here does not have the same meaning as investing activities in the cash flow statement.*

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2022	2021
Banking fee and commission income	**35 259**	32 853
- Card commissions	**6 169**	5 069
- Cash deposit fees	**1 812**	1 798
- Commitment fees	**1 662**	1 500
- Electronic transaction fees	**1 091**	1 272
- Exchange commissions	**2 280**	2 115
- Brokerage income	**154**	121
- Bank charges	**22 091**	20 978
- Transaction and service fees	**7 767**	6 952
- Documentation and administration fees	**10 357**	10 058
- Cash handling fees	**2 944**	2 949
- Other	**1 023**	1 019
Knowledge-based fee and commission income	**1 161**	1 118
Management, trust and fiduciary fees	**2 571**	2 526
Fee and commission income from service providers	**503**	515
Other non-banking fee and commission income	**473**	450
Fee and commission income*	**39 967**	37 462
Transaction processing fees	**(1 569)**	(1 218)
Transaction-based fees	**(166)**	(151)
Commission paid	**(246)**	(236)
Customer loyalty programmes	**(2 162)**	(1 874)
Cash sorting, handling and transportation charges	**(1 173)**	(1 090)
Card and cheque book-related	**(392)**	(485)
ATM commissions paid	**(65)**	(66)
Other	**(798)**	(656)
Fee and commission expenses	**(6 571)**	(5 776)
Net fee and commission income	**33 396**	31 686

* *Revenue from contracts with customers.*

2.2 Insurance income

R million	2022	2021
Commissions, brokerage and profit share from third-party cells*	**1 500**	1 478
Insurance risk-related income	**2 797**	1 857
- Insurance premiums received	**5 416**	4 848
- Reinsurance expenses	**(642)**	(368)
- Insurance benefits and claims paid	**(2 596)**	(2 387)
- Reinsurance recoveries	**484**	217
- Transfers to policyholder liabilities (gross)	**(136)**	(631)
- Transfers from policyholder liabilities (reinsurance)	**271**	178
Insurance income	**4 297**	3 335

* *Revenue from contracts with customers.*

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2022	2021
Dividend income on preference shares held	**1 559**	1 115
Fair value income	**5 276**	5 459
Fair value gains or losses	**6 835**	6 574

2.4 Gains less losses from investing activities

R million	Notes	2022	2021
Gains on disposal of investment activities		**132**	39
- Gains on disposal of debt instruments at amortised cost		**132**	35
- Gains on investment activities of a capital nature		**-**	4
Impairment loss of debt investment securities at amortised cost		**(35)**	(152)
Reclassification from other comprehensive income on the derecognition/sale of assets FVOCI		**15**	34
Preference share dividends from unlisted investments		**39**	31
Other dividends received		**130**	49
Gain/(loss) on disposal of investments in subsidiaries		**56**	(3)
(Loss)/gains on disposal of investments in associates		**(40)**	40
Gain/(loss) on disposal of investments in joint ventures		**40**	(7)
Gains on bargain purchase		**-**	1
Fair value remeasurements on investment properties	20	**(19)**	(89)
Rental income from investment properties	20	**81**	106
Other gains from investing activities		**116**	222
Gains less losses from investing activities		**515**	271

2.5 Other non-interest revenue

R million	2022	2021
Revenue from contracts with customers*	**1 279**	1 337
- Sales	**2 212**	2 187
- Cost of sales	**(1 641)**	(1 659)
- Other income	**708**	809
Gain/(loss) on disposal of property and equipment	**8**	(17)
Rental income	**1 701**	1 836
Other operating lease transactions	**217**	173
Other non-interest revenue	**3 205**	3 329

* *Revenue from contracts with customers.*

3 OPERATING EXPENSES

R million	Notes	2022	2021
Auditors' remuneration		**(537)**	(545)
- Audit fees		**(483)**	(467)
- Fees for other services		**(47)**	(68)
- Prior year under accrual		**(7)**	(10)
Non-capitalised lease charges		**(560)**	(472)
- Short-term leases charge		**(345)**	(335)
- Low-value lease charge		**(198)**	(132)
- Variable lease charge		**(17)**	(5)
Staff costs		**(36 621)**	(34 358)
- Salaries, wages and allowances		**(27 319)**	(26 038)
- Contributions to employee benefit funds		**(479)**	(468)
- Defined contribution schemes		**(389)**	(323)
- Defined benefit schemes	21.1	**(90)**	(145)
- Social security levies		**(706)**	(586)
- Share-based payments	32	**(1 452)**	(1 158)
- Movement in short-term employee benefit liabilities		**(5 420)**	(5 002)
- Other staff costs		**(1 245)**	(1 106)
Other operating costs		**(23 051)**	(22 181)
- Amortisation of intangible assets	19	**(831)**	(916)
- Depreciation of property and equipment	18	**(3 996)**	(4 310)
- Impairments incurred		**(322)**	(415)
- Impairments reversed		**12**	22
- Insurance		**(115)**	(109)
- Advertising and marketing		**(1 827)**	(1 566)
- Maintenance		**(1 425)**	(1 313)
- Property		**(1 188)**	(1 126)
- Computer		**(4 199)**	(4 296)
- Stationery, storage and delivery		**(267)**	(266)
- Telecommunications		**(568)**	(621)
- Professional fees		**(3 056)**	(2 335)
- Donations		**(342)**	(258)
- Assets costing less than R7 000		**(209)**	(306)
- Business travel		**(240)**	(108)
- Profit share expenses		**(120)**	24
- Bank charges		**(169)**	(276)
- Legal fee expenses		**(861)**	(933)
- Entertainment		**(211)**	(116)
- Subscriptions and memberships		**(256)**	(239)
- Training expenses		**(296)**	(241)
- Other operating expenditure		**(2 565)**	(2 477)
Total operating expenses		**(60 769)**	(57 556)

3 OPERATING EXPENSES continued

Notable impairments incurred during 2022

Goodwill

The carrying amount of one CGU included in the WesBank segment has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R60 million.

Other

Impairments incurred include R132 million impairment losses recognised on properties and equipment held by the group that have been reduced to their respective recoverable amounts. This impairment is included in the FNB segment. Impairments of R30 million was recognised on the Tanzania disposal group and included in the FNB broader Africa reportable segment. Furthermore, ECL of R89 million was raised on non-advances.

Notable impairments incurred during 2021

Goodwill

The carrying amount of two CGUs within the group has been reduced to its recoverable amount through the recognition of an impairment against goodwill of R112 million. This impairment is included in the FNB segment.

Other

Impairments of R208 million was recognised on the Tanzania disposal group and included in the FNB broader Africa reportable segment. Refer to note 14. Furthermore, a R52 million ECL impairment has been raised on non-advances.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Information relating to each director's and prescribed officer's remuneration for the year under review and details of share options and dealings in FirstRand shares are set out below.

Non-executive directors' remuneration

	2022			2021		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	**7 056**	**293**	**7 349**	7 060	289	7 349
MS Bomela (resigned at 2020 AGM)	**-**	**-**	**-**	649	-	649
G Gelink	**2 621**	**1 394**	**4 015**	2 630	1 814	4 444
RM Loubser	**2 907**	**1 907**	**4 814**	3 051	2 407	5 458
TS Mashego	**1 502**	**304**	**1 806**	1 403	348	1 751
PD Naidoo (appointed 1 April 2022)	**239**	**-**	**239**	-	-	-
AT Nzimande (resigned at 2020 AGM)	**-**	**-**	**-**	871	-	871
L von Zeuner	**2 647**	**723**	**3 370**	2 655	608	3 263
T Winterboer	**1 726**	**929**	**2 655**	1 758	642	2 400
Z Roscherr	**1 738**	**952**	**2 690**	1 672	886	2 558
SP Sibisi (appointed 1 April 2021)	**1 668**	**86**	**1 754**	196	-	196
Non-executive directors						
JP Burger	**2 341**	**877**	**3 218**	2 287	1 053	3 340
F Knoetze (resigned at 2021 AGM)	**761**	**502**	**1 263**	1 559	823	2 382
Total non-executive directors	**25 206**	**7 967**	**33 173**	25 791	8 870	34 661

Directors' and prescribed officers' emoluments

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2022, with the FirstRand annual remuneration cycle running from 1 August to 31 July.

Long-term incentive (LTI) awards are made annually under the conditional incentive plan (CIP) and vesting is dependent on certain corporate targets being met on a cumulative basis over three years.

The following analysis provides two amounts per individual to accommodate the King IV alternative single figure view. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value.

The explanation of the basis of preparation of the remuneration tables is disclosed in the FirstRand remuneration report.

3 OPERATING EXPENSES continued

R thousand	**2022**	2021
AP Pullinger (group CEO)[1]		
Cash package paid during the year	**9 137**	8 995
Retirement contributions paid during the year	**191**	177
Other allowances	**294**	278
Guaranteed package	**9 622**	9 450
Performance-related STI:		
Cash	**7 912**	7 031
- Within 6 months[2]	**5 491**	4 905
- Within 1 year	**2 421**	2 126
Share price linked – deferred 2 years (BCIP)[3]	**5 912**	5 032
Variable pay	**13 824**	12 063
Total guaranteed and variable pay	**23 446**	21 513
Value of LTI awards allocated during the financial year under the CIP[4]	**24 840**	24 000
Total reward including LTIs	**48 286**	45 513
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**-**	19 273
Single-figure reporting		
Total guaranteed and variable pay	**23 446**	21 513
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**6 424**	-
Total reward including settled LTIs (single-figure)	**29 870**	21 513
M Vilakazi (group COO)[1]		
Cash package paid during the year	**7 596**	6 849
Retirement contributions paid during the year	**141**	124
Other allowances	**193**	182
Guaranteed package	**7 930**	7 155
Performance-related STI:		
Cash	**6 407**	5 325
- Within 6 months[2]	**4 488**	3 767
- Within 1 year	**1 919**	1 558
Share price linked – deferred 2 years (BCIP)[3]	**4 406**	3 325
Variable pay	**10 813**	8 650
Total guaranteed and variable pay	**18 743**	15 805
Value of LTI awards allocated during the financial year under the CIP[4]	**14 000**	11 184
Total reward including LTIs	**32 743**	26 989
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**-**	16 638
Single-figure reporting		
Total guaranteed and variable pay	**18 743**	15 805
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**5 546**	-
Total reward including settled LTIs (single-figure)	**24 289**	15 805

3 OPERATING EXPENSES continued

R thousand	2022	2021
HS Kellan (group financial director)[1]		
Cash package paid during the year	**8 182**	7 548
Retirement contributions paid during the year	**67**	61
Other allowances	**193**	182
Guaranteed package	**8 442**	7 791
Performance-related STI:		
Cash	**6 837**	5 750
- Within 6 months[2]	**4 775**	4 050
- Within 1 year	**2 062**	1 700
Share price linked – deferred 2 years (BCIP)[3]	**4 838**	3 750
Variable pay	**11 675**	9 500
Total guaranteed and variable pay	**20 117**	17 291
Value of LTI awards allocated during the financial year under the CIP[4]	**16 000**	13 950
Total reward including LTIs	**36 117**	31 241
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**-**	12 720
Single-figure reporting		
Total guaranteed and variable pay	**20 117**	17 291
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**4 240**	-
Total reward including settled LTIs (single-figure)	**24 357**	17 291
J Celliers (CEO FNB)[1]		
Cash package paid during the year	**7 838**	7 765
Retirement contributions paid during the year	**149**	138
Other allowances	**246**	182
Guaranteed package	**8 233**	8 085
Performance-related STI:		
Cash	**9 357**	7 850
- Within 6 months[2]	**6 455**	5 450
- Within 1 year	**2 902**	2 400
Share price linked – deferred 2 years (BCIP)[3]	**7 357**	5 850
Variable pay	**16 714**	13 700
Total guaranteed and variable pay	**24 947**	21 785
Value of LTI awards allocated during the financial year under the CIP[4]	**16 664**	16 100
Total reward including LTIs	**41 611**	37 885
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**-**	15 008
Single-figure reporting		
Total guaranteed and variable pay	**24 947**	21 785
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**5 003**	-
Total reward including settled LTIs (single-figure)	**29 950**	21 785

3 OPERATING EXPENSES continued

R thousand	2022	2021
J Formby (CEO RMB)[1]		
Cash package paid during the year	**6 793**	6 281
Retirement contributions paid during the year	**88**	98
Other allowances	**177**	225
Guaranteed package	**7 058**	6 604
Performance-related STI:		
Cash	**11 258**	9 775
- Within 6 months[2]	**7 722**	6 733
- Within 1 year	**3 536**	3 042
Share price linked – deferred 2 years (BCIP)[3]	**9 258**	7 775
Variable pay	**20 516**	17 550
Total guaranteed and variable pay	**27 574**	24 154
Value of LTI awards allocated during the financial year under the CIP[4]	**13 000**	12 150
Total reward including LTIs	**40 574**	36 304
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**-**	8 700
Single-figure reporting		
Total guaranteed and variable pay	**27 574**	24 154
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Value of LTI awards settled during the financial year under the Covid-19 scheme[7]	**2 900**	-
Total reward including settled LTIs (single-figure)	**30 474**	24 154

£ thousand	2022	2021
S Cooper (Aldermore CEO)[1, 8]		
Cash package paid during the year	**730**	143
Retirement contributions paid during the year	**50**	10
Other allowances	**268**	2
Guaranteed package	**1 048**	155
Performance-related STI:		
Cash	**276**	65
- Within 6 months[10]	**276**	65
- Within 1 year	**-**	-
Share price linked – deferred over 3 years[11]	**591**	32
Variable pay	**867**	97
Total guaranteed and variable pay	**1 915**	252
Value of LTI awards allocated during the financial year under the CIP[4, 12]	**542**	-
Total reward including LTIs	**2 457**	252
Buy-out award paid in cash[9]	**-**	997
Single-figure reporting		
Total guaranteed and variable pay	**1 915**	252
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Total reward including settled LTIs (single-figure)	**1 915**	252

3 OPERATING EXPENSES continued

1 FirstRand defines its prescribed officers as the group's executive directors, and the CEOs of the group's Retail and Commercial and Corporate and Institutional segments, and the CEO of the Aldermore Group. These officers are members of the group strategic executive committee and attend board meetings.

2 Variable compensation (STI), paid in cash in respect of the year ended June, is paid in three tranches during the following year ending on 30 June, i.e. August, December and June (with interest on the deferred payments).

3 A portion of variable compensation is deferred as share price linked awards and vests after two years. Previously vesting was equally split over two and three years for the executive directors and prescribed officers (2019 and 2020).

4 Long-term incentive awards are made annually under the CIP and vesting is subject to performance conditions and targets 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. Refer to note 25.

5 The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over three years (September 2021, 2022 and 2023), if performance conditions are met.

6 For King IV single-figure reporting, the value presented in the table is the LTI vested and settled in the financial year at original award value. It is zero if conditions are not met and awards are forfeited.

7 For King IV single-figure reporting, the value presented in the table under the Covid-19 scheme is the LTI vested and settled in the financial year at original award value. It is zero if conditions are not met and awards are forfeited.

8 Steven Cooper was Aldermore CEO effective May 2021.

9 A buy-out bonus was paid in cash to Steven Cooper to compensate for forfeited incentives from his previous employer.

10 The Aldermore performance-related STI cash component is paid in full in August.

11 The Aldermore performance-related STI share price linked component is released in equal annual tranches over the deferral period required by CRD V regulations.

12 Aldermore LTI allocated amount is the on-target value assumed at 55% of maximum. The LTI is a 50% share price linked award and 50% deferred cash award.

3 OPERATING EXPENSES continued

All executive directors and prescribed officers in South Africa have a notice period of one month, Steven Cooper has a notice period of six months. Non-executive directors are appointed for a period of three years and are subject to the Companies Act, 71 of 2008 provision relating to removal.

Ownership of FirstRand Bank Limited

FirstRand Bank Limited is a wholly owned subsidiary of FirstRand Limited.

Covid-19 Instrument for executive directors and prescribed officers

The Covid-19 health crisis and the resulting economic impact have been evident in FirstRand's results. This impact has resulted in the 2017, 2018 and 2019 LTI not vesting. In September 2020, Remco introduced a one-off Covid-19 instrument that caters for the retention of employees considered critical to the ongoing sustainability of the business. The value of the Covid-19 instrument was struck at half of the original value of the 2018 and 2019 LTIs and is linked to the FirstRand share price.

For senior employees, including the FirstRand executive directors and prescribed officers, the award vests in three equal proportions (tranches) over three years (September 2021, 2022 and 2023), if performance conditions are met, including both financial and risk elements. The financial conditions are linked to the group's ROE being within the target range.

In September 2021 the first Covid-19 tranche vested as the 2018 LTI award failed. In September 2022, the second Covid-19 tranche will vest as the 2019 LTI award will fail. Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents up to a four-year retention period.

Covid-19 instrument

R thousand	2020
AP Pullinger	19 273
M Vilakazi	16 638
HS Kellan	12 720
J Celliers	15 008
J Formby	8 700

3 OPERATING EXPENSES continued

Co-investment scheme

This scheme terminated on 30 June 2021 and all participants were settled for their investment during September 2021. Previously eligible prescribed officers invested in the scheme. Profit share, as shown in the table below, was based on a capital contribution placed at risk by participants. There was no cost to the group associated with the co-investment scheme as all capital invested and all risk related were for the account of the individuals.

R thousand	**2022**	2021
JR Formby	**-**	6 073
AP Pullinger	**-**	3 442

Long-term executive management retention scheme

LTEMRS[1] participation award made in December 2016	
Designation	**Awards (thousand)**
Executive directors	
AP Pullinger	188
HS Kellan	563
Prescribed officers	
J Celliers	469
J Formby	938

[1] In addition to the group's existing long-term incentive plan, and in order to better align executive interests with those of the group's shareholders, the group introduced a long-term executive management retention scheme (LTEMRS) in December 2016. The scheme is a five-year scheme, where members of the group's strategic committee are eligible to participate, on a voluntary basis, by purchasing a predetermined fixed number of participation awards. Participants paid an upfront cash deposit of 10% for their predetermined fixed amount of participation awards, with the balance being funded by the group through a facilitated mechanism. The fixed amount for each participant was converted into a number of participation awards, determined by the share price of R53.33, being the three-day volume weighted-average price of the FirstRand share price at the date of award, being 15 December 2016. The scheme and the funding mechanism ensure that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash settled scheme. Early termination before the expiry of three full years of service carries the full cost of early termination, including a full forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five. There is no cost to the group associated with the LTEMRS as the scheme is economically hedged. In the 2020 financial year, Remco approved the extension of the scheme for two years from the original vesting date of September 2021 to September 2023. If the participant leaves after September 2020 but before the amended vesting date of September 2023, the participant will forfeit 20% of the upside of the scheme and carry 100% downside risk in line with the scheme. The extension of the scheme is considered an amendment of terms and therefore an increased rate, linked to the real interest rate, has been applied to the outstanding funding.

Prescribed officers' 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 explanation of the basis of preparation of the remuneration tables is disclosed in the FirstRand remuneration report.

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
AP Pullinger				
Deferred share price linked STI awards				
2019 (2-year deferral)	September 2019	5 100	September 2021	
2019 (3-year deferral)	September 2019	5 100	September 2022	
2020 (2-year deferral)	September 2020	1 912	September 2022	
2020 (3-year deferral)	September 2020	1 913	September 2023	
2021 (2-year deferral)	September 2021	5 032	September 2023	
2022 (2-year deferral)	September 2022	5 912	September 2024	
Balance deferred share price linked STIs		**24 969**		
LTI awards under the CIP [5, 6]				
2018	September 2018	18 500	September 2021	
2019	September 2019	20 046	September 2022	
2020	September 2020	24 000	September 2023	
2021	September 2021	24 840	September 2024	
Balance LTIs		**87 386**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	6 424	September 2021	
2020	September 2020	6 424	September 2022	
2020	September 2020	6 425	September 2023	
Balance Covid-19 award		**19 273**		
M Vilakazi				
Deferred share price linked STI awards				
2019 (2-year deferral)	September 2019	1 937	September 2021	
2019 (3-year deferral)	September 2019	1 938	September 2022	
2020 (2-year deferral)	September 2020	1 012	September 2022	
2020 (3-year deferral)	September 2020	1 013	September 2023	
2021 (2-year deferral)	September 2021	3 325	September 2023	
2022 (2-year deferral)	September 2022	4 406	September 2024	
Balance deferred share price linked STIs		**13 631**		
LTI awards under the CIP [5, 6]				
2018	September 2018	8 500	September 2021	
2019	September 2019	10 775	September 2022	
2020	September 2020	11 184	September 2023	
2021	September 2021	14 000	September 2024	
Balance LTIs		**44 459**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	5 546	September 2021	
2020	September 2020	5 546	September 2022	
2020	September 2020	5 546	September 2023	
Balance Covid-19 award		**16 638**		

	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, 3] 30 Jun 2022	Value on settlement in 2022[4] R thousand
	78 221	-	(78 221)	-	-	5 291
	78 221	-	-	-	78 221	-
	48 738	-	-	-	48 738	-
	48 738	-	-	-	48 738	-
	81 658	-	-	-	81 658	-
	-	-	-	-	-	-
	335 576	-	(78 221)	-	257 355	5 291
	277 688	-	-	(277 688)	-	-
	307 455	-	-	(307 455)	-	-
	611 621	-	-	-	611 621	-
	-	403 156	-	-	403 156	-
	1 196 764	403 156	-	(585 143)	1 014 777	-
	163 719	-	(163 719)	-	-	10 087
	163 719	-	-	-	163 719	-
	163 719	-	-	-	163 719	-
	491 157	-	(163 719)	-	327 438	10 087
	29 716	-	(29 716)	-	-	2 010
	29 716	-	-	-	29 716	-
	25 802	-	-	-	25 802	-
	25 802	-	-	-	25 802	-
	53 965	-	-	-	53 965	-
	-	-	-	-	-	-
	165 001	-	(29 716)	-	135 285	2 010
	127 586	-	-	(127 586)	-	-
	165 261	-	-	(165 261)	-	-
	285 015	-	-	-	285 015	-
	-	227 221	-	-	227 221	-
	577 862	227 221	-	(292 847)	512 236	-
	141 331	-	(141 331)	-	-	8 708
	141 331	-	-	-	141 331	-
	141 331	-	-	-	141 331	-
	423 993	-	(141 331)	-	282 662	8 708

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share price linked STI awards				
2019 (2-year deferral)	September 2019	2 083	September 2021	
2019 (3-year deferral)	September 2019	2 084	September 2022	
2020 (2-year deferral)	September 2020	1 150	September 2022	
2020 (3-year deferral)	September 2020	1 150	September 2023	
2021 (2-year deferral)	September 2021	3 750	September 2023	
2022 (2-year deferral)	September 2022	4 838	September 2024	
Balance deferred share price linked STIs		**15 055**		
LTI awards under the CIP [5, 6]				
2018	September 2018	12 000	September 2021	
2019	September 2019	13 440	September 2022	
2020	September 2020	13 950	September 2023	
2021	September 2021	16 000	September 2024	
Balance LTIs		**55 390**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	4 240	September 2021	
2020	September 2020	4 240	September 2022	
2020	September 2020	4 240	September 2023	
Balance Covid-19 award		**12 720**		
J Celliers				
Deferred share price linked STI awards				
2019 (2-year deferral)	September 2019	3 143	September 2021	
2019 (3-year deferral)	September 2019	3 144	September 2022	
2020 (2-year deferral)	September 2020	2 075	September 2022	
2020 (3-year deferral)	September 2020	2 075	September 2023	
2021 (2-year deferral)	September 2021	5 850	September 2023	
2022 (2-year deferral)	September 2022	7 357	September 2024	
Balance deferred share price linked STIs		**23 644**		
LTI awards under the CIP [5, 6]				
2018	September 2018	14 500	September 2021	
2019	September 2019	15 515	September 2022	
2020	September 2020	16 100	September 2023	
2021	September 2021	16 664	September 2024	
Balance LTIs		**62 779**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	5 003	September 2021	
2020	September 2020	5 003	September 2022	
2020	September 2020	5 003	September 2023	
Balance Covid-19 award		**15 009**		

	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, 3] 30 Jun 2022	Value on settlement in 2022[4] R thousand
	31 959	-	(31 959)	-	-	2 162
	31 959	-	-	-	31 959	-
	29 306	-	-	-	29 306	-
	29 306	-	-	-	29 306	-
	60 863	-	-	-	60 863	-
	-	-	-	-	-	-
	183 393	-	(31 959)	-	151 434	2 162
	180 122	-	-	(180 122)	-	-
	206 136	-	-	(206 136)	-	-
	355 530	-	-	-	355 530	-
	-	259 682	-	-	259 682	-
	741 788	259 682	-	(386 258)	615 212	-
	108 053	-	(108 053)	-	-	6 658
	108 053	-	-	-	108 053	-
	108 053	-	-	-	108 053	-
	324 159	-	(108 053)	-	216 106	6 658
	48 217	-	(48 217)	-	-	3 261
	48 217	-	-	-	48 217	-
	52 880	-	-	-	52 880	-
	52 880	-	-	-	52 880	-
	94 946	-	-	-	94 946	-
	-	-	-	-	-	-
	297 140	-	(48 217)	-	248 923	3 261
	217 647	-	-	(217 647)	-	-
	237 961	-	-	(237 961)	-	-
	410 296	-	-	-	410 296	-
	-	270 458	-	-	270 458	-
	865 904	270 458	-	(455 608)	680 754	-
	127 485	-	(127 485)	-	-	7 855
	127 485	-	-	-	127 485	-
	127 484	-	-	-	127 484	-
	382 454	-	(127 485)	-	254 969	7 855

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
J Formby				
Deferred share price linked STI awards				
2019 (2-year deferral)	September 2019	5 500	September 2021	
2019 (3-year deferral)	September 2019	5 500	September 2022	
2020 (2-year deferral)	September 2020	3 187	September 2022	
2020 (3-year deferral)	September 2020	3 188	September 2023	
2021 (2-year deferral)	September 2021	7 775	September 2023	
2022 (2-year deferral)	September 2022	9 258	September 2024	
Balance deferred share price linked STIs		**34 408**		
LTI awards under the CIP [5, 6]				
2018	September 2018	8 300	September 2021	
2019	September 2019	9 100	September 2022	
2020	September 2020	12 150	September 2023	
2021	September 2021	13 000	September 2024	
Balance LTIs		**42 550**		
LTI awards under the Covid-19 scheme [7]				
2020	September 2020	2 900	September 2021	
2020	September 2020	2 900	September 2022	
2020	September 2020	2 900	September 2023	
Balance Covid-19 award		**8 700**		
S Cooper (£ thousand)				
Deferred share price linked STI awards [8]				
2021 (3-year deferral)	September 2021	32	September 2022-2024	
2022 (7-year deferral)	September 2022	591	September 2023-2025	
Balance deferred share price linked STIs		**623**		
LTI awards under the CIP				
2020	September 2020	-	September 2023	
2021	September 2021	542	September 2024	
Balance LTIs		**542**		

	Units[9]					
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2, 3] 30 Jun 2022	Value on settlement in 2022[4] R thousand
	84 356	-	(84 356)	-	-	5 706
	84 356	-	-	-	84 356	-
	81 230	-	-	-	81 230	-
	81 230	-	-	-	81 230	-
	126 189	-	-	-	126 189	-
	-	-	-	-	-	-
	457 361	-	(84 356)	-	373 005	5 706
	124 584	-	-	(124 584)	-	-
	139 571	-	-	(139 571)	-	-
	309 633	-	-	-	309 633	-
	-	210 991	-	-	210 991	-
	573 788	210 991	-	(264 155)	520 624	-
	73 904	-	(73 904)	-	-	4 554
	73 904	-	-	-	73 904	-
	73 905	-	-	-	73 905	-
	221 713	-	(73 904)	-	147 809	4 554
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-		-
	-	-	-	-	-	-
	-	-	-	-	-	-

3 OPERATING EXPENSES continued

1 FirstRand share price linked schemes are determined on monetary value and not on the number of shares. The allocation of deferred share price linked STI awards is determined after year end, using the average three-day volume-weighted average price (VWAP) eight days after the results announcement. This means that the number of deferred share price linked STI award units allocated in 2022 is only calculated after the annual financial statements are issued.

2 Deferred share price linked STI awards vesting depends on continued employment over two years. Previously vesting was equally split over two and three years for the executive directors and prescribed officers (2019 and 2020).

3 FirstRand does not apply graded vesting to LTI awards allocated before September 2019, with awards thereafter having graded vesting. For these incentive schemes, LTI vesting depends on performance conditions and targets being met on a cumulative basis over three years. The group does not apply a probability of vesting to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision, given the current environment and uncertainty in quantifying the probability of vesting. For information purposes, the maximum possible value of the unvested awards as at June 2022 is the market value of the total number of shares at R62.37 per share on the last trading day of the financial year (30 June 2022).

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

5 The 2018 LTIs failed based on the performance conditions not being met on a cumulative three-year basis, up to 30 June 2021. As such the first tranche of the Covid-19 instrument vested and was settled in September 2021, with the performance conditions being tested as at June 2022 (clawback was not applied as the Covid-19 award performance conditions were met).

6 The 2019 LTIs failed based on the performance conditions not being met on a cumulative three-year basis, up to 30 June 2022. As such the second tranche of the Covid-19 instrument will vest and be settled in September 2022, with the performance conditions being tested as at June 2023. Clawback could be applicable if the Covid-19 award performance conditions are not met. Similarly the third tranche will vest in September 2023 with performance conditions being tested as at June 2024.

7 The Covid-19 retention instrument was awarded in September 2020. The value was converted to share price linked instruments on the award date and will vest in equal proportions (tranches) over three years (September 2021, 2022 and 2023) if the performance conditions are met. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).

8 The Aldermore performance-related STI share price linked component is released in equal annual tranches over the deferral period required by CRD V regulations.

9 Aldermore incentive awards are not convertible into units.

4 INDIRECT AND INCOME TAX EXPENSE

R million	**2022**	2021
4.1 Indirect tax		
Value-added tax (net)	**(1 420)**	(1 505)
Securities transfer tax	**(10)**	(9)
Other	**(3)**	(2)
Total indirect tax	**(1 433)**	(1 516)
4.2 Income tax expense		
South African income tax		
Current	**(10 291)**	(8 160)
- Current year	**(9 664)**	(8 142)
- Prior year adjustment	**(627)**	(18)
Deferred income tax	**954**	911
- Current year	**616**	919
- Prior year adjustment	**338**	(8)
Total South African income tax	**(9 337)**	(7 249)
Foreign company and withholding tax		
Current	**(2 659)**	(2 073)
- Current year	**(2 651)**	(2 104)
- Prior year adjustment	**(8)**	31
Deferred income tax	**136**	373
- Current year	**138**	365
- Prior year adjustment	**(2)**	8
Total foreign company and withholding tax	**(2 523)**	(1 700)
South African capital gains tax	**(69)**	(4)
- Current	**-**	-
- Deferred capital gains tax	**(69)**	(4)
Total capital gains tax	**(69)**	(4)
Customer tax adjustment account	**(1)**	-
Change in tax rate adjustment	**(262)**	(26)
Withholding tax on dividends	**(1)**	(2)
Total income tax expense	**(12 193)**	(8 981)

On 23 February 2022 the Minister of Finance announced in his budget speech that the corporate income tax rate would be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. The group views this change in tax rate as substantively enacted from the time that it was announced by the Minister of Finance. The group has therefore calculated the year-end deferred tax balances at 27%.

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	2022	2021
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend and other exempt income	**(2.7)**	(3.6)
Other non-taxable income*	**(0.4)**	0.8
Rate difference	**(0.5)**	(1.8)
Prior year adjustments	**0.7**	-
Effect of capital gains tax rate	**-**	0.1
Tax difference on associates	**(0.6)**	(0.9)
Tax difference on joint ventures	**(0.4)**	(0.2)
Disallowed expenditure**	**1.7**	1.9
Other	**0.2**	(0.2)
Effective rate of tax	**26.0**	24.1

* *The majority of other non-taxable income relates to non-taxable translation (gains)/losses on preference shares.*

** *In the current year, the majority of the disallowed expense relates to non-recoverable expenses from foreign operations that are non-deductible. In the prior year, the majority of the disallowed expenses related to non-deductible translation losses.*

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		Cents per share	
	Notes	2022	2021	2022	2021
Headline earnings					
- Basic	5.2	**32 817**	26 950	**585.3**	480.5
- Diluted	5.2	**32 817**	26 950	**585.3**	480.5
Earnings attributable to ordinary equityholders					
- Basic	5.2	**32 761**	26 743	**584.3**	476.9
- Diluted	5.2	**32 761**	26 743	**584.3**	476.9
Dividends – ordinary					
- Interim paid				**157.0**	110.0
- Final declared/paid				**185.0**	153.0
Special dividend				**125.0**	-
Dividends – preference					
- Interim paid				**270.7**	253.6
- Final declared/paid				**307.4**	273.9

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE continued

5.1 Weighted average number of shares

	2022	2021
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(2 751 213)**	(1 249 055)
- Shares for client trading	**(2 751 213)**	(1 249 055)
Weighted average number of shares in issue	**5 606 736 788**	5 608 238 946
Diluted weighted average number of shares in issue	**5 606 736 788**	5 608 238 946

The same weighted average number of shares was used for the basic and diluted headline earnings per share (HEPS) and basic and diluted earnings per share (EPS) as there are no potential dilutive ordinary shares in issue.

5.2 Headline earnings reconciliation

	2022		2021	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders		**32 761**		26 743
Adjusted for:				
Transfer from foreign currency translation reserve	**-**	**-**	8	8
Gains on disposal of non-private equity associates	**-**	**-**	(40)	(40)
Impairment of non-private equity associates	**25**	**25**	1	1
Loss on disposal of investments in joint ventures	**-**	**-**	7	7
(Gain)/loss on disposal of investments in subsidiaries	**(56)**	**(56)**	3	3
(Gain)/loss on disposal of property and equipment	**(8)**	**(8)**	17	11
Compensation from third parties for impaired/lost property and equipment	**(109)**	**(78)**	-	-
Impairment of goodwill	**60**	**49**	112	112
Fair value movement on investment properties	**19**	**15**	89	76
Impairment of assets in terms of IAS 36	**136**	**112**	43	34
Gain on bargain purchase	**-**	**-**	(1)	(1)
Other	**(3)**	**(3)**	(4)	(4)
Headline earnings attributable to ordinary equityholders		**32 817**		26 950

6 ANALYSIS OF ASSETS AND LIABILITIES

6.1 Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument, according to measurement basis and in order of when the assets are expected to be realised.

		2022		
			At fair value through profit or loss	
R million	Notes	**Amortised cost**	**Mandatory**	**Designated**
ASSETS				
Cash and cash equivalents	7	**143 636**	**-**	**-**
Derivative financial instruments	8	**-**	**57 041**	**-**
Investment securities*	10	**162 485**	**159 802**	**8 436**
Advances	11	**1 238 641**	**86 800**	**8 883**
Other assets	13	**6 215**	**-**	**-**
Non-current assets and disposal groups held for sale	14	**659**	**-**	**-**
Non-financial assets		**-**	**-**	**-**
Total assets		**1 551 636**	**303 643**	**17 319**
		2021		
Cash and cash equivalents	7	135 059	-	-
Derivative financial instruments (restated)#	8	-	59 788	-
Investment securities*	10	137 615	175 784	8 233
Advances**	11	1 128 110	87 080	8 244
Other assets	13	5 945	-	-
Non-current assets and disposal groups held for sale	14	540	-	-
Non-financial assets		-	-	-
Total assets (restated)#		1 407 269	322 652	16 477

* *All non-recourse investments are included in the investment securities balance held at mandatory fair value through profit or loss.*

** *Comparative information relating to the split of advances between current and non-current and non-contractual has been amended. In the prior year, R383 469 million was reflected as current and R839 965 million was reflected as non-current and non-contractual.*

\# *Refer to Accounting Policy note 10.1 for restatement of derivative financial instruments.*

	2022						
	At fair value through other comprehensive income		**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	Debt	**Equity**					
	-	**-**	**-**	**-**	**143 636**	**143 636**	**-**
	-	**-**	**8 626**	**-**	**65 667**	**55 444**	**10 223**
	51 082	**344**	**-**	**-**	**382 149**	**224 243**	**157 906**
	-	**-**	**-**	**-**	**1 334 324**	**427 300**	**907 024**
		-	**-**	**3 382**	**9 597**	**4 610**	**4 987**
	-	**-**	**-**	**842**	**1 501**	**1 501**	**-**
	-	**-**	**-**	**67 528**	**67 528**	**18 615**	**48 913**
	51 082	**344**	**8 626**	**71 752**	**2 004 402**	**875 349**	**1 129 053**
	2021						
	-	-	-	-	135 059	135 059	-
	-	-	6 673	-	66 461	56 976	9 485
	46 215	340	-	-	368 187	218 194	149 993
	-	-	-	-	1 223 434	370 606**	852 828**
	-	-	-	3 271	9 216	4 718	4 498
	-	-	-	25	565	565	-
	-	-	-	67 091	67 091	19 155	47 936
	46 215	340	6 673	70 387	1 870 013	805 273	1 064 740

6 ANALYSIS OF ASSETS AND LIABILITIES continued

6.2 Analysis of liabilities

The following table analyses the liabilities in the statement of financial position per category of financial instrument, according to measurement basis and in order of when the liabilities are expected to be settled.

		2022		
			At fair value through profit or loss	
R million	Notes	**Amortised cost**	**Mandatory**	**Designated**
LIABILITIES				
Short trading positions	23	**-**	**14 623**	**-**
Derivative financial instruments	8	**-**	**63 672**	**-**
Creditors, accruals and provisions	24	**19 479**	**-**	**-**
Liabilities directly associated with disposal groups held for sale	14	**747**	**-**	**-**
Deposits	25	**1 602 414**	**37 587**	**15 971**
Other liabilities	26	**5 343**	**-**	**71**
Policyholder liabilities	15	**-**	**-**	**5 396**
Tier 2 liabilities	27	**20 937**	**-**	**-**
Non-financial liabilities		**-**	**-**	**-**
Total liabilities		**1 648 920**	**115 882**	**21 438**
		2021		
Short trading positions	23	-	18 945	-
Derivative financial instruments (restated)*	8	-	62 481	-
Creditors, accruals and provisions	24	12 382	-	-
Liabilities directly associated with disposal groups held for sale	14	598	1	-
Deposits	25	1 487 555	35 203	19 320
Other liabilities	26	4 808	-	52
Policyholder liabilities	15	-	-	5 378
Tier 2 liabilities	27	20 940	-	-
Non-financial liabilities		-	-	-
Total liabilities (restated)*		1 526 283	116 630	24 750

* *Refer to Accounting Policy note 10.1 for restatement of derivative financial instruments.*

	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
	2022				
	-	**-**	**14 623**	**14 623**	**-**
	875	**-**	**64 547**	**57 412**	**7 135**
	-	**16 282**	**35 761**	**24 390**	**11 371**
	-	**77**	**824**	**824**	**-**
	-	**-**	**1 655 972**	**1 429 957**	**226 015**
	-	**2 834**	**8 248**	**4 859**	**3 389**
	-	**2 028**	**7 424**	**2 601**	**4 823**
	-	**-**	**20 937**	**12 160**	**8 777**
	-	**15 357**	**15 357**	**7 557**	**7 800**
	875	**36 578**	**1 823 693**	**1 554 383**	**269 310**
	2021				
	-	-	18 945	18 945	-
	5 688	-	68 169	59 793	8 376
	-	10 383	22 765	18 432	4 333
	-	14	613	613	-
	-	-	1 542 078	1 320 966	221 112
	-	2 881	7 741	1 616	6 125
	-	2 011	7 389	2 817	4 572
	-	-	20 940	2 823	18 117
	-	13 486	13 486	7 492	5 994
	5 688	28 775	1 702 126	1 433 497	268 629

6 ANALYSIS OF ASSETS AND LIABILITIES

6.3 Restatement of derivative asset and derivative liability

R million	At fair value through profit or loss (mandatory)	Derivatives designated as hedging instruments	Total carrying amount	Current	Non-current and non-contractual
	2021 - Restatement of derivative asset				
Previously reported	72 936	9 792	82 728	73 243	9 485
Adjustment	(13 148)	(3 119)	(16 267)	(16 267)	-
Restated*	59 788	6 673	66 461	56 976	9 485
	2021 - Restatement of derivative liability				
Previously reported	75 629	8 807	84 436	76 060	8 376
Adjustment	(13 148)	(3 119)	(16 267)	(16 267)	-
Restated*	62 481	5 688	68 169	59 793	8 376

** Refer to Accounting Policy note 10.1 for restatement of derivative financial instruments.*

7 CASH AND CASH EQUIVALENTS

R million	**2022**	2021
Coins and bank notes	**11 711**	10 556
Money at call and short notice	**77 773**	67 410
Balances with central banks	**54 152**	57 093
Mandatory reserve balances with central banks	**34 521**	39 627
Other balances with central banks	**19 631**	17 466
Total cash and cash equivalents*	**143 636**	135 059

* *ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach and is immaterial.*

Banks across the group are required to deposit a minimum average balance, calculated monthly, with their respective central bank, which is available for use by the group subject to certain restrictions and limitations levelled by the central banks within the countries of operation. These deposits bear little or no interest.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk. The group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Derivative instruments are classified either as held for trading or formally designated as hedging instruments. The group applies IFRS 9 for cash flow and fair value micro hedges. IAS 39 is applied to portfolio hedges, which the group refers to as macro-hedges, to which fair value hedge accounting has been applied.

For further details on the valuation of derivatives refer to note 34.

Qualifying for hedge accounting

Where all required criteria are met, derivatives are classified as qualifying for hedge accounting. Hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying hedged item. All qualifying hedging relationships are designated as either fair value or cash flow hedges. The group applies hedge accounting in respect of specified interest rate risk and equity price risk detailed in this note.

The group defines interest rate risk in the banking book (IRRBB) as the sensitivity of the statement of financial position and income statement to unexpected adverse movements in interest rates. IRRBB and equity price risk is managed by Group Treasury and the FirstRand asset, liability and capital committee (ALCCO) under approved policies. Aldermore manages its interest rate risk through its own treasury department and ALCCO. For further details on the group's approach to managing interest rate risk and market risk, refer to note 37.

IRRBB is expected within a banking operation and can be an important source of profitability and shareholder value and is therefore managed from an earnings approach, with the aim to protect and enhance net interest income (NII). Therefore, both fair value and cash flow hedge accounting are applied to provide a better reflection of how IRRBB is managed in profit or loss.

The group is exposed to equity price risk through its obligation under its employee share incentive schemes, the future cash outflows of which are directly impacted by changes in FirstRand Limited's share price. This equity price risk is managed by purchasing equity derivatives which mitigate the exposure to variability in cash outflows as a result of FirstRand's share price. Cash flow hedge accounting is employed to provide a better reflection of how equity price risk is managed in profit or loss.

Held for trading activities

Most of the group's derivative transactions relate to sales activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risks.

The following tables reflect the notional and fair values of the derivative instruments that qualify for hedge accounting or are held for trading. The notional amounts for derivative instruments qualifying for fair value hedge accounting include macro-hedging portfolios.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

	2022		2021 - Restated	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting	**362 720**	**8 626**	316 411	6 673
Fair value hedge accounting	**183 925**	**6 732**	106 183	773
- Interest rate derivatives*	**183 925**	**6 732**	106 183	773
Cash flow hedge accounting	**178 795**	**1 894**	210 228	5 900
- Interest rate derivatives*	**176 632**	**623**	208 955	5 235
- Equity derivatives	**2 163**	**1 271**	1 273	665
Held for trading	**4 928 241**	**57 041**	6 979 970	59 788
- Currency derivatives	**293 955**	**13 375**	272 558	9 266
- Interest rate derivatives*	**4 527 122**	**36 878**	6 602 868	47 276
- Equity derivatives	**57 443**	**2 357**	59 493	2 758
- Commodity derivatives	**26 220**	**1 184**	27 159	280
- Energy derivatives	**10 551**	**3 154**	3 688	119
- Credit derivatives	**12 950**	**93**	14 204	89
Total derivative assets	**5 290 961**	**65 667**	7 296 381	66 461
Exchange traded	**38 548**	**474**	27 307	41
Over the counter	**5 252 413**	**65 193**	7 269 074	66 420
Total derivative assets	**5 290 961**	**65 667**	7 296 381	66 461

Derivative financial instruments – liabilities

	2022		2021 - Restated	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting	**404 484**	**875**	409 462	5 688
Fair value hedge accounting	**85 853**	**444**	138 241	1 470
- Interest rate derivatives	**85 853**	**444**	138 241	1 470
Cash flow hedge accounting	**318 631**	**431**	271 221	4 218
- Interest rate derivatives*	**316 181**	**371**	268 890	3 781
- Equity derivatives	**2 450**	**60**	2 331	437
Held for trading	**4 742 815**	**63 672**	7 128 971	62 481
- Currency derivatives	**275 755**	**18 288**	219 151	11 509
- Interest rate derivatives*	**4 387 294**	**39 783**	6 829 781	47 680
- Equity derivatives	**63 386**	**3 331**	60 115	2 630
- Commodity derivatives	**2 945**	**587**	13 634	478
- Energy derivatives	**7 419**	**1 526**	2 697	94
- Credit derivatives	**6 016**	**157**	3 593	90
Total derivative liabilities	**5 147 299**	**64 547**	7 538 433	68 169
Exchange traded	**12 003**	**205**	39 966	41
Over the counter	**5 135 296**	**64 342**	7 498 467	68 128
Total derivative liabilities	**5 147 299**	**64 547**	7 538 433	68 169

** Includes derivatives cleared by central clearing counterparty.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

2021 - Restatement of derivative assets and derivative liabilities – interest rate derivatives

	Derivative assets	Derivative liabilities
R million	Fair value	Fair value
Qualifying for hedge accounting		
Previously reported	9 792	8 807
Adjustment	(3 119)	(3 119)
Restated	**6 673**	**5 688**
Fair value hedge - interest rate derivative		
Previously reported	855	1 470
Adjustment	(82)	-
Restated	**773**	**1 470**
Cash flow hedge accounting		
Previously reported	8 937	7 337
Adjustment	(3 037)	(3 119)
Restated	**5 900**	**4 218**
Cash flow hedge - interest rate		
Previously reported	8 272	6 900
Adjustment	(3 037)	(3 119)
Restated	**5 235**	**3 781**
Held for trading – total		
Previously reported	72 936	75 629
Adjustment	(13 148)	(13 148)
Restated	**59 788**	**62 481**
Held for trading – interest rate derivatives		
Previously reported	60 424	60 828
Adjustment	(13 148)	(13 148)
Restated	**47 276**	**47 680**
Over-the-counter		
Previously reported	82 687	84 395
Adjustment	(16 267)	(16 267)
Restated	**66 420**	**68 128**
Total derivatives		
Previously reported	82 728	84 436
Adjustment	(16 267)	(16 267)
Restated	**66 461**	**68 169**

[#] *Refer to Accounting Policy Note 10.1 for restatement of derivative financial instruments.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hedges

Interest rate risk

The group defines interest rate risk, for which fair value hedge accounting is applied, as the potential variations in NII due to the group issuing portfolios of fixed-rate long-dated term financial liabilities and holding investment securities, as well as fixed rate advances, which may result from:

- mismatches in the repricing of assets and liabilities;
- increases or decreases in the absolute levels of interest rates and/or changes in the shape of the term structure of interest rates when applied to the group's balance sheet; and
- behavioural uncertainties of the underlying hedged item, for example increased defaults, prepayments or early deposit withdrawals.

Where a hedging relationship involves government bonds classified at FVOCI as the designated hedged item, the hedged risk is the change in the fair value due to changes in the benchmark interest rate. However, only the benchmark interest rate component of the coupon cash flows plus the principal are designated as the hedged item. Due to liquidity and other assessments made, the interest rate swap curve is regarded as the best indicator of the interest rate risk and as such the benchmark interest rate is obtained from the interest rate swap curve denominated in the exposure's currency. The swap curve enables the measurement of the benchmark interest rate component on designation. The difference between the benchmark rate and the base rate is therefore excluded from the hedge risk designated.

As such, the benchmark interest rate risk is the component being hedged, while other risks such as credit risk are managed but not hedged by the group. This benchmark interest rate risk comprises the majority of the hedged items fair value risk.

For all other hedged items, the complete cash flow of the underlying financial asset or financial liability is designated as the hedged item, where the credit risk is proven not to dominate the fair value movements as a result of this risk.

The following are the identified hedged items subject to fair value interest rate risk hedge accounting and the related hedging instrument:

- Specified long-term fixed rate investment securities and other funding liabilities measured at amortised cost, as well as investment securities measured at FVOCI. To manage the interest rate risk associated with such risk exposures, the group uses a variety of cash collateralised vanilla fixed-for-floating interest rate swap derivatives.
- Interest rate exposure on portfolios of fixed-rate advances measured at amortised cost, where the bank has entered into interest rate swaps on a monthly basis. The exposure from this portfolio changes due to contractual repayments and early repayments made by customers in each period, as well as sales to securitisation vehicles. As a result, the bank has adopted a dynamic hedging strategy (macro-hedging) to hedge the exposure profile by de-designating and re-designating interest rate swap agreements at each month end based on the updated positions. The bank recognises the fair value movements related to changes in the interest rate risk in the advances portfolio in non-interest revenue (NIR), reducing the NIR volatility that would otherwise arise from changes in the fair value of the interest rate swaps alone. In the current year, not all macro-hedge relationships qualified for hedge accounting. The bank continually assesses whether macro-hedge accounting can be applied to failed macro-hedges, which could result in these macro-hedges being reinstated for hedge accounting purposes.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

- Interest rate exposure on a portfolio of fixed rate high-quality liquid assets (HQLA) measured at amortised cost and FVOCI; and advances and deposits measured at amortised cost in Aldermore, where Aldermore enters into interest rate swaps on a monthly basis. The exposure from these portfolios frequently changes due to new advances, deposits and HQLA being entered into, as well as contractual repayments and early repayments made by or to customers. As a result, Aldermore has adopted a dynamic hedging strategy (macro-hedging), to hedge the exposure profile by de-designating and re-designating interest rate swaps agreements at each month-end to reach offsetting positions.

The designated hedged items attract fixed interest cash flows, which expose the group to the risk of changes in the hedged item's fair value attributable to changes in the benchmark interest rate embedded in the hedge item.

The group enters into a variety of collateralised fixed-for-floating vanilla interest rate swaps. As such there is an expectation that the changes in fair value of the hedged item would move in the opposite direction to changes in the interest rate swaps as a result of movements in the benchmark interest rate swap curve. The swap prices off the swap curve denominated in the exposure's currency, which is regarded as the best indicator of the interest rate risk present in the hedged item.

In certain circumstances, the economic relationship is evident due to critical terms such as the denominated currency, nominal amount, duration and either the fixed-rate on the hedged item or the benchmark rate component of the hedged item and the interest rate swap matching. In other instances, the hedge accounting relationship is designated based on matching the PV01 of the hedging instrument to the hedged item. In these instances, the economic relationship is proven quantitively through the use of regression testing and other statistical models.

The outcome of this is that for most hedge accounting relationships, a 1:1 hedge ratio is maintained throughout the duration of the hedge relationship. Some hedge accounting relationships do not have 1:1 hedge ratios as the designations are not based on matching notional amounts, but are rather based on matching the PV01 associated with the hedged item to that of the hedging instrument.

The group uses the regression analysis approach to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determining the effectiveness of the hedge relationship in line with the group's risk management strategy.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

In the fair value hedge relationships for interest rate risk, the following may lead to ineffectiveness:

- the designated fixed interest rate on the hedged item differs from the offsetting rate of the interest rate swap;
- the unwinding of the time value of money element contained within the fair value of the hedging instrument on designation date;
- prepayment risk on macro-hedging portfolios on the date of designating the hedge relationship;
- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- differences in maturities of the interest rate swap and the hedged item; and
- where applicable, the effects of the reforms to IBOR, as the amendments to the terms of the hedging instrument and the related hedged item could take effect at different times.

The group adopted the amendments to IFRS 9, IAS 39 and IFRS 7 relating to Interest Rate Benchmark Reform (IBOR) Phase 1 and Phase 2 in the prior year. In accordance with the transition provisions, the amendments were adopted retrospectively to hedging relationships that existed at the start of the financial period or were designated thereafter.

These amendments provide temporary relief from applying specific hedge accounting requirements to hedge accounting relationships directly affected by an IBOR reform. The relief has the effect that the IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness would continue to be recognised in the income statement. Furthermore, the amendments set out triggers that determine when the relief will end, which include the uncertainty arising from IBOR reforms no longer being present.

The relief measures provided by the amendments that apply to the group are as follows:

- in assessing whether an economic relationship exists between the hedged item and the hedging instrument, the group assumes that the IBOR interest rate in the hedge relationship is not altered by its corresponding IBOR reform; and
- the group only assesses whether the designated IBOR risk component is separately identifiable on designation date and not on an ongoing basis.

The total notional amount of the derivatives impacted by the IBOR reform that are still to transition are set out below:

R million	**2022 Notional**	2021 Notional
Fair value hedge — interest rate risk		
Interest rate derivatives - derivative assets		
USD LIBOR	**566**	-
GBP LIBOR	**-**	304
Interest rate derivatives - derivative liabilities		
USD LIBOR	**164**	9 049
GBP LIBOR	**-**	176

These derivatives have and will continue to be transitioned via ISDA protocols. Refer to Note 37.4.1 (Interest rate risk in the banking book) for a detailed explanation on how FirstRand is managing the transition to ARRs.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following table discloses the maturity of the hedging instruments included in fair value hedging relationships excluding the maturity of the macro-hedging portfolios.

R million	**2022** **Interest rate risk** **Notional amount**	2021 Interest rate risk Notional amount
Derivative assets		
4 – 12 months	**7 129**	-
> 12 months	**7 513**	12 533
Total	**14 642**	12 533
Derivative liabilities		
4 – 12 months	**-**	456
> 12 months	**12 989**	12 185
Total	**12 989**	12 641

The following table discloses the average interest rate of the hedging instruments included in fair value hedging relationships, according to their respective maturity buckets, excluding macro-hedging portfolios.

	2022 **Average interest rate risk** **(%)**	2021 Average interest rate risk (%)
Derivative asset		
4 — 12 months	**6**	-
> 12 months	**7**	6
Derivative liability		
4 — 12 months	**-**	3
> 12 months	**2**	4

8 DERIVATIVE FINANCIAL INSTRUMENTS

The following table sets out information about hedged items in fair value hedging relationships.

R million	**2022**		
	Advances*	**Investment securities**	**Funding liabilities****
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	**136 759**	**41 814**	**73 661**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**(3 984)**	**(2 848)**	**112**
Total carrying amount of hedged items	**132 775**	**38 966**	**73 773**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**57**	**-**
	2021		
Interest rate risk — hedged items			
Carrying amount excluding fair value hedge adjustments	161 678	35 786	61 719
Accumulated fair value hedge adjustments for instruments that are actively hedged	274	624	250
Total carrying amount of hedged items	161 952	36 410	61 969
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	(64)	-

* *All amounts in advances relate to the macro-hedging strategy applied. In the current year, a portion of the fair value macro-hedges failed to qualify for hedge accounting.*

** *Funding liabilities are included in the deposit and Tier 2 liabilities lines in the statement of financial position.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recognised in NIR for the year in respect of fair value hedging relationships (single hedge relationships and macro-hedging portfolios).

R million	2022	2021
Interest rate risk		
Changes in fair value for the year arising on hedging instruments	**6 871**	1 379
- Interest rate derivatives	**6 871**	1 379
Changes in fair value on the hedged items attributable to the hedged risk	**(6 786)**	(1 275)
- Advances	**(4 221)**	(768)
- Investment securities — amortised cost	**(1 020)**	(622)
- Investment securities — FVOCI	**(2 094)**	(269)
- Funding liabilities*	**549**	384
Ineffectiveness recognised in NIR	**85**	104

* *Funding liabilities are included in the deposit and Tier 2 liabilities lines in the statement of financial position.*

Cash flow hedges

The group employs cash flow hedge accounting to mitigate against changes in future cash flows on variable rate financial instruments with the objective of mitigating against variability in future cash flows resulting from changes in market rates. The following are the identified hedged items subject to cash flow hedge accounting:

- prime-linked advances (cash flow interest rate risk);
- variable Johannesburg Interbank Average Rate-linked (JIBAR-linked) advances (cash flow interest rate risk);
- variable overnight financial liabilities (cash flow interest rate risk); and
- the group's share incentive scheme (cash flow equity price risk).

Interest rate risk

Cash flow hedges of interest rate risk relate to exposures to the variability in future interest cash flows due to the movement of benchmark interest rates on recognised financial assets and financial liabilities. The change in the interest cash flows attributable to the change in benchmark rate is designated as the hedged risk for hedge accounting purposes. This variability in cash flows is hedged by cash collateralised vanilla interest rate swaps, fixing the hedged cash flows.

The variable interest rate on JIBAR-linked assets and overnight financial liabilities exposes the group to volatility in interest cash flows as the variable benchmark interest rate varies over time. To manage the cash flow risk, the group enters into interest rate swaps that have similar critical terms as the hedged items, such as reference rates, reset dates, payment dates, maturities and notional amounts. Variable rate assets are hedged with float-for-fixed interest rate swaps, and variable rate liabilities are hedged with fixed-for-float interest rate swaps. The changes in the cash flows on the hedging instruments are therefore expected to offset the changes in the cash flows on hedged items, resulting in an economic relationship.

A 1:1 hedge ratio is applied as the nominal amount of the hedging instruments and the designated hedged item is the same.

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In the cash flow hedge of interest rate risk, the main sources of ineffectiveness are:

- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- benchmark rate differences (basis risk) arising from the use of prime and JIBAR-linked swaps to hedge overnight financial liabilities; and
- designation of JIBAR-linked advances between JIBAR fixing dates.

Equity price risk

Equity price risk exists within the group's employee share incentive schemes that enable key management personnel and employees to benefit from the performance of FirstRand's share price. Refer to note 32 for further details. These share incentive schemes, which are accounted for as cash-settled share-based payments in terms of IFRS 2, expose the group to cash equity price risk due to volatility in FirstRand's share price.

The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with total return swaps (TRS). When the share price increases/decreases, the share-based payment (SBP) expense increases/decreases in line with the share price movement. Similarly, the fair value of the TRS will increase/decrease for the share price component of the derivative in line with the increase/decrease in share price. Critical terms such as notional amounts and maturity dates are matched, resulting in a hedge ratio of 1:1. Changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other, resulting in an economic relationship being present between the SBP expense and the TRS. The number of FSR shares covered by the TRS was 96 million (2021: 75 million).

The group uses the regression analysis approach (utilising a hypothetical derivative as a proxy for the hedged item) to assess the effectiveness of the hedge relationship in achieving an economic relationship prospectively.

One of the parameters used to test effectiveness is to evaluate whether the effectiveness ranges between 80% and 125%. Even though this quantitative measure is not required under IFRS 9, the group believes this is a benchmark which has been extensively used in the past and is a prudent approach to determine the effectiveness of the hedge relationship in line with the group's risk management strategy.

In cash flow hedging for equity price risk hedge relationships, the main sources of ineffectiveness are:

- mismatches in the critical terms (including differences between the notional amount of the hedging instrument and the actual number of grants vested or expected to vest) of the hedged item and the hedging instrument;
- actual number of shares that vest versus the vesting probabilities used in the calculation of the cash-settled share-based payment;
- funding costs associated with the hedging instrument; and
- the complete fair value of the hedging instrument at inception as well as the unwinding of the time value of money element contained within the fair value of the hedging instrument on designation date.

Due to the IFRS 2 award partial vesting in the current and non-vesting in the prior financial year, the hedging relationship for the relevant schemes no longer qualified for hedge accounting from the date the vesting terms were confirmed.

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following table discloses the maturity of the hedging instruments included in cash flow hedging relationships.

	2022		2021	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
Derivative assets				
1 — 3 months	**6 371**	**-**	5 048	-
4 — 12 months	**41 396**	**-**	39 209	1 273
>12 months	**128 865**	**2 163**	164 698	-
Total	**176 632**	**2 163**	208 955	1 273
Derivative liabilities				
1 — 3 months	**10 141**	**-**	10 354	341
4 — 12 months	**106 060**	**-**	88 633	299
>12 months	**199 980**	**2 450**	169 903	1 691
Total	**316 181**	**2 450**	268 890	2 331

The following table discloses the average interest rate and share price which the hedging instruments included in cash flow hedging relationships are based on, according to their respective maturity buckets.

	2022		2021	
	Average rate/share price		Average rate/share price	
	Interest rate risk (%)	**Equity price risk (ZAR)**	Interest rate risk (%)	Equity price risk (ZAR)
Derivative assets				
1 — 3 months	**6**	**-**	7	-
4 — 12 months	**6**	**-**	5	35
>12 months	**7**	**42**	6	-
Derivative liabilities				
1 — 3 months*	**6**	**-**	6	7
4 — 12 months*	**5**	**-**	5	4
>12 months	**7**	**61**	7	51

* *Prior year re-presented to reflect the average share price on the equity risk which was previously presented on an aggregated basis.*

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts were recorded in NIR and operating expenses for the year in respect of cash flow hedging relationships.

	2022			2021		
R million	**Interest rate risk**	**Equity price risk**	**Total**	Interest rate risk	Equity price risk	Total
Changes in fair value for the year						
On the hedging instruments	**(2 841)**	**544**	**(2 297)**	(1 318)	232	(1 086)
- Interest rate derivative	**(2 841)**	**-**	**(2 841)**	(1 318)	-	(1 318)
- Equity derivatives	**-**	**544**	**544**	-	232	232
On the hedged item subject to the hedged risk	**2 682**	**(452)**	**2 230**	1 350	(258)	1 092
- Advances	**7 298**	**-**	**7 298**	4	-	4
- Other funding liabilities	**(4 616)**	**-**	**(4 616)**	1 346	-	1 346
- Share-based payment	**-**	**(452)**	**(452)**	-	(258)	(258)
Ineffectiveness in NIR and operating expenses	**-**	**-**	**-**	32	(26)	6

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

The following amounts relate to hedging instruments included in cash flow hedging relationships.

R million	Interest rate risk	Equity price risk*	Total
As at 30 June 2022			
Cash flow hedge reserve – opening balance	**1 196**	**159**	**1 355**
(Losses)/gains recognised in reserves in the current year	**(3 816)**	**1 678**	**(2 138)**
Deferred tax on reserve movement	**1 575**	**(177)**	**1 398**
Transfers to NII and operating expenses (staff costs)	**(1 956)**	**(1 016)**	**(2 972)**
- Hedged item affects profit or loss	**(1 377)**	**(707)**	**(2 084)**
- Hedged future cash flows no longer expected to occur	**(579)**	**(309)**	**(888)**
Cash flow hedge reserve – closing balance	**(3 001)**	**644**	**(2 357)**
Cash flow hedge reserve relating to continuing hedges	**(3 330)**	**600**	**(2 730)**
Cash flow hedge reserve relating to discontinued hedges	**329**	**44**	**373**
Cash flow hedge reserve – closing balance	**(3 001)**	**644**	**(2 357)**
As at 30 June 2021			
Cash flow hedge reserve – opening balance	2 629	(634)	1 995
(Losses)/gains recognised in reserves in the current year	(517)	1 485	968
Deferred tax on reserve movement	558	(275)	283
Transfers to NII, operating staff costs and tax expense	(1 474)	(417)	(1 891)
- Hedged item affects profit or loss	(1 266)	(412)	(1 678)
- Hedged future cash flows no longer expected to occur	(208)	(5)	(213)
Cash flow hedge reserve – closing balance	1 196	159	1 355
Cash flow hedge reserve relating to continuing hedges	1 093	159	1 252
Cash flow hedge reserve relating to discontinued hedges	103	-	103
Cash flow hedge reserve – closing balance	1 196	159	1 355

* *Due to the IFRS 2 award partial vesting in the current financial year and non-vesting in the prior financial year, the hedging relationship for these relevant schemes no longer qualified for hedge accounting. The TRS derivative designated as part of this hedging relationship was therefore classified as held for trading, with fair value movements being recognised in NIR, and the portion of the cashflow hedge reserve which related to this hedge relationship was released to profit or loss.*

9 COMMODITIES

R million	**2022**	2021
Agricultural commodities	**2 518**	4 838
Gold	**14 887**	12 839
Platinum group metals	**175**	964
Total commodities	**17 580**	18 641

10 INVESTMENT SECURITIES

R million	2022	2021
Negotiable certificates of deposit	**35**	153
Treasury bills	**123 785**	104 628
Other government and government-guaranteed stock	**204 308**	206 158
Other dated securities	**29 352**	30 469
Other undated securities	**140**	423
Non-recourse investments	**7 013**	9 017
Equities	**12 470**	13 089
Other	**5 360**	4 508
Total gross carrying amount of investment securities	**382 463**	368 445
Loss allowance on investment securities	**(314)**	(258)
Total investment securities	**382 149**	368 187

Analysis of impairment stages of investment securities

	2022			
	Amortised cost		**FVOCI (debt)**	
R million	**Carrying amount**	**ECL allowance**	**Carrying amount**	**ECL allowance**
As at 30 June 2022				
Stage 1	**162 799**	**314**	**51 082**	**-**
Stage 2	**-**	**-**	**-**	**-**
Total investment securities	**162 799**	**314**	**51 082**	**-**
	2021			
As at 30 June 2021				
Stage 1	136 822	240	46 215	-
Stage 2	1 051	18	-	-
Total investment securities	137 873	258	46 215	-

In the current year, a transfer in investment securities at amortised cost from stage 2 to stage 1 was affected due to the improved credit quality of a single counterparty. There were no movements between impairment stages during the prior year. ECL for FVOCI debt instruments are calculated using the loss rate approach and is immaterial.

10 INVESTMENT SECURITIES continued

Non-recourse investments at fair value through profit or loss

The group entered into the following transactions with its consolidated structured entities over the course of many years.

SPV	Type of SPV	Instruments
iNkotha Investments Limited	Call bond programme	Overnight high credit quality
iVuzi Investments Limited	Asset-backed commercial paper programme	Short-dated high credit quality
iNguza Investments Limited	Repack programme	Debentures or notes linked to underlying credit exposure

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the SPV. The group has no obligations towards other investors beyond the amount already invested. Information regarding other investments is kept at the group's registered offices.

Repurchase agreements and securities lending transactions

The table below sets out the details of investment securities that have been transferred in terms of repurchase agreements, but not derecognised.

	Investment securities (carrying amount)		Associated liabilities recognised in deposits (carrying amount)	
R million	**2022**	2021	**2022**	2021
Repurchase agreements	**4 893**	18 040	**3 518**	16 361

Both the transferred investments and related deposits under repurchase agreements are either measured at amortised cost or fair value through profit or loss.

The fair value of the investment securities transferred under repurchase agreements is R4 251 million (2021: R17 446 million) and that of the associated liabilities is R4 103 million (2021: R16 453 million).

Equity investments designated at fair value through other comprehensive income

The fair value of strategic equity investments of the group which have been classified as non-trading equity instruments designated on initial recognition as measured at FVOCI is R344 million (2021: R339 million). These strategic investments mainly relate to the group's investments in African Bank Holdings Limited and CLS Group Holdings Limited. The FVOCI measurement was deemed more appropriate because these are strategic investments that the group does not plan on selling.

11 ADVANCES

11.1 Category analysis of advances

R million	Notes	2022	2021
Overdrafts and cash management accounts		**80 514**	67 798
Term loans		**76 436**	66 714
Card loans		**37 348**	35 025
Instalment sales, hire purchase agreements and lease payments receivable	11.2	**245 904**	233 533
Property finance		**473 300**	449 012
Personal loans		**53 068**	53 281
Preference share agreements		**40 407**	48 097
Investment bank term loans		**168 008**	143 230
Long-term loans to group associates and joint ventures		**2 841**	2 508
Other		**61 374**	38 792
Total customer advances		**1 239 200**	1 137 990
Marketable advances		**72 241**	70 478
Advances under agreements to resell		**70 617**	65 584
Gross value of advances		**1 382 058**	1 274 052
Impairment and credit of fair value advances	12	**(47 734)**	(50 618)
Net advances		**1 334 324**	1 223 434
Gross advances – amortised cost		**1 284 777**	1 177 722
Impairment of advances – amortised cost		**(46 136)**	(49 612)
Net advances – amortised cost		**1 238 641**	1 128 110
Gross advances – fair value		**97 281**	96 330
Impairment of advances – fair value		**(1 598)**	(1 006)
Net advances – fair value		**95 683**	95 324
Net advances		**1 334 324**	1 223 434

11.2 Analysis of instalment sales, hire purchase agreements, and lease payments receivable

R million	2022	2021
Within 1 year	**69 324**	68 487
Between 1 and 2 years	**63 832**	62 772
Between 2 and 3 years	**55 681**	55 070
Between 3 and 4 years	**41 594**	36 984
Between 4 and 5 years	**22 159**	18 436
More than 5 years	**13 253**	10 616
Total gross amount*	**265 843**	252 365
Unearned finance charges	**(45 208)**	(40 072)
Net amount of hire purchase and lease payments receivable	**220 635**	212 293
Instalment sales	**25 269**	21 240
Total instalment sales, hire purchase agreements and lease payments receivable	**245 904**	233 533

** The increase in the gross amount is attributable to growth in lease receivables in MotoNovo. This increase can be attributed to new business gradually recovering post the lifting of Covid-19 restrictions, an increase in average loan values and the second-hand car market.*

These agreements relate to motor vehicles and equipment, for which no contingent rentals are payable.

11 ADVANCES continued

11.3 Securitisation transactions

The following bankruptcy remote structured entities were created over the course of many years to facilitate traditional securitisation transactions for WesBank retail instalment sale advances (Nitro 6, Nitro Programme and FAST), for MotoNovo retail hire purchase advances (Turbo Finance 8, MotoFirst, MotoPark, MotoMore and MotoWay) and for Aldermore residential mortgage advances (Oak 2 and 3). During the financial year, the following entities were closed out (notes redeemed and assets repurchased by the relevant servicer): Nitro 6, Turbo Finance 8, MotoFirst and MotoPark. These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utilised to purchase additional advances post year end.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2022	2021	**2022**	2021
FAST	July 2016	R6.8 billion	**7 129**	9 883	**6 261**	9 164
MotoFirst	October 2017	£400 million	**2**	4 821	**2**	4 873
MotoPark	January 2018	£540 million	**-**	2 919	**-**	2 835
Nitro 6	April 2018	R2 billion	**23**	379	**-**	305
Oak 2	October 2018	£390 million	**1 324**	1 938	**1 313**	1 954
Turbo Finance 8	November 2018	£400 million	**-**	1 283	**-**	1 325
Nitro Programme	May 2019	R2 billion	**477**	861	**413**	808
Oak 3	September 2019	£344 million	**2 980**	4 341	**2 891**	4 354
MotoMore	September 2019	£250 million	**14 513**	5 188	**14 432**	5 188
Motoway	September 2019	£583 million	**2 003**	5 351	**2 209**	5 590
Turbo Finance 9	October 2020	£583 million	**5 754**	10 216	**5 705**	10 216

11.4 Analysis of advances per class

Basis of preparation of the analysis of advances per class

In determining classes of advances, the type of client is used as a primary indicator, and then the type of loans provided to that type of client is reflected as sub-classes.

Voluntary change in presentation

Asset-based finance book

During the year the asset-based finance (ABF) advances with customers that bank with FNB were moved from FNB commercial to WesBank corporate. This change was implemented to create consistency of process and to effect business efficiencies by managing the ABF book (i.e. the same type of client and loans) as a single portfolio within WesBank. The group has voluntarily updated the comparative information. Details of the comparative information that has been restated are included in *Note 38 Impact due to movements in the classes of advances*.

11 ADVANCES continued

Core lending advances

During the year the group updated the presentation of total advances to reflect core lending advances and assets under agreements to resell separately. The group's core lending advances consist of customer advances and marketable advances. Advances under agreements to resell are fully collateralised and are included in stage 1. All tables relating to the gross carrying amount of advances is presented for total advances and the total advances are split between core lending advances and advances under agreements to resell.

Temporary stress scenario

Given the unprecedented event-driven uncertainty in the global and South African economy and the forecasting risks of economic assumptions in existing statistical models, the additional stress scenario introduced last year was retained and updated for these uncertainties. In the prior year, the stress scenario was largely due to the uncertainty regarding the impact of future waves of the Covid-19 pandemic and increasing levels of social and political unrest in South Africa, and the resultant impact on retail and commercial customers. In the year under review, these were less relevant as Covid-19 transitioned from pandemic to endemic.

Uncertainty relating to inflation and interest rate forecasts was the main reason for retaining the stress scenario in the 2022 financial year. Russia's invasion of Ukraine poses further risk to inflation and interest rates, which will impact global and local growth. In addition, domestic constraints on electricity supply and the associated extent of load-shedding contributes to additional uncertainty of domestic economic growth.

Due to the temporary nature of this stress scenario, and consistent with 2021, the impact on the staging of the gross carrying amount and the additional ECL attributable to this scenario have been separately presented in all tables with information per class, and is shown in the line *Temporary stress scenario*.

Voluntary changes in general presentation of the advances note

The group has made voluntary changes to the presentation of the reconciliations within *Note 11 Advances* and *Note 12 Impairment on advances.* To allow the user to compare the amended comparatives provided in these notes to the information previously presented, the whole of note 11 and note 12 included in the 2021 annual financial statements have been included in *Note 39 Change in presentation of advances note.*

11 ADVANCES continued

11.5 Reconciliation of the gross advances and loss allowance on total advances per class

Basis of preparation of the reconciliation

The reconciliation of the gross carrying amount and ECL has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the back book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement in ECL is split between new business and back book and the temporary stress scenario.

The group transfers opening balances (back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section. The current year movements of the back book is included in changes in exposure and net movement GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime expected credit losses (LECL) and other changes.

The movement on GCA is split between:

- additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and
- new business originated during the financial year, the transfers between stages of the new origination and any settlements.

Current year ECL provided/(released) relates to:

- an increase/(decrease) in the carrying amount of the back book during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and
- includes interest on stage 3 advances for stage 3 exposures in the back book and new business.

New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the current financial year. All new business is included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.

The majority of the fair value advances is originated within the RMB corporate and investment banking portfolio.

The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off. There is however an exception in the RMB corporate and investment banking portfolio, where partial write-offs are permitted on a case-by-case basis.

11 ADVANCES continued

Additional information relating to advances

The total contractual amount outstanding on amortised cost advances that were written off during the period and are still subject to enforcement activity is R14 663 million (30 June 2021: R14 921 million).

Included in the core lending advances is advances of R1 963 million (30 June 2021: R2 413 million) for which no ECL is raised due to over collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking. Advances under agreement to resell also are also fully collateralised.

11.5.1 Reconciliation of the gross carrying amount of total advances per class continued
Amortised cost - 30 June 2022

R million	Retail secured		Retail unsecured			Retail secured and unsecured
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
GCA reported as at 1 July 2021	225 666	100 102	31 249	39 709	15 712	–
— Stage 1	196 375	77 514	24 553	25 176	11 680	(1 212)
— Stage 2	15 935	12 677	2 662	6 987	1 540	1 212
— Stage 3	13 356	9 911	4 034	7 546	2 492	–
— Purchased or originated credit impaired	–	–	–	–	–	–
Transfers between stages	–	–	–	–	–	–
— Transfers to/(from) stage 1	(2 445)	(1 188)	(628)	(1 783)	(277)	–
Transfers into stage 1	7 678	4 421	1 171	2 005	496	–
Transfers out of stage 1	(10 123)	(5 609)	(1 799)	(3 788)	(773)	–
— Transfers to/(from) stage 2	1 711	603	(853)	(912)	(192)	–
Transfers into stage 2	10 563	5 958	860	2 735	481	–
Transfers out of stage 2	(8 852)	(5 355)	(1 713)	(3 647)	(673)	–
— Transfers to/(from) stage 3	734	585	1 481	2 695	469	–
Transfers into stage 3	3 905	2 726	1 713	3 665	699	–
Transfers out of stage 3	(3 171)	(2 141)	(232)	(970)	(230)	–
Current period movement	17 617	1 752	3 618	5 575	1 064	–
New business — changes in exposure	44 607	36 304	3 239	19 345	4 363	–
Back book — Current year movement	(26 990)	(34 552)	379	(13 770)	(3 299)	–
— Exposures with a change in measurement basis from 12 months to LECL	(1 486)	(3 122)	74	(1 393)	(12)	–
— Other current year change in exposure net movement on GCA	(25 504)	(31 430)	305	(12 377)	(3 287)	–
Purchased or originated credit impaired	–	–	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–	–	–
Transfers from/(to) other divisions	(9)	–	–	–	9	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(469)	(2 412)	(1 970)	(4 743)	(2 324)	–
Modifications that did not give rise to derecognition	(48)	(88)	(76)	(368)	(104)	–
GCA as at 30 June 2022	242 757	99 354	32 821	40 173	14 357	–
— Stage 1	211 306	82 088	26 914	27 342	11 213	(2 688)
— Stage 2	19 649	11 063	2 229	6 557	1 178	2 688
— Stage 3	11 802	6 203	3 678	6 274	1 966	–
— Purchased or originated credit impaired	–	–	–	–	–	–
Core lending advances	242 757	99 354	32 821	40 173	14 357	–
Advances under agreements to resell	–	–	–	–	–	–
Total GCA of advances at 30 June 2022	242 757	99 354	32 821	40 173	14 357	–

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
97 001	–	41 015	248 091	60 133	35 428	221 188	62 428	1 177 722
83 139	(99)	35 561	219 427	49 929	35 428	198 513	53 163	1 009 147
8 064	99	4 060	25 170	6 677	–	15 803	7 169	108 055
5 798	–	1 394	2 678	3 527	–	6 872	2 096	59 704
–	–	–	816	–	–	–	–	816
–	–	–	–	–	–	–	–	–
(1 222)	–	89	(515)	(138)	–	(4 107)	434	(11 780)
5 103	–	2 728	2 480	1 879	–	7 252	4 193	39 406
(6 325)	–	(2 639)	(2 995)	(2 017)	–	(11 359)	(3 759)	(51 186)
(564)	–	(198)	(248)	(92)	–	2 781	139	2 175
5 515	–	2 505	3 433	1 879	–	10 480	3 781	48 190
(6 079)	–	(2 703)	(3 681)	(1 971)	–	(7 699)	(3 642)	(46 015)
1 786	–	109	763	230	–	1 326	(573)	9 605
1 900	–	418	1 300	464	–	2 104	377	19 271
(114)	–	(309)	(537)	(234)	–	(778)	(950)	(9 666)
12 245	–	4 319	33 807	6 513	11 819	8 179	9 551	116 059
18 177	–	25 287	84 372	16 657	1 863	82 631	29 610	366 455
(5 932)	–	(20 968)	(50 482)	(10 144)	9 956	(74 452)	(20 059)	(250 313)
(544)	–	(1 291)	(4 577)	37	–	(5 205)	(2 828)	(20 347)
(5 388)	–	(19 677)	(45 905)	(10 181)	9 956	(69 247)	(17 231)	(229 966)
–	–	–	(83)	–	–	–	–	(83)
–	–	–	(1 614)	–	–	(93)	–	(1 707)
–	–	–	–	–	–	–	–	–
–	–	–	–	115	–	–	–	115
–	–	–	3 983	1 370	24	2 457	602	8 436
(1 540)	–	(206)	(126)	(913)	–	(294)	(172)	(15 169)
5	–	–	–	–	–	–	–	(679)
107 711	–	45 128	284 141	67 218	47 271	231 437	72 409	1 284 777
95 656	(130)	39 417	259 862	58 053	47 271	203 370	65 183	1 124 857
7 428	130	4 808	20 974	5 847	–	21 102	6 263	109 916
4 627	–	903	2 572	3 318	–	6 965	963	49 271
–	–	–	733	–	–	–	–	733
107 711	–	45 128	283 472	67 218	23 871	231 437	72 409	1 260 708
–	–	–	669	–	23 400	–	–	24 069
107 711	–	45 128	284 141	67 218	47 271	231 437	72 409	1 284 777

11.5.2 Reconciliation of the loss allowance on total advances per class continued

Amortised cost - 30 June 2022

R million	Retail secured		Retail unsecured			Retail secured and unsecured
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
ECL reported as at 1 July 2021	**4 304**	**5 850**	**4 683**	**8 630**	**3 119**	**335**
— Stage 1	**646**	**743**	**861**	**1 611**	**718**	**131**
— Stage 2	**841**	**1 081**	**654**	**1 722**	**575**	**160**
— Stage 3	**2 817**	**4 026**	**3 168**	**5 297**	**1 826**	**44**
— Purchased or originated credit impaired	**–**	**–**	**–**	**–**	**–**	**–**
Transfers between stages	**–**	**–**	**–**	**–**	**–**	**–**
— Transfers to/(from) stage 1	**192**	**238**	**130**	**(9)**	**21**	**–**
Transfers into stage 1	**235**	**292**	**209**	**272**	**76**	**–**
Transfers out of stage 1	**(43)**	**(54)**	**(79)**	**(281)**	**(55)**	**–**
— Transfers to/(from) stage 2	**(67)**	**(187)**	**(292)**	**(633)**	**(61)**	**–**
Transfers into stage 2	**228**	**216**	**64**	**347**	**89**	**–**
Transfers out of stage 2	**(295)**	**(403)**	**(356)**	**(980)**	**(150)**	**–**
— Transfers to/(from) stage 3	**(125)**	**(51)**	**162**	**642**	**40**	**–**
Transfers into stage 3	**160**	**203**	**283**	**954**	**126**	**–**
Transfers out of stage 3	**(285)**	**(254)**	**(121)**	**(312)**	**(86)**	**–**
Current period provision created/(released)	**249**	**1 958**	**1 648**	**3 921**	**1 663**	**(18)**
New business - impairment charge /(release)	**347**	**748**	**194**	**2 262**	**375**	**–**
Back book - impairment charge /(release)	**(98)**	**1 210**	**1 454**	**1 659**	**1 288**	**(18)**
— Exposures with a change in measurement basis from 12 months to LECL	**21**	**(257)**	**231**	**(73)**	**29**	**–**
— Other current year impairment charge /(release)	**(119)**	**1 467**	**1 223**	**1 732**	**1 259**	**(18)**
Purchased or originated credit impaired	**–**	**–**	**–**	**–**	**–**	**–**
Acquisition/(disposal) of advances	**–**	**–**	**–**	**–**	**–**	**–**
Transfers from/(to) other divisions	**–**	**–**	**–**	**–**	**–**	**–**
Transfers from/(to) non-current assets or disposal groups held for sale	**–**	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**–**	**–**	**–**	**–**	**–**
Bad debts written off	**(469)**	**(2 412)**	**(1 970)**	**(4 743)**	**(2 324)**	**–**
ECL as at 30 June 2022	**4 084**	**5 396**	**4 361**	**7 808**	**2 458**	**317**
— Stage 1	**609**	**802**	**1 130**	**1 785**	**665**	**156**
— Stage 2	**939**	**1 344**	**620**	**1 544**	**330**	**161**
—Stage 3	**2 536**	**3 250**	**2 611**	**4 479**	**1 463**	**–**
— Purchased or originated credit impaired	**–**	**–**	**–**	**–**	**–**	**–**
Current period provision created/(released) per impairment stage	**249**	**1 958**	**1 648**	**3 921**	**1 663**	**(18)**
— Stage 1	**(230)**	**(177)**	**140**	**183**	**(75)**	**25**
— Stage 2	**166**	**451**	**257**	**454**	**(184)**	**1**
— Stage 3	**313**	**1 684**	**1 251**	**3 284**	**1 922**	**(44)**
— Purchased or originated credit impaired	**–**	**–**	**–**	**–**	**–**	**–**

Corporate and commercial						UK operations		
FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Retail	Commercial	Total
5 761	148	956	6 510	3 901	512	3 571	1 332	49 612
944	124	197	1 636	992	360	805	415	10 183
1 438	24	208	3 285	941	152	685	288	12 054
3 379	–	551	1 499	1 968	–	2 081	629	27 285
–	–	–	90	–	–	–	–	90
–	–	–	–	–	–	–	–	–
192	–	149	94	41	–	57	241	1 346
332	–	169	128	110	–	117	260	2 200
(140)	–	(20)	(34)	(69)	–	(60)	(19)	(854)
(359)	–	(97)	(180)	(16)	–	(87)	(14)	(1 993)
127	–	38	31	104	–	87	83	1 414
(486)	–	(135)	(211)	(120)	–	(174)	(97)	(3 407)
167	–	(52)	86	(25)	–	30	(227)	647
255	–	21	128	40	–	109	11	2 290
(88)	–	(73)	(42)	(65)	–	(79)	(238)	(1 643)
1 016	(93)	45	(837)	641	(2)	1 475	(57)	11 609
187	–	234	695	307	(3)	1 072	263	6 681
829	(93)	(189)	(1 525)	334	1	403	(320)	4 935
230	–	(105)	(166)	6	1	(96)	(58)	(237)
599	(93)	(84)	(1 359)	328	–	499	(262)	5 172
–	–	–	(7)	–	–	–	–	(7)
(3)	–	–	(39)	–	–	(212)	–	(254)
–	–	–	–	–	–	–	–	–
–	–	–	–	9	–	–	–	9
–	–	–	68	218	–	25	18	329
(1 540)	–	(206)	(126)	(913)	–	(294)	(172)	(15 169)
5 234	55	795	5 576	3 856	510	4 565	1 121	46 136
1 030	23	186	1 200	1 035	361	1 271	529	10 782
1 059	32	193	2 420	876	149	746	182	10 595
3 145	–	416	1 873	1 945	–	2 548	410	24 676
–	–	–	83	–	–	–	–	83
1 016	(93)	45	(837)	641	(2)	1 475	(57)	11 609
(103)	(101)	(161)	(546)	(65)	(2)	406	(138)	(844)
(21)	8	82	(694)	(129)	–	143	(97)	437
1 140	–	124	410	835	–	926	178	12 023
–	–	–	(7)	–	–	–	–	(7)

11 ADVANCES continued

11.5.3 Reconciliation of the gross carrying amount of total advances per class continued

Fair value 30 June 2022

R million	FNB commercial	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2021	**91**	**95 217**	**220**	**802**	**96 330**
— Stage 1	91	91 912	47	751	92 801
— Stage 2	-	3 119	173	51	3 343
— Stage 3	-	104	-	-	104
— Purchased or originated credit impaired	-	82	-	-	82
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	-	-	-	8	8
Transfers into stage 1	-	-	-	8	8
Transfers out of stage 1	-	-	-	-	-
— Transfers to/(from) stage 2	-	-	-	(8)	(8)
Transfers into stage 2	-	-	-	-	-
Transfers out of stage 2	-	-	-	(8)	(8)
— Transfers to/(from) stage 3	-	-	-	-	-
Transfers into stage 3	-	-	-	-	-
Transfers out of stage 3	-	-	-	-	-
Current period movement	**21**	**557**	**(191)**	**(775)**	**(388)**
New business - changes in exposure	-	17 428	-	(520)	16 908
Back book - current year movement	21	(16 872)	(191)	(255)	(17 297)
— Exposures with a change in measurement basis from 12 months to LECL	-	(361)	(173)	-	(534)
— Other current year change in exposure/ net movement on GCA	21	(16 511)	(18)	(255)	(16 763)
Purchased or originated credit impaired	-	1	-	-	1
Acquisition/(disposal) of advances	-	-	-	458	458
Transfers from/(to) other divisions	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	881	-	-	881
Bad debts written off	-	-	-	-	-
GCA as at 30 June 2022	**112**	**96 655**	**29**	**485**	**97 281**
— Stage 1	112	93 082	29	442	93 665
— Stage 2	-	2 691	-	43	2 734
— Stage 3	-	799	-	-	799
— Purchased or originated credit impaired	-	83	-	-	83
Core lending advances	112	50 107	29	485	50 733
Advances under agreements to resell	-	46 548	-	-	46 548
Total GCA of advances at 30 June 2022	**112**	**96 655**	**29**	**485**	**97 281**

11 ADVANCES continued

11.5.4 Reconciliation of the loss allowance advances per class continued

Fair value - 30 June 2022

R million	FNB commercial	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2021	-	895	-	111	1 006
— Stage 1	-	164	-	104	268
— Stage 2	-	630	-	7	637
— Stage 3	-	19	-	-	19
— Purchased or originated credit impaired	-	82	-	-	82
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	-	-	-	3	3
Transfers into stage 1	-	-	-	3	3
Transfers out of stage 1	-	-	-	-	-
— Transfers to/(from) stage 2	-	-	-	(6)	(6)
Transfers into stage 2	-	-	-	-	-
Transfers out of stage 2	-	-	-	(6)	(6)
— Transfers to/(from) stage 3	-	-	-	3	3
Transfers into stage 3	-	-	-	3	3
Transfers out of stage 3	-	-	-	-	-
Current period movement	3	545	-	(7)	541
New business - changes in exposure	-	716	-	-	716
Back book - current year movement	3	(171)	-	(7)	(175)
— Exposures with a change in measurement basis from 12 months to LECL	-	(31)	-	-	(31)
— Other current year impairment charge/(release)	3	(140)	-	(7)	(144)
Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	3	3
Transfers from/(to) other divisions	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	48	-	-	48
Bad debts written off	-	-	-	-	-
ECL as at 30 June 2022	3	1 488	-	107	1 598
— Stage 1	3	276	-	102	381
— Stage 2	-	649	-	5	654
— Stage 3	-	481	-	-	481
— Purchased or originated credit impaired	-	82	-	-	82
Current period provision created/(released) per impairment stage	3	545	-	(7)	541
— Stage 1	3	105	-	(5)	103
— Stage 2	-	(21)	-	(2)	(23)
— Stage 3	-	461	-	-	461
— Purchased or originated credit impaired	-	-	-	-	-

11.5.5 Reconciliation of the gross carrying amount of total advances per class continued
Amortised cost - 30 June 2021

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
GCA reported as at 1 July 2020	224 404	104 014	30 210	41 874	16 732	–
— Stage 1	197 845	82 179	24 352	28 371	12 879	–
— Stage 2	14 897	11 581	2 183	6 079	1 646	–
— Stage 3	11 662	10 254	3 675	7 424	2 207	–
— Purchased or originated credit impaired	–	–	–	–	–	–
Transfers between stages	–	–	–	–	–	–
— Transfers to/(from) stage 1	(5 410)	(6 824)	(1 980)	(5 663)	(1 291)	–
Transfers into stage 1	7 283	2 364	1 486	1 218	565	–
Transfers out of stage 1	(12 693)	(9 188)	(3 466)	(6 881)	(1 856)	–
— Transfers to/(from) stage 2	1 792	2 594	6	1 467	254	–
Transfers into stage 2	10 988	7 616	1 960	4 277	1 104	–
Transfers out of stage 2	(9 196)	(5 022)	(1 954)	(2 810)	(850)	–
— Transfers to/(from) stage 3	3 618	4 230	1 974	4 196	1 037	–
Transfers into stage 3	5 050	5 136	2 032	4 798	1 138	–
Transfers out of stage 3	(1 432)	(906)	(58)	(602)	(101)	–
Current period movement	1 665	(1 401)	2 736	3 486	1 068	–
New business - changes in exposure	31 889	35 344	2 443	15 485	1 757	–
Back book — current year movement	(30 224)	(36 745)	293	(11 999)	(689)	–
— Exposures with a change in measurement basis from 12 months to LECL	(1 269)	(2 451)	110	(1 286)	10	–
— Other current year change in exposure net movement on GCA	(28 955)	(34 294)	183	(10 713)	(699)	–
Purchased or originated credit impaired	–	–	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–	(283)	–
Transfers from/(to) other divisions	(6)	–	143	–	6	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(366)	(2 373)	(1 790)	(5 293)	(1 778)	–
Modifications that did not give rise to derecognition	(31)	(138)	(50)	(358)	(33)	–
GCA as at 30 June 2021	225 666	100 102	31 249	39 709	15 712	–
— Stage 1	196 375	77 514	24 553	25 176	11 680	(1 212)
— Stage 2	15 935	12 677	2 662	6 987	1 540	1 212
— Stage 3	13 356	9 911	4 034	7 546	2 492	–
— Purchased or originated credit impaired	–	–	–	–	–	–
Core lending advances	225 666	100 102	31 249	39 709	15 712	–
Advances under repurchase agreements	–	–	–	–	–	–
Total GCA of advances at 30 June 2021	225 666	100 102	31 249	39 709	15 712	–

** Restated. Refer to Note 38 Impact due to movements in classes of advances.*

Corporate and commercial						UK operations		
FNB commercial*	**Temporary stress scenario**	**WesBank corporate***	**RMB corporate and investment banking**	**Broader Africa**	**Centre (including Group Treasury)**	**Retail**	**Commercial**	**Total**
95 083	–	39 920	280 204	66 070	35 902	234 529	71 717	1 240 659
80 879	–	36 119	245 240	56 900	35 759	206 982	58 165	1 065 670
7 631	–	2 470	32 017	4 973	–	22 429	11 990	117 896
6 573	–	1 331	2 046	4 197	143	5 118	1 562	56 192
–	–	–	901	–	–	–	–	901
–	–	–	–	–	–	–	–	–
(101)	–	(3 124)	948	(2 725)	1	266	(967)	(26 870)
4 664	–	625	8 283	1 080	1	11 380	4 618	43 567
(4 765)	–	(3 749)	(7 335)	(3 805)	–	(11 114)	(5 585)	(70 437)
(1 493)	–	2 506	(2 260)	2 042	(1)	(3 653)	(697)	2 557
4 144	–	3 358	7 335	3 323	–	9 029	4 402	57 536
(5 637)	–	(852)	(9 595)	(1 281)	(1)	(12 682)	(5 099)	(54 979)
1 594	–	618	1 312	683	–	3 387	1 664	24 313
2 201	–	823	1 312	824	–	3 752	1 915	28 981
(607)	–	(205)	–	(141)	–	(365)	(251)	(4 668)
3 525	–	1 249	(23 625)	(380)	(245)	6 216	(3 327)	(9 033)
15 459	–	12 051	68 905	13 647	(135)	62 316	21 958	281 119
(11 934)	–	(10 802)	(92 356)	(14 027)	(110)	(56 100)	(25 285)	(289 978)
1 329	–	(1 352)	2 520	(264)	–	(5 182)	(4 919)	(12 754)
(13 263)	–	(9 450)	(94 876)	(13 763)	(110)	(50 918)	(20 366)	(277 224)
–	–	–	(176)	–	–	–	–	(176)
–	–	1	(1 664)	–	–	–	–	(1 946)
–	–	–	–	–	(143)	–	–	–
–	–	–	–	464	(35)	–	–	429
–	–	–	(6 516)	(4 652)	(51)	(18 926)	(5 550)	(35 695)
(1 615)	–	(155)	(306)	(1 369)	–	(591)	(412)	(16 048)
8	–	–	–	–	–	(40)	–	(642)
97 001	–	41 015	248 091	60 133	35 428	221 188	62 428	1 177 722
83 139	(99)	35 561	219 427	49 929	35 428	198 513	53 163	1 009 147
8 064	99	4 060	25 170	6 677	–	15 803	7 169	108 055
5 798	–	1 394	2 678	3 527	–	6 872	2 096	59 704
–	–	–	816	–	–	–	–	816
97 001	–	41 015	247 792	60 133	28 521	221 188	62 428	1 170 516
–	–	–	299	–	6 907	–	–	7 206
97 001	–	41 015	248 091	60 133	35 428	221 188	62 428	1 177 722

11.5.6 Reconciliation of the loss allowance on total advances per class continued
Amortised cost - 30 June 2021

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other	Temporary stress scenario
ECL reported as at 1 July 2020	3 916	5 861	4 201	8 697	3 139	–
— Stage 1	731	575	917	1 812	782	–
— Stage 2	777	1 308	562	1 653	701	–
— Stage 3	2 408	3 978	2 722	5 232	1 656	–
— Purchased or originated credit impaired	–	–	–	–	–	–
Transfers between stages	–	–	–	–	–	–
— Transfers to/(from) stage 1	249	87	34	(399)	–	–
Transfers into stage 1	345	187	295	251	133	–
Transfers out of stage 1	(96)	(100)	(261)	(650)	(133)	–
— Transfers to/(from) stage 2	(324)	(320)	(384)	(631)	(142)	–
Transfers into stage 2	128	173	127	402	89	–
Transfers out of stage 2	(452)	(493)	(511)	(1 033)	(231)	–
— Transfers to/(from) stage 3	75	233	350	1 030	142	–
Transfers into stage 3	232	345	377	1 199	190	–
Transfers out of stage 3	(157)	(112)	(27)	(169)	(48)	–
Current period provision created/(released)	754	2 362	2 090	5 226	1 865	335
New business - impairment charge/(release)	116	943	148	1 448	150	–
Back book - impairment charge/(release)	638	1 419	1 942	3 778	1 715	335
— Exposures with a change in measurement basis from 12 months to LECL	26	(205)	174	(315)	64	–
— Other current year impairment charge/(release)	612	1 624	1 768	4 093	1 651	335
Purchased or originated credit impaired	–	–	–	–	–	–
Acquisition/(disposal) of advances	–	–	–	–	(41)	–
Transfers from/(to) other divisions	–	–	182	–	(66)	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(366)	(2 373)	(1 790)	(5 293)	(1 778)	–
ECL as at 30 June 2021	4 304	5 850	4 683	8 630	3 119	335
— Stage 1	646	743	861	1 611	718	131
— Stage 2	841	1 081	654	1 722	575	160
— Stage 3	2 817	4 026	3 168	5 297	1 826	44
— Purchased or originated credit impaired	–	–	–	–	–	–
Current period provision created/(released) per impairment stage	754	2 362	2 090	5 226	1 865	335
— Stage 1	(335)	80	(137)	197	6	131
— Stage 2	389	92	477	700	19	160
— Stage 3	700	2 190	1 750	4 329	1 840	44
— Purchased or originated credit impaired	–	–	–	–	–	–

* *Restated. Refer to Note 38 Impact due to movements in classes of advances.*

Corporate and commercial						UK operations		
FNB commercial*	**Temporary stress scenario**	**WesBank corporate***	**RMB corporate and investment banking**	**Broader Africa**	**Centre (including Group Treasury)**	**Retail**	**Commercial**	**Total**
5 706	–	828	5 817	4 633	654	3 453	1 542	48 447
1 290	–	218	1 611	1 007	320	1 116	564	10 943
1 291	–	159	3 758	981	152	1 148	471	12 961
3 125	–	451	448	2 645	182	1 189	507	24 543
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
556	–	16	387	(28)	–	125	103	1 130
622	–	56	511	136	–	248	140	2 924
(66)	–	(40)	(124)	(164)	–	(123)	(37)	(1 794)
(790)	–	(20)	(1 161)	(228)	–	(213)	(88)	(4 301)
74	–	49	124	22	–	149	54	1 391
(864)	–	(69)	(1 285)	(250)	–	(362)	(142)	(5 692)
234	–	4	774	256	–	88	(15)	3 171
372	–	47	774	258	–	180	37	4 011
(138)	–	(43)	–	(2)	–	(92)	(52)	(840)
1 670	148	282	1 213	1 227	14	1 028	340	18 554
224	–	217	443	284	79	570	137	4 759
1 446	148	65	683	943	(65)	458	203	13 708
393	–	(58)	147	72	–	(193)	(38)	67
1 053	148	123	536	871	(65)	651	241	13 641
–	–	–	87	–	–	–	–	87
–	–	1	(4)	–	–	–	–	(44)
–	–	–	–	–	(116)	–	–	–
–	–	–	–	(9)	(35)	–	–	(44)
–	–	–	(210)	(581)	(5)	(319)	(138)	(1 253)
(1 615)	–	(155)	(306)	(1 369)	–	(591)	(412)	(16 048)
5 761	148	956	6 510	3 901	512	3 571	1 332	49 612
944	124	197	1 636	992	360	805	415	10 183
1 438	24	208	3 285	941	152	685	288	12 054
3 379	–	551	1 499	1 968	–	2 081	629	27 285
–	–	–	90	–	–	–	–	90
1 670	148	282	1 213	1 227	14	1 028	340	18 554
(927)	124	(38)	(271)	86	44	(352)	(209)	(1 601)
961	24	69	729	286	–	(186)	(66)	3 654
1 636	–	251	665	855	(30)	1 566	615	16 411
–	–	–	90	–	–	–	–	90

11 ADVANCES continued

11.5.7 Reconciliation of the gross carrying amount of total advances per class continued

Fair value - 30 June 2021

R million	FNB commercial	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2020	27	69 111	310	988	70 436
— Stage 1	27	64 561	310	945	65 843
— Stage 2	-	4 362	-	43	4 405
— Stage 3	-	61	-	-	61
— Purchased or originated credit impaired	-	127	-	-	127
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	-	963	(173)	(149)	641
Transfers into stage 1	-	1 213	-	-	1 213
Transfers out of stage 1	-	(250)	(173)	(149)	(572)
— Transfers to/(from) stage 2	-	(983)	173	-	(810)
Transfers into stage 2	-	230	173	-	403
Transfers out of stage 2	-	(1 213)	-	-	(1 213)
— Transfers to/(from) stage 3	-	20	-	149	169
Transfers into stage 3	-	20	-	149	169
Transfers out of stage 3	-	-	-	-	-
Current period movement	64	27 112	(90)	1 124	28 210
New business - changes in exposure	-	5 636	-	1 230	6 866
Back book - current year movement	64	21 521	(90)	(106)	21 389
— Exposures with a change in measurement basis from 12 months to LECL	-	508	-	-	508
— Other current year change in exposure/ net movement on GCA	64	21 013	(90)	(106)	20 881
Purchased or originated credit impaired	-	(45)	-	-	(45)
Acquisition/(disposal) of advances	-	-	-	(1 162)	(1 162)
Transfers from/(to) other divisions	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	- -
Exchange rate differences	-	(1 006)	-	-	(1 006)
Bad debts written off	-	-	-	(148)	(148)
GCA as at 30 June 2021	91	95 217	220	802	96 330
— Stage 1	91	91 912	47	751	92 801
— Stage 2	-	3 119	173	51	3 343
— Stage 3	-	104	-	-	104
- Purchased or originated credit impaired	-	82	-	-	82
Core lending advances	91	36 839	220	802	37 952
Advances under repurchase agreements	-	58 378	-	-	58 378
Total GCA of advances at 30 June 2021	91	95 217	220	802	96 330

11 ADVANCES continued

11.5.8 Reconciliation of the loss allowance advances per class continued

Fair value - 30 June 2021

R million	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2020	688	-	245	933
— Stage 1	147	-	245	392
— Stage 2	411	-	-	411
— Stage 3	10	-	-	10
— Purchased or originated credit impaired	120	-	-	120
Transfers between stages	-	-	-	-
— Transfers to/(from) stage 1	17	-	(149)	(132)
Transfers into stage 1	18	-	-	18
Transfers out of stage 1	(1)	-	(149)	(150)
— Transfers to/(from) stage 2	(17)	-	-	(17)
Transfers into stage 2	1	-	-	1
Transfers out of stage 2	(18)	-	-	(18)
— Transfers to/(from) stage 3	-	-	149	149
Transfers into stage 3	-	-	149	149
Transfers out of stage 3	-	-	-	-
Current period movement	246	-	14	260
New business - changes in exposure	29	-	11	40
Back book - current year movement	255	-	3	258
— Exposures with a change in measurement basis from 12 months to LECL	(2)	-	-	(2)
— Other current year impairment charge/(release)	257	-	3	260
Purchased or originated credit impaired	(38)	-	-	(38)
Acquisition/(disposal) of advances	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-
Exchange rate differences	(39)	-	-	(39)
Bad debts written off	-	-	(148)	(148)
ECL as at 30 June 2021	895	-	111	1 006
— Stage 1	164	-	104	268
— Stage 2	630	-	7	637
— Stage 3	19	-	-	19
— Purchased or originated credit impaired	82	-	-	82
Current period provision created/(released) per impairment stage	246	-	14	260
— Stage 1	6	-	7	13
— Stage 2	268	-	7	275
— Stage 3	10	-	-	10
— Purchased or originated credit impaired	(38)	-	-	(38)

11 ADVANCES continued

11.6 Analysis of the gross advances and loss allowance on total advances per class continued

Breakdown of temporary stress scenario

	2022				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impaired
Residential mortgages	**-**	**(2 354)**	**2 354**	**-**	**-**
WesBank VAF	**-**	**(13)**	**13**	**-**	**-**
Total retail secured	**-**	**(2 367)**	**2 367**	**-**	**-**
FNB card	**-**	**(193)**	**193**	**-**	**-**
Personal loans	**-**	**(99)**	**99**	**-**	**-**
- FNB and DirectAxis	**-**	**(99)**	**99**	**-**	**-**
- Covid-19 relief	**-**	**-**	**-**	**-**	**-**
Retail other	**-**	**(29)**	**29**	**-**	**-**
Total retail unsecured	**-**	**(321)**	**321**	**-**	**-**
Total retail secured and unsecured	**-**	**(2 688)**	**2 688**	**-**	**-**
FNB commercial	**-**	**(130)**	**130**		
Total temporary stress scenario impact	**-**	**(2 818)**	**2 818**	**-**	**-**
	2021				
Residential mortgages	-	(735)	735	-	-
WesBank VAF	-	(111)	111	-	-
Total retail secured	-	(846)	846	-	-
FNB card	-	(88)	88	-	-
Personal loans	-	(248)	248	-	-
- FNB and DirectAxis	-	(248)	248	-	-
- Covid-19 relief	-	-	-	-	-
Retail other	-	(30)	30	-	-
Total retail unsecured	-	(366)	366	-	-
Total retail secured and unsecured	-	(1 212)	1 212	-	-
FNB commercial	-	(99)	99		
Total temporary stress scenario impact	-	(1 311)	1 311	-	-

2022				
Loss allowance				
Total	**Stage 1**	**Stage 2**	**Stage 3**	**Purchase or originated credit impaired**
142	**64**	**78**	**-**	**-**
46	**24**	**23**	**(1)**	**-**
188	**88**	**101**	**(1)**	**-**
58	**29**	**29**	**-**	**-**
52	**31**	**21**	**-**	**-**
51	**31**	**20**	**-**	**-**
1	**-**	**1**	**-**	**-**
19	**8**	**10**	**1**	**-**
129	**68**	**60**	**1**	**-**
317	**156**	**161**	**-**	**-**
55	**23**	**32**	**-**	**-**
372	**179**	**193**	**-**	**-**
2021				
96	20	39	37	-
71	25	40	6	-
167	45	79	43	-
68	37	31	-	-
66	29	37	-	-
58	24	34	-	-
8	5	3	-	-
34	20	13	1	-
168	86	81	1	-
335	131	160	44	-
148	124	24	-	-
483	255	184	44	-

11 ADVANCES continued

11.7 Modified advances measured at amortised cost

The following table provides information on advances that were modified while they had a loss allowance measured at an amount equal to LECL and the modification resulted in a modification gain or loss being recognised.

	2022			
	Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	**709**	**(74)**	**635**	**(48)**
WesBank VAF	**1 157**	**(189)**	**968**	**(88)**
Total retail secured	**1 866**	**(263)**	**1 603**	**(136)**
FNB card	**516**	**(263)**	**253**	**(76)**
Personal loans	**2 205**	**(834)**	**1 371**	**(368)**
Retail other	**429**	**(169)**	**260**	**(104)**
Total retail unsecured	**3 150**	**(1 266)**	**1 884**	**(548)**
FNB commercial	**257**	**(32)**	**225**	**5**
Total corporate and commercial	**257**	**(32)**	**225**	**5**
Broader Africa	**-**	**-**	**-**	**-**
Centre (including Group Treasury)	**-**	**-**	**-**	**-**
UK operations	**-**	**-**	**-**	**-**
- Retail	**-**	**-**	**-**	**-**
- Commercial	**-**	**-**	**-**	**-**
Total	**5 273**	**(1 561)**	**3 712**	**(679)**

The gross carrying amount in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved into stage 1, amounted to R563 million (2021: R320 million).

	2021			
	Stage 2 and stage 3			
	Gross carrying amount before modification	**Loss allowance before modification**	**Amortised cost before modification**	**Modification gain/(loss)**
	292	(23)	269	(31)
	1 309	(252)	1 057	(138)
	1 601	(275)	1 326	(169)
	386	(243)	143	(50)
	2 374	(1 032)	1 342	(358)
	924	(531)	393	(33)
	3 684	(1 806)	1 878	(441)
	563	(40)	523	8
	563	(40)	523	8
	-	-	-	-
	-	-	-	-
	3 396	(516)	2 880	(21)
	1 630	(145)	1 485	(22)
	1 766	(371)	1 395	1
	9 244	(2 637)	6 607	(623)

12 IMPAIRMENT OF ADVANCES

12.1 Analysis of the loss allowance closing balance

	2022				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impaired
Amount as at 30 June 2022	**47 734**	**11 163**	**11 249**	**25 157**	**165**
Included in the total loss allowance					
- On- and off-balance sheet exposure*	**47 517**	**11 061**	**11 146**	**25 145**	**165**
- Letters of credit and guarantees	**217**	**102**	**103**	**12**	**-**
Components of total loss					
Allowance as at 30 June 2022					
- Forward-looking information**	**2 697**	**1 059**	**1 421**	**217**	**-**
- Model update#	**422**	**(120)**	**377**	**165**	**-**
	2021				
Amount as at 30 June 2021	50 618	10 451	12 691	27 304	172
Included in the total loss allowance					
- On- and off-balance sheet exposure*	50 444	10 309	12 686	27 301	148
- Letters of credit and guarantees	174	142	5	3	24
Components of total loss					
Allowance as at 30 June 2021					
- Forward-looking information**	4 262	2 429	1 615	218	-
- Model update#	576	413	55	108	-

* *Includes committed undrawn facilities as the credit risk of the undrawn component is managed and monitored with the drawn component as a single EAD. The EAD on the entire facility is used to calculate the ECL and is therefore included in the ECL allowance.*

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro economic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to the accounting policy note 9.4.*

\# *This represents the total ECL closing balance as at 30 June that is attributable to model recalibrations or refinements in the impairment methodology used that has been approved by a governance body. The amount reflected is the additional ECL recognised at the point/date that the model update was implemented.*

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period

12.2.1 Breakdown of ECL created in the reporting period per impairment charge

	2022				
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired**
Current year ECL provided	**12 150**	**(740)**	**416**	**12 481**	**(7)**
Interest on stage 3 advances	**(2 993)**	**-**	**-**	**(2 993)**	**-**
Current year change in ECL provided after interest on stage 3 advances	**9 157**	**(740)**	**416**	**9 488**	**(7)**
Post write-off recoveries	**(2 756)**	**-**	**-**	**(2 756)**	**-**
Modification losses	**679**	**-**	**118**	**561**	**-**
Impairment recognised in the income statement at 30 June 2022	**7 080**	**(740)**	**534**	**7 293**	**(7)**
Amortised cost	**6 539**	**(843)**	**555**	**6 834**	**(7)**
Fair value*	**541**	**103**	**(21)**	**459**	**-**
	2021				
Current year ECL provided	18 814	(1 565)	3 906	16 421	52
Interest on stage 3 advances	(3 369)	-	-	(3 369)	-
Current year change in ECL provided after interest on stage 3 advances	15 445	(1 565)	3 906	13 052	52
Post write-off recoveries	(2 427)	-	-	(2 427)	-
Modification losses	642	18	76	548	-
Impairment recognised in the income statement at 30 June 2021	13 660	(1 547)	3 982	11 173	52
Amortised cost	13 400	(1 558)	3 706	11 162	90
Fair value*	260	11	276	11	(38)

* *No recoveries of bad debts written off or modification losses are attributable to advances measured at fair value.*

12 IMPAIRMENT OF ADVANCES

12.2 Breakdown of ECL created in the reporting period continued

12.2.2 Breakdown of ECL created in the reporting period per key driver

The table below provides a breakdown of the change in the ECL impairment recognised in the current period based on the key drivers. The key components of the ECL impairment recognised in the current period are as follows:

Income statement component	Definition and key drivers
Volume change in stage 1	This represents the change in the impairment on stage 1 core lending advances assuming that the coverage ratio has remained unchanged from the prior period. It is calculated as the movement in the gross carrying amount of stage 1 advances (current year less prior year) multiplied by the prior year stage 1 coverage ratio. The key drivers relate to the change in volume of stage 1 advances due to new business, stage migrations, loans commencing in the period in stage 1 subsequently written off or curing.
Change in stage 1 coverage	This represents the change in the impairment on stage 1 core lending advances due to a change in the coverage ratio for stage 1 advances. This is calculated as the gross carrying amount of stage 1 advances at the current year-end multiplied by the difference in the current year and prior year stage 1 coverage ratio.
Volume change in stage 2	This represents the change in the impairment on stage 2 core lending advances assuming that the coverage ratio remained unchanged from the prior period. This is calculated as the movement in the gross carrying amount of stage 2 advances (current year less prior year) multiplied by the prior year stage 2 coverage ratio. This column therefore represents the change in volume of stage 2 advances due to stage migration, loans commencing the period in stage 2 subsequently migrating to stage 3 or curing.
Change in stage 2 coverage	This represents the change in the impairment on stage 2 core lending advances due to a change in the coverage ratio for stage 2 advances. This is calculated as the gross carrying amount of stage 2 advances at the current year-end multiplied by the difference in the current year and prior year stage 2 coverage ratio.
Change in stage 3 provisions (NPLs)	This represents the change in the impairment on stage 3 core lending advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing.

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period continued

Income statement component	Definition and key drivers
Modification gains or losses	Gains or losses recognised on modified exposures that are not derecognised.
Write-offs and other charges	Gross advances written off and other movements (foreign exchange movements, acquisition and disposal of advances and transfers to non-current assets held for sale) less interest suspended on stage 3 advances.

12 IMPAIRMENT OF ADVANCES continued

12.2 Breakdown of ECL created in the reporting period continued

12.2.3 Breakdown of ECL created in the current period per key driver continued

R million	Change in volume stage 1	Change in coverage stage 1	Change in volume stage 2	Change in coverage stage 2
	2022			
Total retail secured	**93**	**(71)**	**58**	**303**
Total retail unsecured	**212**	**178**	**(369)**	**(88)**
Temporary stress scenario	**130**	**(105)**	**137**	**(136)**
Total retail secured and unsecured	**435**	**2**	**(174)**	**79**
Total FNB commercial	**159**	**(171)**	**(105)**	**(266)**
- FNB commercial	**120**	**(31)**	**(113)**	**(266)**
- Temporary stress scenario	**39**	**(140)**	**8**	**-**
- WesBank corporate	**21**	**(32)**	**38**	**(53)**
- RMB corporate and investment banking	**389**	**(713)**	**(226)**	**(620)**
Total corporate and commercial	**569**	**(916)**	**(293)**	**(939)**
Broader Africa	**129**	**(86)**	**(124)**	**59**
Centre (including Group Treasury)	**(335)**	**334**	**(25)**	**20**
UK operations	**207**	**373**	**439**	**(484)**
Total	**1 005**	**(293)**	**(177)**	**(1 265)**
	2021			
Total retail secured	(38)	121	178	(341)
Total retail unsecured	(268)	(53)	176	(141)
Temporary stress scenario	-	131	-	160
Total retail secured and unsecured	(306)	199	354	(322)
Total FNB commercial*	196	(418)	76	95
- FNB commercial	196	(542)	76	71
- Temporary stress scenario	-	124	-	24
- WesBank corporate*	(3)	(18)	102	(53)
- RMB corporate and investment banking	(194)	236	(1 275)	1 021
Total corporate and commercial	(1)	(200)	(1 097)	1 063
Broader Africa	(128)	113	381	(421)
Centre (including Group Treasury)**	(162)	61	20	(13)
UK operations	79	(539)	(626)	(20)
Total	(518)	(366)	(968)	287

* *Restated due to the reallocation of ABF customers that bank with FNB from FNB commercial to WesBank corporate.*

** *Stage 1 has been restated to be calculated on core lending advances only (total advances less advances under agreements to resell). Advances under agreements to resell are fully collateralised and included in stage 1 and does not impact the impairment charge for the year.*

2022					
Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Gross write-off and other**	**Post write-off recoveries**	**Total**
(1 057)	**(674)**	**136**	**2 414**	**(415)**	**1 461**
(1 738)	**(1 805)**	**547**	**7 274**	**(1 653)**	**4 363**
(44)	**(18)**	**-**	**-**	**-**	**(18)**
(2 839)	**(2 497)**	**683**	**9 688**	**(2 068)**	**5 806**
(234)	**(617)**	**(4)**	**1 089**	**(114)**	**354**
(234)	**(524)**	**(4)**	**1 089**	**(114)**	**447**
-	**(93)**	**-**	**-**	**-**	**(93)**
(135)	**(161)**	**-**	**196**	**(23)**	**12**
829	**(341)**	**-**	**(69)**	**(10)**	**(420)**
460	**(1 119)**	**(4)**	**1 216**	**(147)**	**(54)**
(23)	**(45)**	**-**	**519**	**(299)**	**175**
-	**(6)**	**-**	**(1)**	**-**	**(7)**
248	**783**	**-**	**619**	**(242)**	**1 160**
(2 154)	**(2 884)**	**679**	**12 041**	**(2 756)**	**7 080**
2021					
457	377	169	2 240	(312)	2 474
681	395	441	6 850	(1 620)	6 066
44	335	-	-	-	335
1 182	1 107	610	9 090	(1 932)	8 875
254	203	(8)	1 063	(81)	1 177
254	55	(8)	1 063	(81)	1 029
-	148	-	-	-	148
100	128	-	122	(14)	236
1 112	900	-	534	(6)	1 428
1 466	1 231	(8)	1 719	(101)	2 841
(677)	(732)	-	1 761	(144)	885
(182)	(276)	-	303	2	29
1 014	(92)	40	1 334	(252)	1 030
2 803	1 238	642	14 207	(2 427)	13 660

13 OTHER ASSETS

R million	2022	2021
Items in transit	**2 067**	1 362
Interest and commission accrued	**23**	19
Prepayments	**2 246**	2 093
Properties in possession	**99**	100
Sundry debtors	**1 317**	1 178
Fair value hedge asset*	**551**	284
Dividends receivable	**306**	216
- Profit share receivable on insurance cells	**206**	202
- Other dividends receivable	**100**	14
Variation margin	**807**	992
Accounts receivable	**2 510**	3 194
Total gross carrying amount of other assets	**9 926**	9 438
- Financial	**6 544**	6 167
- Non-financial	**3 382**	3 271
Loss allowance on other financial assets**	**(329)**	(222)
Total other assets	**9 597**	9 216

* *The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in the group's fair value macro hedge accounting relationship.*

** *No further information is provided on the loss allowance on other assets, as it is immaterial.*

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

	2022			2021		
R million	**Total**	**Tanzania**	**Other**	Total	Tanzania	Other
ASSETS						
Cash and cash equivalents*	**552**	**552**	**-**	501	501	-
Investment securities*	**-**	**-**	**-**	-	-	-
Advances*	**104**	**104**	**-**	38	38	-
Other assets	**3**	**3**	**-**	-	-	-
Property and equipment	**-**	**-**	**-**	20	-	20
Investment in associates	**842**	**-**	**842**	6	-	6
Total assets classified as a disposal group held for sale	**1 501**	**659**	**842**	565	539	26
LIABILITIES						
Derivative financial instruments*	**-**	**-**	**-**	1	1	-
Creditors, accruals and provisions*	**16**	**16**	**-**	-	-	-
Current tax liability	**-**	**-**	**-**	1	1	-
Deposits*	**596**	**596**	**-**	541	541	-
Other liabilities*	**212**	**212**	**-**	70	70	-
Total liabilities classified as a disposal group held for sale	**824**	**824**	**-**	613	613	-
Net assets of disposal group held for sale	**677**	**(165)**	**842**	(48)	(74)	26

* *Carrying amount approximates fair value.*

14.1 Tanzania disposal group held for sale

The group took a decision to dispose of its operations in Tanzania in a prior period, which are conducted through FNB Tanzania and form part of the broader Africa geographical segment. The group concluded the sale of the disposal group within FNB Tanzania with an effective date of 7th July 2022. An impairment loss was recognised in operating expenses in the current and prior year for the write-down of the disposal group to its fair value less cost to sell (see note 3).

The fair value less cost to sell reflects final sales price agreed between the group and the purchaser of the disposal group.

14.2 Investment in associate held for sale

The group entered into an agreement to dispose of its 39.23% interest in an associate (Studio 88) to Mr Price Limited in the current year. The deal is expected to close during October 2022. The carrying amount of the investment in associate is less than the fair value less cost to sell as per the agreement.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	2022	2021
Policyholder liabilities under insurance contracts	15.1	**2 028**	2 011
Policyholder liabilities under investment contracts	15.2	**5 396**	5 378
Total gross policyholder liabilities		**7 424**	7 389
Reinsurance assets	15.1	**(583)**	(387)
Total net policyholder liabilities		**6 841**	7 002

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

		2022		
R million	Notes	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts		**616**	**(175)**	**441**
Claims outstanding and claims incurred but not reported	15.1.1	**576**	**(172)**	**404**
Unearned premiums	15.1.2	**40**	**(3)**	**37**
Long-term insurance contracts	15.1.3	**1 412**	**(408)**	**1 004**
Total policyholder liabilities under insurance contracts and reinsurance assets		**2 028**	**(583)**	**1 445**
		2021		
Short-term insurance contracts		466	(98)	368
Claims outstanding and claims incurred but not reported	15.1.1	431	(98)	333
Unearned premiums	15.1.2	35	-	35
Long-term insurance contracts	15.1.3	1 545	(289)	1 256
Total policyholder liabilities under insurance contracts and reinsurance assets		2 011	(387)	1 624

15.1.1 Reconciliation of outstanding claims, claims incurred but not reported and similar items

	2022		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**431**	**(98)**	**333**
Increase/(decrease) in current year claims outstanding	**250**	**(138)**	**112**
Increase/(decrease) from prior year claims	**15**	**(11)**	**4**
Claims settled in the year	**(120)**	**75**	**(45)**
Closing balance	**576**	**(172)**	**404**
	2021		
Opening balance	377	(86)	291
Increase in current year claims outstanding	327	59	386
Decrease from prior year claims outstanding	(184)	(102)	(286)
Claims settled in the year	(89)	31	(58)
Closing balance	431	(98)	333

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.2 Reconciliation of unearned premiums and similar items

R million	2022 Gross	2022 Reinsurance asset	2022 Net
Opening balance	**35**	**-**	**35**
Increase/(decrease) in unearned premiums and similar items	**5**	**(3)**	**2**
Closing balance	**40**	**(3)**	**37**
	2021		
Opening balance	34	-	34
Increase in unearned premiums and similar items	1	-	1
Closing balance	35	-	35

15.1.3 Reconciliation of gross long-term insurance contracts

R million	2022 Gross	2022 Reinsurance asset	2022 Net
Opening balance	**1 545**	**(289)**	**1 256**
Transfer to policyholder liabilities	**(133)**	**(119)**	**(252)**
- Claims incurred but not yet reported	**(161)**	**10**	**(151)**
- Outstanding claims	**28**	**(129)**	**(101)**
Closing balance	**1 412**	**(408)**	**1 004**
	2021		
Opening balance	1 059	(154)	905
Transfer to policyholder liabilities	486	(135)	351
- Claims incurred but not yet reported	278	(117)	161
- Outstanding claims	208	(18)	190
Closing balance	1 545	(289)	1 256

15.2 Policyholder liabilities under investment contracts

R million	2022	2021
Opening balance	**5 378**	4 960
Premiums received	**605**	684
Fees deducted from account balances	**(48)**	(44)
Policyholder benefits on investment contracts	**(647)**	(661)
Fair value adjustments recognised in fair value	**108**	439
Closing balance	**5 396**	5 378

16 INVESTMENTS IN ASSOCIATES

R million	2022	2021
Analysis of the carrying value of associates		
Shares at cost less impairment	**4 869**	5 066
Share of post-acquisition reserves	**3 309**	3 578
Total investments in associates	**8 178**	8 644
Movement in the carrying value of associates		
Opening balance	**8 644**	6 882
Share of profit of associates after tax	**895**	1 133
- Income before tax for the year	**1 332**	1 695
- Impairments of associates reversed/(incurred)	**25**	(143)
- Tax for the year	**(462)**	(419)
Net movement resulting from acquisitions, disposals and transfers	**(943)**	1 251
- Acquisition of associates	**281**	1 254
- Cash consideration	**236**	93
- Non-cash consideration*	**45**	1 161
- Disposal of associates	**(382)**	3
- Transfer to non-current assets and disposal groups held for sale	**(842)**	(6)
Movement in other reserves	**9**	1
Exchange rate differences	**1**	(15)
Dividends received for the year	**(428)**	(608)
Closing balance	**8 178**	8 644

* *Reclassification from marketable advances in the prior year.*

During the current year R47 million (2021: R251 million) in losses were not recognised. The cumulative share of losses from associates not recognised is R537 million (2021: R491 million).

The group has no exposure to contingent liabilities as a result of its relationships with associates.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates

	Toyota Financial Services Proprietary Limited		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
Nature of business	Vehicle finance		Broadcasting		Vehicle finance	
Place of business	South Africa		South Africa		South Africa	
% ownership	33		22		49	
% voting rights	33		22		49	
R million	**2022**	2021	**2022**	2021	**2022**	2021
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**97**	-	**-**	-	**-**	-
Revenue	**3 933**	4 433	**1 732**	1 433	**3 396**	3 813
Profit or loss from continuing operations after tax	**710**	18	**(976)**	(127)	**354**	74
Total comprehensive income	**710**	11	**(976)**	(127)	**354**	74
Amounts recognised on the statement of financial position of the investee						
Total assets	**39 677**	38 845	**4 468**	5 747	**35 781**	36 976
- Current assets	**12 113**	11 707	**734**	763	**16 972**	17 032
- Non-current assets	**27 564**	27 138	**3 734**	4 984	**18 809**	19 944
Total liabilities	**(35 033)**	(34 940)	**(3 022)**	(3 182)	**(33 250)**	(34 798)
- Current liabilities	**(11 302)**	(11 574)	**(2 602)**	(534)	**(14 881)**	(13 099)
- Non-current liabilities	**(23 731)**	(23 366)	**(420)**	(2 648)	**(18 369)**	(21 699)
Net asset value	**4 644**	3 905	**1 446**	2 565	**2 531**	2 178
Group's share of net asset value	**1 533**	1 289	**318**	564	**1 240**	1 067
Other adjustments to net asset value	**(110)**	40	**(218)**	(378)	**61**	96
Carrying value of investments	**1 423**	1 329	**100**	186	**1 301**	1 163
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**-**	-
- Discharged by cash	**-**	-	**-**	-	**-**	-

16 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2022**	2021	**2022**	2021
Carrying amount	**3 281**	3 551	**2 073**	2 415
Group's share of profit or loss after tax from continuing operations	**635**	854	**30**	91
Group's share of other comprehensive loss	**(5)**	(27)	**(1)**	(3)
Group's share of total comprehensive income	**630**	827	**29**	88
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**179**	13	**102**	1 241
- Discharged by cash	**179**	13	**57**	80
- Non-cash consideration and other purchases	**-**	-	**45**	1 161
Disposal of associates				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed (%)	**Various**	Various	**Various**	Various
Total consideration received	**8**	-	**334**	37
- Discharged by cash	**1**	-	**-**	37
- Non-cash consideration and other purchases	**7**	-	**334**	-
Carrying value of the associate on disposal	**(8)**	-	**(374)**	3
(Loss)/gains on disposal of associates	**-**	-	**(40)**	40

Significant acquisition, disposal and impairment of associates 2022

Disposal of associates

Gains and losses related to the disposal of associates that are private equity in nature are included in headline earnings. An associate is private equity in nature if the investment is acquired with the main objective of realizing a return on investment through dividends and capital profit on sale of the investment and where management is involved as directors in taking an active role in helping build and develop the associate. In the current year, losses of R40 million included under other individually immaterial associates arises from associates of a private equity nature.

Reclassification of investment in associates to non-current assets held for sale

The group's investment in a RMB private equity associate (Studio 88), a leading independent retailer of branded leisure, lifestyle and sporting apparel and footwear, was reclassified to non-current asset held for sale. This investment forms part of the RMB segment. Refer to note 14 for more detail.

16 INVESTMENTS IN ASSOCIATES continued

Impairment and impairment reversal in associates

The net reversal of impairment of R25 million is driven by a reversal of an impairment in an investment in associate of R115 million and impairments of R90 million arising from other associates. Impairments arose due to continued economic stress from local disruptions arising from unrests, the KZN floods and loadshedding, as well as the impact of global inflationary supply shock. In determining these investments' fair value less cost to sell, which is level 3 in the fair value hierarchy, earnings multiples and sustainable earnings determined by management were used.

Significant acquisition, disposal and impairment of associates 2021

Reclassification of investment fund

The group applies significant judgement in assessing which investment funds the group both manages and holds investments in, would result in the group having significant influence over the investment fund. At the end of the year, as part of the group's bi-annual assessment, one of the group's investment in an investment fund was found to meet this criteria. The investment previously reflected in marketable advances was reclassified as an investment in associate, included under other individually immaterial associates.

Impairment in associates

Further impairment of the group's investment in Primedia and other individually immaterial associates was recognised in the current year, evidencing continued economic stress as a result of Covid-19 and the ongoing lockdown. The carrying value of the investments is based on their fair value less costs to sell and was determined using earnings multiples, with the key assumptions being the earnings multiples and sustainable earnings. The fair value less costs to sell is a level 3 of the fair value hierarchy.

17 INVESTMENTS IN JOINT VENTURES

R million	**2022**	2021
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**578**	598
Share of post-acquisition reserves	**2 040**	1 518
Carrying value of investments in joint ventures	**2 618**	2 116
Movement in the carrying value of joint ventures		
Opening balance	**2 116**	1 749
Share of profit of joint ventures after tax	**596**	405
- Income before tax for the year	**804**	404
- Impairments of joint ventures (incurred)/reversed	**(119)**	102
- Tax for the year	**(89)**	(101)
Net movement resulting from acquisitions and disposals	**99**	38
- Acquisition of joint ventures	**99**	45
- Disposal of joint ventures	**-**	(7)
Movement in other reserves	**4**	89
Exchange rate differences	**-**	5
Dividends received for the year	**(197)**	(170)
Closing balance	**2 618**	2 116

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley	
Nature of business	Equity sales, trading and research	
Place of business	South Africa	
% ownership	50	
% voting rights	50	
R million	**2022**	2021
Amounts recognised in profit or loss and other comprehensive income of the investee		
Dividends received	**77**	77
Revenue	**1 009**	816
Profit or loss from continuing operations after tax	**328**	233
Total comprehensive income	**328**	233
Amounts recognised in the statement of financial position of the investee		
Total assets	**29 914**	30 208
- Current assets	**29 035**	29 518
- Non-current assets	**879**	690
Total liabilities	**(28 519)**	(28 987)
- Current financial liabilities	**(23 614)**	(25 504)
- Current non-financial liabilities	**(4 028)**	(2 790)
- Non-current financial liabilities	**(804)**	(616)
- Non-current non-financial liabilities	**(73)**	(77)
Net asset value	**1 395**	1 221
Group’s share of net asset value	**698**	611
Other adjustments to net asset value	**37**	27
Carrying value of investment	**735**	638
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**(2 216)**	(1 709)
Depreciation and amortisation	**(11)**	(3)
Interest income	**29**	27
Interest expense	**(639)**	(540)
Income tax	**(82)**	(82)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		**Other**	
R million	**2022**	2021	**2022**	2021
Carrying amount	**1 675**	1 309	**208**	169
Group's share of profit or loss after tax from continuing operations	**392**	116	**30**	66
Group's share of other comprehensive income	**4**	88	**-**	1
Group's share of total comprehensive income/(loss)	**396**	204	**30**	67
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**80**	-	**19**	45
- Discharged by cash	**73**	-	**19**	45
- Non-cash consideration	**7**	-	**-**	-
Disposal of joint ventures				
Disposal date	**Various**	Various	**Various**	Various
Interest disposed of (%)	**Various**	Various	**Various**	Various
Total consideration received	**-**	-	**40**	-
- Discharged by cash	**-**	-	**40**	-
Carrying value of the joint venture on disposal date	**-**	-	**-**	(7)
Gain/(loss) on disposal of joint ventures	**-**	-	**40**	(7)

Gains and losses related to the disposal of joint ventures that are private equity in nature are included in headline earnings. A joint venture is private equity in nature if the investment is acquired with the main objective of realising a return on investment through dividends and capital profit on sale of the investment and where management is involved as directors in taking an active role in helping build and develop the joint venture. In the current year, gains of R40 million included under other arises from joint ventures of a private equity nature.

During the current year losses of R72 million (2021: R246 million) were not recognised as the balance of the investment in the joint venture was Rnil. The cumulative share of losses from joint ventures not recognised is R735 million (2021: R759 million). Impairments recognised for other joint ventures of R119 million relate mainly to an underlying investment's holding in a listed share that devalued during the year.

The group has exposure to contingent liabilities of R150 million (2021: R175 million) as a result of its relationships with its joint ventures.

18 PROPERTY AND EQUIPMENT

R million	Freehold property	Right of use property	Right of use equip-ment	Assets held under leasing agree-ments	Computer equip-ment	Other equip-ment	Total
Net book value at 1 July 2020	7 194	5 337	500	103	3 062	5 173	21 369
Cost	9 807	9 033	671	448	9 583	10 111	39 653
Accumulated depreciation	(2 613)	(3 696)	(171)	(345)	(6 521)	(4 938)	(18 284)
Movement for the year	(195)	(204)	(55)	83	(421)	(387)	(1 179)
Acquisitions*	351	1 334	182	203	790	1 441	4 301
Disposals	(22)	(14)	-	(7)	(22)	(505)	(570)
Acquisitions of subsidiaries	1	-	-	-	3	1	5
Exchange rate difference	(69)	(183)	(5)	(7)	(35)	(35)	(334)
Depreciation charge for the year	(456)	(1 186)	(167)	(55)	(1 157)	(1 289)	(4 310)
Impairments recognised	-	-	-	(32)	-	-	(32)
Early terminations/modification of leases	-	(155)	(65)	-	-	-	(220)
Transfer to non-current asset and disposal groups held for sale	-	-	-	(19)	-	-	(19)
Net book value at 30 June 2021	**6 999**	**5 133**	**445**	**186**	**2 641**	**4 786**	**20 190**
Cost	**10 043**	**9 145**	**755**	**343**	**9 444**	**9 563**	**39 293**
Accumulated depreciation	**(3 044)**	**(4 012)**	**(310)**	**(157)**	**(6 803)**	**(4 777)**	**(19 103)**
Movement for the year	**(234)**	**(18)**	**13**	**(33)**	**204**	**(397)**	**(465)**
Acquisitions*	**141**	**1 058**	**209**	**37**	**1 429**	**1 225**	**4 099**
Disposals	**(47)**	**(9)**	**-**	**(8)**	**(114)**	**(440)**	**(618)**
Acquisitions of subsidiaries	**60**	**58**	**-**	**-**	**-**	**2**	**120**
Exchange rate difference	**40**	**26**	**-**	**(3)**	**22**	**1**	**86**
Depreciation charge for the year	**(316)**	**(1 141)**	**(182)**	**(59)**	**(1 133)**	**(1 165)**	**(3 996)**
Impairments recognised	**(112)**	**-**	**-**	**-**	**-**	**(20)**	**(132)**
Early terminations/modification of leases	**-**	**(10)**	**(14)**	**-**	**-**	**-**	**(24)**
Transfer to non-current asset and disposal groups held for sale	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at 30 June 2022	**6 765**	**5 115**	**458**	**153**	**2 845**	**4 389**	**19 725**
Cost	**10 164**	**9 214**	**938**	**344**	**9 890**	**9 241**	**39 791**
Accumulated depreciation	**(3 399)**	**(4 099)**	**(480)**	**(191)**	**(7 045)**	**(4 852)**	**(20 066)**

** Includes capitalised improvements to property leases of R433 million (2021: R375 million).*

19 INTANGIBLE ASSETS

R million	Goodwill	Broker relation-ship	Software and develop-ment costs	Trade-marks	Other	Total
Net book value as at 1 July 2020	8 387	1 918	1 033	68	232	11 638
Cost	9 165	2 827	2 354	264	480	15 090
Accumulated amortisation and impairment	(778)	(909)	(1 321)	(196)	(248)	(3 452)
Movement for the year	(661)	(594)	(387)	(10)	(54)	(1 706)
Acquisitions and capitalisations	-	-	202	-	29	231
Derecognised	-	-	(192)	-	-	(192)
Acquisitions of subsidiaries	99	-	-	-	-	99
Exchange rate differences	(596)	(131)	(11)	-	(15)	(753)
Amortisation for the year	-	(463)	(375)	(10)	(68)	(916)
Impairments recognised	(112)	-	(11)	-	-	(123)
Impairments reversed	-	-	-	-	-	-
Measurement period adjustment	(52)	-	-	-	-	(52)
Net book value as at 30 June 2021	**7 726**	**1 324**	**646**	**58**	**178**	**9 932**
Cost	**8 603**	**2 602**	**2 269**	**259**	**479**	**14 212**
Accumulated amortisation and impairment	**(877)**	**(1 278)**	**(1 623)**	**(201)**	**(301)**	**(4 280)**
Movement for the year	**(4)**	**(431)**	**(3)**	**(11)**	**(24)**	**(473)**
Acquisitions and capitalisations	**-**	**-**	**402**	**-**	**7**	**409**
Derecognised	**-**	**-**	**(131)**	**-**	**-**	**(131)**
Acquisitions of subsidiaries	**2**	**-**	**-**	**-**	**73**	**75**
Exchange rate differences	**54**	**21**	**3**	**-**	**(9)**	**69**
Amortisation for the year	**-**	**(452)**	**(277)**	**(10)**	**(92)**	**(831)**
Impairments recognised	**(60)**	**-**	**-**	**(1)**	**(3)**	**(64)**
Impairments reversed	**-**	**-**	**-**	**-**	**-**	**-**
Measurement period adjustment	**-**	**-**	**-**	**-**	**-**	**-**
Net book value as at 30 June 2022	**7 722**	**893**	**643**	**47**	**154**	**9 459**
Cost	**8 674**	**2 633**	**2 281**	**338**	**571**	**14 497**
Accumulated amortisation and impairment	**(952)**	**(1 740)**	**(1 638)**	**(291)**	**(417)**	**(5 038)**

Acquisitions in 2022

The group recognised the Slow Lounge brand in the FNB reportable segment for R73 million.

Acquisitions in 2021

Goodwill was recognised as part of an acquisition of an immaterial subsidiary in the FNB reportable segment. The capitalisation of software and development costs was incurred by Aldermore in the prior year.

20 INVESTMENT PROPERTIES

R million	Notes	2022	2021
Opening balance		**659**	722
Fair value remeasurements	2.4	**(19)**	(89)
Additions		**-**	26
Acquisition of subsidiaries		**58**	-
Closing balance		**698**	659

The following amounts have been disclosed in profit or loss with respect to investment property.

R million	2022	2021
Rental income from investment property	**81**	106
Direct operating expenses on investment property that generated rental income	**79**	32

As at 30 June 2022, the group has no contractual obligations to purchase, construct or develop investment property (2021: Rnil). Cost incurred for repairs, maintenance and enhancements of investment property are Rnil (2021: Rnil).

The latest valuation was performed during the 2021 year. Valuations are performed every two years. The next valuation is scheduled to be performed during the 2023 financial year or in the event that there is an expectation of a significant change in the fair value of investment properties.

Refer to note 34 for the significant inputs used to determine the fair value of investment properties.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2022	2021
Liability for short-term employee benefits		**8 656**	7 822
Share-based payment liability (detailed in note 32)		**3 901**	2 212
Defined benefit post-employment liability	21.1	**1 260**	1 220
Other long-term employee benefit liability		**45**	65
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**13 862**	11 319
Defined benefit post-employment asset	21.1	**(35)**	(9)
Net amount due to employees		**13 827**	11 310

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 Defined benefit post-employment liability

The group has financial liabilities in respect of two defined benefit arrangements in South Africa – a plan that provides defined post-retirement medical benefits to retired employees, and a defined benefit pension plan. In terms of these plans, the group is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these plans are reflected as an asset or liability on the statement of financial position.

<table>
<tr><th colspan="2">Nature of benefits</th></tr>
<tr><th>Pension</th><th>Medical</th></tr>
<tr><td>The pension plan (FirstRand Retirement Fund) provides retired employees with a pension benefit after service.

A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants’ pension to the spouse and eligible children on death of the pensioner.

There is also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed by the rules of the fund.

For this small number of defined benefit contributing members in the pension plan (14 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities.

The liability of the plan in respect of defined contribution members is equal to the member’s share of the fund, which is determined as the accumulation of the member’s contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member’s assets. The fund provides a pension that can be purchased with the member’s fund credit (equal to member contributions at retirement should the member so choose).</td><td>The medical scheme provides retired employees with medical benefits after service.

The employer’s post-employment healthcare liability consists of a commitment to pay a portion of the members’ post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.</td></tr>
</table>

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Nature of benefits	
Pension	**Medical**
In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and for granting pension increases subject to the ring-fenced pensioner assets of the fund supporting such increases. Should the pension account in the fund be in deficit to the extent that current pensions in payment cannot be maintained, the group is liable to maintain the nominal value of pensions in payment. The fund also provides death, retrenchment and withdrawal benefits.	

Governance	
Pension	**Medical**
The pension plan is regulated by the Financial Sector Conduct Authority in South Africa. Responsibility for governance of the plans, including investment decisions, lies with the board of trustees. Contribution categories available to members are jointly determined by the group and board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the group and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve on the board for four years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Registrar of Pension Funds (i.e. to the Financial Sector Conduct Authority). A full actuarial valuation of the pension fund for submission to the Financial Sector Conduct Authority is performed every three years, with the last valuation in 2020. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date the fund was financially sound.	The medical plan is regulated by the registrar of Council for Medical Schemes in South Africa. Governance of the post-employment medical aid subsidy policy lies with the group. The group has established a committee that meets regularly to discuss and review the management of the medical plan scheme and the subsidy. This committee is managed and governed by the FirstRand group financial resources management executive committee and FirstRand group asset, liability and capital committee. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies
The group ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investment returns that are in line with the obligations under the schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets. The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows an 80% exposure in fixed-interest instruments to immunise against interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective. The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local and foreign asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level. The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, and inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the total liability of the pension fund.
Risks associated with the plans
Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below. **Asset volatility** – Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets relative to the value of the liabilities would create a deficit. **Inflation risk** – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and healthcare cost inflation form part of the financial assumptions used in the valuation. **Life expectancy** – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. **Demographic movements** – The plans' liabilities are determined based on a number of best estimate assumptions based on the demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the post-employment medical aid liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Details of the defined benefit plan assets and fund liability are shown below.

		2022			2021		
R million	Notes	Pension	Medical*	Total	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**8 453**	**3 159**	**11 612**	8 405	3 138	11 543
Fair value of plan assets		**(8 816)**	**(1 915)**	**(10 731)**	(8 823)	(1 940)	(10 763)
- Listed equity instruments		**(2 460)**	**-**	**(2 460)**	(2 367)	-	(2 367)
- Cash and cash equivalents		**(234)**	**-**	**(234)**	(287)	-	(287)
- Debt instruments		**(2 561)**	**-**	**(2 561)**	(2 858)	-	(2 858)
- Derivatives		**(58)**	**-**	**(58)**	(10)	-	(10)
- Qualifying insurance policy		**-**	**(1 915)**	**(1 915)**	-	(1 940)	(1 940)
- Other		**(3 503)**	**-**	**(3 503)**	(3 301)	-	(3 301)
Total employee (asset)/liability*		**(363)**	**1 244**	**881**	(418)	1 198	780
Limitation imposed by IAS 19 ceiling		**344**	**-**	**344**	425	-	425
Other		**-**	**-**	**-**	6	-	6
Total net post-employment liability		**(19)**	**1 244**	**1 225**	13	1 198	1 211
Total amount recognised on the income statement (included in staff costs)	3	**(39)**	**129**	**90**	(7)	152	145
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**13**	**1 198**	**1 211**	30	988	1 018
Exchange differences		**-**	**-**	**-**	-	(3)	(3)
Current service cost		**4**	**32**	**36**	3	27	30
Net interest		**(43)**	**97**	**54**	(10)	125	115
Remeasurements: recognised in OCI		**23**	**(82)**	**(59)**	(9)	261	252
- Actuarial gains from changes in demographic		**5**	**-**	**5**	-	-	-
- Actuarial (losses)/gains from financial assumptions		**(105)**	**46**	**(59)**	494	410	904
- Other remeasurements		**123**	**(128)**	**(5)**	(503)	(149)	(652)
Benefits paid		**(6)**	**(1)**	**(7)**	-	-	-
Employer contribution		**(1)**	**-**	**(1)**	(1)	(200)	(201)
Employee contribution		**(9)**	**-**	**(9)**	-	-	-
Closing balance		**(19)**	**1 244**	**1 225**	13	1 198	1 211

* *The medical plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through an insurance cell captive. The excess assets of the cell captive belong to a subsidiary of the group and are recognised in accounts receivable. FirstRand group's liability is therefore sufficiently funded.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2022			2021		
R million	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Movement in the fair value of plan assets:						
Opening balance	**8 823**	**1 940**	**10 763**	8 168	1 760	9 928
Interest income	**863**	**235**	**1 098**	785	193	978
Remeasurements: recognised in OCI	**(173)**	**(51)**	**(224)**	602	(8)	594
Exchange differences	**3**	**-**	**3**	(25)	-	(25)
Employer contributions	**1**	**-**	**1**	1	200	201
Employee contributions	**9**	**-**	**9**	1	-	1
Benefits paid and settlements	**(710)**	**(209)**	**(919)**	(709)	(205)	(914)
Closing balance	**8 816**	**1 915**	**10 731**	8 823	1 940	10 763
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**425**	**-**	**425**	106	-	106
Interest income	**44**	**-**	**44**	11	-	11
Change in the asset ceiling, excluding amounts included in interest	**(125)**	**-**	**(125)**	308	-	308
Closing balance	**344**	**-**	**344**	425	-	425
Actual return on plan assets was	**11%**			10%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**39**	**-**	**39**	32	-	32
Total	**39**	**-**	**39**	32	-	32

* *The medical plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through an insurance cell captive. The excess assets of the cell captive belong to a fellow subsidiary of the group and are recognised as an account receivable. FirstRand group's liability is therefore sufficiently funded.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Each sensitivity analysis is based on changing one assumption while keeping all other remaining assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity analysis has been calculated in terms of the projected unit credit method and illustrates how the value of the liability would change in response to certain changes in actuarial assumptions.

	2022		2021	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**8.2**	**-**	7.8	-
Long-term increase in health costs	**-**	**9.1**	-	8.4
The effects of a 1% movement in the assumed health cost rate (medical) and the expected rates of salary (pension) were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**3.6**	**361.0**	4.0	357.6
Effect on the aggregate of the current service cost and interest cost (R million)	**0.6**	**49.6**	0.7	45.1
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(3.4)**	**(305.7)**	(3.7)	(303.0)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.6)**	**(41.8)**	(0.7)	(38.0)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**280.5**	**104.1**	279.2	99.2
Effect on the aggregate of the current service cost and interest cost (R million)	**51.3**	**13.4**	50.9	11.6
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(277.9)**	**(103.5)**	(276.6)	(98.9)
Effect on the aggregate of the current service cost and interest cost (R million)	**(50.8)**	**(13.3)**	(50.5)	(11.6)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2**	**-**	2	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**3.6**	**2.8**	3.5	2.3
The weighted average duration of the defined benefit obligation (years)	**8.9**	**12.0**	7.9	10.9

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

The expected maturity analysis of undiscounted pension and post-employment medical benefits is given below.

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	**792**	**3 370**	**40 607**	**44 769**
Post-employment medical benefits	**207**	**999**	**24 527**	**25 733**
Total as at 30 June 2022	**999**	**4 369**	**65 134**	**70 502**
Pension benefits*	794	3 205	34 334	38 333
Post-employment medical benefits	205	1 000	20 161	21 366
Total as at 30 June 2021	999	4 205	54 495	59 699

** The undiscounted benefit relating to pension benefits has been re-presented to include inflationary components in the projected nominal cashflows. In the prior year, R726 million, R2 881 million and R23 968 million was presented within 1 year, between 1 and 5 years and more than 5 years respectively.*

The interest income is determined using a discount rate with reference to high-quality government bonds.

Mortality rates

The normal retirement age for active members of the pension fund and post-employment medical benefit scheme is 60.

The mortality rate table used for active members and pensioners of the pension fund and post-employment medical benefits is PA (90)-2. It refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender. The two-year age rating allows for the longer than average life expectancy of the retirees compared to general annuitant mortality. In addition, allowance is made for future expected improvements in annuitant mortality based on the income level of the annuitant (on average 0.50% p.a.).

The mortality rate table used for the active members of the post-employment medical benefit fund is SA 85-90. It refers to standard actuarial mortality tables for active members on a defined benefit plan where the chance of dying before normal retirement is expressed at each age for each gender.

The average life expectancy in years of an employee retiring at age 65 on the reporting date for pension and medical is 17 for males and 21 for females. The average life expectancy of an employee retiring at age 65 in 20 years after the reporting date for pension and medical is 18 for males and 22 for females.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2022	2021
Pension		
The number of employees covered by the scheme		
Active members	**2 387**	2 459
Pensioners	**5 394**	5 671
Deferred plan participants	**260**	264
Total employees	**8 041**	8 394
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**8 452**	8 406
Conditional benefits (R million)	**207**	182
Amounts attributable to future salary increases (R million)	**69**	67
Other benefits (R million)	**8 175**	8 157
Medical		
The number of employees covered by the scheme		
Active members	**2 545**	2 808
Pensioners	**5 199**	5 231
Total employees	**7 744**	8 039
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**2 266**	2 256
Benefits accrued but not vested at the end of the reporting period (R million)	**893**	882
Conditional benefits (R million)	**930**	915
Other benefits (R million)	**2 229**	2 223

21.2 Defined contribution post-employment liability

R million	2022	2021
Post-employment defined contribution plan		
Present value of obligation	**30 236**	24 628
Present value of assets	**(30 236)**	(24 628)
Net defined contribution liability	**-**	-

The defined contribution scheme allows active members to purchase a pension from the defined benefit plan on retirement. The purchase price for the pension is determined based on the purchasing member's demographic details, the pension structure and economic assumptions at time of purchase. Should a member elect to purchase a pension, the group becomes exposed to longevity and other actuarial risks. However, because of the way that the purchase is priced, the employer is not exposed to any asset return risk prior to the election of this option. On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund.

22 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	**2022**	2021
Deferred income tax asset		
Opening balance	**6 104**	4 975
Acquisitions of subsidiaries	**1**	27
Exchange rate difference	**40**	(50)
Release to profit or loss	**555**	893
Deferred income tax on amounts charged directly to other comprehensive income	**1 415**	238
Other	**(87)**	21
Total deferred income tax asset	**8 028**	6 104
Deferred income tax liability		
Opening balance	**(887)**	(1 318)
Exchange rate difference	**(4)**	62
Release to profit or loss	**204**	361
Deferred income tax on amounts charged directly to other comprehensive income	**(1)**	-
Other	**(4)**	8
Total deferred income tax liability	**(692)**	(887)
Net deferred income tax asset	**7 336**	5 217

22 DEFERRED INCOME TAX continued

R million	As at 30 June 2022	As at 30 June 2021	Recognised on income statement 2022	Recognised on income statement 2021
Deferred income tax asset				
Tax losses	**16**	26	**(10)**	(20)
Provision for loan impairment	**4 234**	4 540	**(250)**	84
Provision for post-employment benefits	**328**	328	**18**	(17)
Other provisions	**1 467**	870	**591**	315
Cash flow hedges	**880**	(519)	**1**	-
Financial instruments	**16**	(16)	**31**	(5)
Instalment credit assets	**(186)**	(176)	**(9)**	(9)
Accruals	**59**	56	**3**	10
Debt instruments designated at FVOCI*	**(103)**	(133)	**-**	-
Capital gains tax	**330**	237	**93**	21
Equity instruments designated at FVOCI*	**101**	107	**-**	-
Foreign currency translation reserve	**-**	-	**(10)**	42
Share-based payments	**903**	533	**370**	278
Deferred revenue liability	**(153)**	(179)	**26**	35
Intangible assets	**109**	96	**13**	85
Other	**27**	334	**(312)**	74
Total deferred income tax asset	**8 028**	**6 104**	**555**	**893**
Deferred income tax liability				
Provision for loan impairment	**169**	184	**(15)**	8
Provision for post-employment benefits	**13**	12	**-**	1
Other provisions	**(76)**	(93)	**16**	14
Financial instruments	**53**	43	**10**	18
Instalment credit assets	**(77)**	(316)	**240**	(44)
Accruals	**(138)**	(104)	**(34)**	99
Capital gains tax	**(59)**	-	**(59)**	21
Equity instruments designated at FVOCI	**3**	-	**-**	-
Intangible assets	**(210)**	(302)	**97**	99
Other	**(370)**	(311)	**(51)**	145
Total deferred income tax liability	**(692)**	(887)	**204**	361

* *Comparative information relating to the debt instruments designated at FVOCI and equity instruments designated at FVOCI has been re-presented. In the prior year, R26 million and (R52 million) was reflected.*

Dividends declared by South African entities are subject to shareholders' withholding tax. The group would therefore incur no additional tax if the total reserves of R156 820 million (2021: R143 588 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R768 million (2021: R2 663 million) relating to tax losses because there was insufficient taxable income. None of these losses have an expiry date.

23 SHORT TRADING POSITIONS

R million	2022	2021
Government and government-guaranteed stock	**14 057**	18 522
Other dated securities	**553**	159
Undated securities	**13**	264
Total short trading positions	**14 623**	18 945

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	2022	2021
Accounts payable	**21 491**	14 366
Customer loyalty programme liability*	**1 981**	1 885
Fair value hedge interest liability**	**4 282**	-
Withholding tax for employees	**708**	684
Deferred revenue*	**543**	564
Operating lease liability – straight lining of lease payments	**(9)**	5
Payments received in advance	**540**	556
Accrued expenses	**3 635**	3 360
Audit fees accrued	**297**	263
Contract liabilities*	**96**	27
Provisions (including litigations and claims)	**2 197**	1 055
Total creditors, accruals and provisions	**35 761**	22 765

* *These balances meet the definition of contract liabilities and a reconciliation of the balance is provided below. The deferred revenue balance relates to service fees that are earned on value-added products provided to customers. These contracts run over a two-year period and the revenue is recognised over the contract period. The customer loyalty programme liability relates to eBucks, and is determined based on the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of the customer's use of these eBucks as reward credits redeemable against future purchases with the group or a loyalty programme strategic partner is purely at the customer's discretion.*

** *The balance reflected relates to the fair value of the interest rate risk component of the hedged items designated in macro hedge accounting relationships in Aldermore.*

Reconciliation of contract liabilities

R million	2022	2021
Opening balance	**2 476**	2 447
Increases due to cash received and other increases in contract liabilities	**2 007**	2 216
Contract modifications	**-**	(60)
Revenue recognised that was included in the contract liability balance at the beginning of the period	**(1 863)**	(2 127)
Closing balance	**2 620**	2 476

24 CREDITORS, ACCRUALS AND PROVISIONS continued

Reconciliation of provisions

R million	2022	2021
Opening balance	**1 055**	426
Acquisitions of subsidiaries	**-**	3
Exchange rate differences	**(2)**	(13)
Charge to profit or loss	**1 280**	757
- Additional provisions created	**1 609**	784
- Unused provisions reversed	**(329)**	(27)
Utilised	**(136)**	(118)
Closing balance	**2 197**	1 055

25 DEPOSITS

R million	2022	2021
Category analysis		
Deposits from customers	**1 412 975**	1 279 993
- Current accounts	**356 823**	320 061
- Call deposits	**389 341**	346 609
- Savings accounts	**34 490**	28 239
- Fixed and notice deposits	**547 145**	482 340
- Other deposits from customers	**85 176**	102 744
Debt securities	**164 366**	170 055
- Negotiable certificates of deposit	**40 126**	26 834
- Fixed and floating rate notes*	**122 825**	141 989
- Exchange-traded notes	**1 415**	1 232
Asset-backed securities	**33 206**	42 759
- Securitisation issuances	**26 193**	33 742
- Non-recourse deposits	**7 013**	9 017
Other	**45 425**	49 271
- Repurchase agreements	**15 183**	23 631
- Securities lending	**1 526**	923
- Cash collateral and credit-linked notes	**27 213**	22 860
- SARB funding facility	**1 503**	1 857
Total deposits	**1 655 972**	1 542 078

* *In the current year, 2 tranches of ESG bonds of R958 million and R1 017 million which mature on 20 April 2027 and 2029 respectively and bear interest linked to JIBAR were issued. Under the terms of the ESG bonds, the bank is required to allocate the funding received to ESG projects. If the bank fails to meet this criteria, the interest rate on the ESG bonds are adjusted upwards by 15 bps.*

26 OTHER LIABILITIES

R million	**2022**	2021
Lease liabilities	**2 834**	2 881
Funding liabilities	**5 414**	4 860
- Preference shares*	**2 869**	2 865
- Other	**2 545**	1 995
Total other liabilities	**8 248**	7 741

* *The preference shares are cumulative, redeemable and non-participating. These preference shares were issued in October 2019 and will be redeemed on 31 October 2022.*

26.1 Other liabilities reconciliation

	2022			2021		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**4 860**	**2 881**	**7 741**	5 035	3 168	8 203
Cash flow movements	**2**	**(1 157)**	**(1 155)**	77	(1 199)	(1 122)
- Proceeds from the issue of other liabilities	**1 067**	**-**	**1 067**	1 306	-	1 306
- Redemption of other liabilities	**(842)**	**-**	**(842)**	(1 110)	-	(1 110)
- Principal payments towards lease liabilities	**-**	**(1 030)**	**(1 030)**	-	(1 053)	(1 053)
- Interest paid	**(223)**	**(127)**	**(350)**	(119)	(146)	(265)
Non-cash flow movements	**552**	**1 110**	**1 662**	(252)	912	660
- Fair value movement	**34**	**28**	**62**	82	2	84
- Acquisition of subsidiaries	**-**	**106**	**106**	-	-	-
- Transfers to non-current asset and disposal group held for sale	**62**	**-**	**62**	31	13	44
- Foreign exchange	**(41)**	**57**	**16**	(462)	(141)	(603)
- New leases recognised during the year	**-**	**812**	**812**	-	1 106	1 106
- Early termination/modification of lease	**-**	**(36)**	**(36)**	-	(230)	(230)
- Interest accrued	**497**	**143**	**640**	97	162	259
Total other liabilities	**5 414**	**2 834**	**8 248**	4 860	2 881	7 741

The group's significant leases relate to property rentals of office premises and the various branch network channels represented by full-service and mini branches, agencies and ATM lobbies. The rentals have fixed monthly payments. Escalation clauses are based on market-related rates and vary between 5% and 12%.

The leases are usually for a period of one to five years. The leases are non-cancellable and some of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more of an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

For details on the contractual maturity of lease liabilities, refer to *Note 37.2.1 - Liquidity risk*.

27 TIER 2 LIABILITIES

R million	Maturity dates	Interest rate	2022	2021
Fixed-rate bonds			**12 180**	10 217
- ZAR denominated	19 April 2026 to 3 June 2026	8.15% – 10.19%	**3 947**	1 430
- USD denominated	23 April 2023	6.25%	**8 146**	7 432
- GBP denominated	28 October 2021	8.50%	**-**	1 200
- Other currencies	15 December 2026	7.20%	**87**	155
Floating rate bonds			**8 757**	10 723
- ZAR denominated	20 September 2022 to 24 November 2026	3-month JIBAR +190 bps to 390 bps	**8 340**	9 952
- Other currencies	15 December 2026	MoPR* +511 bps	**417**	771
Total Tier 2 liabilities			**20 937**	20 940

* *Monetary policy rate.*

27.1 Tier 2 liabilities reconciliation

R million	2022	2021
Opening balance	**20 940**	24 614
Cash flow movements	**(835)**	(1 792)
- Proceeds from the issue of Tier 2 liabilities and interest	**2 742**	3 111
- Capital repaid on Tier 2 liabilities	**(3 577)**	(4 903)
Non-cash flow movements	**832**	(1 882)
- Foreign exchange	**795**	(2 208)
- Fair value hedging adjustment	**(466)**	(304)
- Interest accrued	**503**	630
Total Tier 2 liabilities	**20 937**	20 940

28 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

28.1 Share capital and share premium

Authorised shares

	2022	2021
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2022			2021		
	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**	**7 973**	5 609 488 001	56	8 008
Shares issued	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**7 973**	5 609 488 001	56	8 008
Treasury shares	**(2 101 326)**	**-**	**(68)**	(1 391 191)	-	(35)
Total issued share capital attributable to ordinary equityholders	**5 607 386 675**	**56**	**7 905**	5 608 096 810	56	7 973

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 0.04% (2021: 0.02%) of total issued ordinary shares and these shares have been treated as treasury shares.

28.2 Other reserves

Other reserves are made up of the following:

R million	2022	2021
Regulatory reserves raised by African subsidiaries*	**1 034**	870
General risk reserve raised by African subsidiaries	**54**	109
Insurance contingency reserve	**148**	127
FVOCI reserve – debt instruments	**296**	346
FVOCI reserve – equity instruments	**(367)**	(366)
Other attributable reserves of associates and joint ventures	**104**	100
Reserves arising on acquisition of subsidiaries	**(141)**	(141)
Other reserves	**150**	131
Total	**1 278**	1 176

* *The balance consists of reserves as required by law in certain jurisdictions where the group operates, namely Eswatini, Mozambique, Nigeria and Tanzania.*

29 OTHER EQUITY INSTRUMENTS

Authorised preference shares

	2022	2021
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 preference shares

	2022		2021	
	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 were calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited (FRB).

Additional Tier 1 capital

R million	Rate	2022	2021
FRB24	3-month JIBAR plus 445 basis points	**2 265**	2 265
FRB25	3-month JIBAR plus 440 basis points	**3 461**	3 461
FRB28	3-month JIBAR plus 440 basis points	**1 400**	1 400
Total additional Tier 1 capital		**7 126**	7 126
Total other equity instruments		**11 645**	11 645

29 OTHER EQUITY INSTRUMENTS continued

FRB24, FRB25 and FRB28

FRB's AT1 capital instruments are perpetual and pay non-cumulative, discretionary coupons on a quarterly basis. The terms and conditions provide for an issuer call option after five years, and at every coupon payment date that follows.

In addition, at the discretion of the PA, FRB may write off the notes, in whole or in part, with no obligation to pay compensation to the noteholders upon the earlier of:

- the PA giving notice that a write-off is required without which the bank will become non-viable; or
- a decision being made to inject public sector capital, or equivalent support, without which the bank will become non-viable.

The AT1 instruments have been classified as equity, as the terms and conditions do not contain a contractual obligation to pay cash to the noteholders.

The total coupon paid during the financial year was R593 million (2021: R525 million). Current tax of R166 million (2021: R147 million) was recognised in the income statement. In the prior year, the total coupon paid of R378 million was disclosed, which represents the coupon net of tax.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group has a portfolio of integrated financial services businesses comprising FNB, RMB, WesBank and Aldermore. The group operates in South Africa, certain markets in sub-Saharan Africa and the United Kingdom 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 activities and foreign branches in London, Guernsey and India
FirstRand EMA Holdings Proprietary Limited	Broader Africa subsidiaries
FirstRand International Limited (Guernsey)	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1 Acquisitions of subsidiaries

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are set out as listed below.

	Other insignificant acquisitions	
R million	**2022**	2021
ASSETS		
Cash and cash equivalents	**21**	52
Other assets	**14**	41
Property and equipment	**120**	5
Investment property	**58**	-
Deferred income tax asset	**1**	27
Intangible assets	**73**	-
Total assets acquired	**287**	125
LIABILITIES		
Creditors and accruals	**13**	98
Employee liabilities	**1**	3
Other liabilities	**106**	-
Deferred income tax liability	**1**	-
Total liabilities acquired	**121**	101
Net asset value as at date of acquisition	**166**	24
Total goodwill is calculated as follows:		
Total cash consideration transferred	**-**	83
Total non-cash consideration transferred	**168**	40
Less: net identifiable asset value at date of acquisition	**(166)**	(24)
Goodwill on acquisition	**2**	99

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.1.1 Transactions that do not result in a change of control in subsidiaries

	Other insignificant acquisitions	
R million	**2022**	2021
Carrying amount of non-controlling interest acquired	**412**	51
Consideration paid to non-controlling interest acquired	**(776)**	(185)
- Discharged by cash consideration	**(866)**	(139)
- Non-cash consideration	**90**	(46)
Loss recognised directly in equity	**(364)**	(134)

The group increased its shareholding in various subsidiaries of RMB Private Equity Holdings (Pty) Ltd and RMB Private Equity (Pty) Ltd by purchasing the interest previously held by selected non-controlling interests. The loss on the transaction was recognised directly in equity as it was a transaction between the owners of the entities in their capacity as owners.

In the prior year the group increased its shareholding in its investment in FNB Mozambique Holdings Limited to 100% by purchasing the interest previously held by the non-controlling interests. The loss on the transaction was recognised directly in equity as it was a transaction between the owners of the entity in their capacity as owners.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.2 Disposals of subsidiaries

30.2.1 Disposals of interest in subsidiaries with loss of control

	Private equity subsidiaries	
R million	**2022**	2021
ASSETS		
Cash and cash equivalents	**-**	2
Other assets	**-**	10
Total assets disposed of	**-**	12
LIABILITIES		
Creditors and accruals	**-**	224
Other liabilities	**-**	1
Total liabilities disposed of	**-**	225
Net asset value as at date of disposal	**-**	(213)
Total gain on disposal is calculated as follows:		
Total consideration	**(56)**	-
Total cash consideration received	**-**	-
Non-cash consideration	**(56)**	-
Add: non-controlling share of net asset value at disposal date	**-**	371
Less: group's portion of the net asset value on disposal	**-**	(155)
(Gain)/loss on disposal of controlling interest in a subsidiary	**(56)**	3
Cash flow information		
Discharged by cash consideration	**-**	-
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**-**	(2)
Net cash outflow on disposal of subsidiaries	**-**	(2)

Disposals in 2022

The group's subsidiary, RMB Australia (Pty) Ltd was deregistered on 12 March 2022. As such the investment in subsidiary was derecognised.

Disposals in 2021

The group, through its subsidiary FirstRand Investment Holdings (Pty) Ltd, disposed of a private equity subsidiary and realised a loss of R3 million on disposal.

30.2.2 Disposals that do not result in a change of control

The group has not in the current year or prior year disposed of interests in subsidiaries that did not result in a change in control.

30 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

30.3 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are FirstRand Namibia 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 result 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 of 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 RMB Investments and Advisory (RMBIA) Proprietary Limited subconsolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	FirstRand Namibia Limited		First National Bank of Botswana Limited	
Country of incorporation		**Namibia**		**Botswana**
% ownership held by non-controlling interests		**41.0**		**30.5**
% voting rights by non-controlling interests		**41.0**		**30.5**
R million	**2022**	2021	**2022**	2021
Balances included in the consolidated statement of financial position				
Total assets	**52 453**	43 455	**36 536**	36 991
Balances with central banks*	**462**	377	**584**	597
Total liabilities	**46 180**	37 809	**32 088**	31 883
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 327**	3 030	**1 887**	1 943
Non-interest revenue	**2 047**	2 033	**1 881**	1 710
Profit or loss before tax	**1 867**	1 492	**1 614**	1 274
Total comprehensive income	**1 272**	1 032	**1 150**	347
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**312**	164	**593**	148
Profit or loss attributable to non-controlling interests	**527**	387	**366**	284
Accumulated balance of non-controlling interests	**2 550**	2 298	**1 314**	1 499

** Refer to Note 7.*

31 INVESTMENT MANAGEMENT ACTIVITIES

The following table sets out the market value of assets for which the group earns fees as part of providing investment management services but does not recognise on its statement of financial position.

R million	2022	2021
Assets under management	**179 905**	171 255
- Traditional products	**134 826**	127 567
- Alternative products	**45 079**	43 688

Traditional products comprise collective investment schemes, exchange-traded funds and discretionary mandates. Alternative products managed by the group include credit funds, private equity funds, structured products and other unregulated funds and mandates.

32 REMUNERATION SCHEMES

R million	Notes	2022	2021
The charge to profit or loss for share-based payments is as follows:			
Conditional incentive plan		**1 452**	1 152
Other subsidiary schemes		**-**	6
Amount included in profit or loss	3	**1 452**	1 158

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group. The performance vesting conditions attached to the 2019 scheme were not met and part of the obligation relating to awards with market vesting conditions raised in prior periods was reversed in the current year.

32 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

Conditional and deferred incentive plans (awards)		
IFRS 2 treatment	Cash settled*	Equity settled**
Description	The award is a notional share based on the FirstRand Limited share price.	The award is a notional share based on the FirstRand Limited share price, which must be settled in FirstRand Limited shares.
Vesting conditions	These awards vest up to three years after the initial award. The awards vest if the employment and, where applicable, performance conditions are met. Awards which include performance conditions have vesting conditions subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.	
Valuation methodology	The awards are valued using the Black Scholes option pricing model. The awards are cash settled and are repriced at each reporting date.	The awards are valued using the Black Scholes option pricing model. The awards are equity settled and measured using the price at grant date.
Valuation assumptions		
Dividend data	Management's estimates of future discrete dividends	
Market related	Interest rate is the risk-free rate of return as recorded on the last day of the financial year, on a funding curve of a term equal to the remaining expected life of the plan.	
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data observed over all schemes.	

* *The UK conditional award for UK-based employees (including Aldermore) differs from the rest of the group. The scheme is based on an initial sterling amount which varies in response to the FirstRand share price. The scheme has a liability of R139 million (2021: R87 million).*

** *The equity-settled scheme is immaterial with a share-based payment reserve of R44 million (2021: R44 million), which all related to Aldermore staff.*

Corporate performance targets

The FirstRand remuneration committee sets the CPTs for each award based on expected macroeconomic conditions, group earnings and returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. If the performance conditions are not met, the award fails. From 2019 onwards, the awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for pre-determined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the conditional incentive plans (CIP). These are referred to as the deferred incentive plan (DIP). Awards that include both performance and time-based vesting conditions are referred to as CIP.

32 REMUNERATION SCHEMES continued

The criteria for the expired and currently open schemes are set out below.

Expired schemes

2018 (Did not vest at the expected vesting date of September 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year end immediately preceding the vesting date, and the group must deliver an ROE of at least 18% over the performance period. If real gross domestic product is negative, then growth in normalised earnings should equal or exceed CPI over the same period. Real GDP and CPI are advised by Group Treasury's macro economic strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee (Remco) the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the 2021 financial year, it was determined that the group failed to achieve the targets over the performance period, set for the cumulative growth in normalised earnings per share and ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

2019 (Will not vest at the expected vesting date of September 2022) – The vesting conditions of the 2019 award are set out below, with the apportionment to vesting without conditions described below.

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 participant remains in employment with the group and the remaining 50% of the award remains subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. 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 correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70% and if these are not met the award will lapse.

32 REMUNERATION SCHEMES continued

	Performance conditions		
	Vesting level should both conditions be met	**ROE target (average over the 3-year performance period)**	**Normalised earnings per share growth requirement (3-year compound annual growth rate)** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the performance period from the base year end, being 30 June 2019, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	70%	≥ 20%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >0% or CPI where real GDP growth is negative
On target performance	100%	≥ 20.5%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 1.5% to 3%
Stretch target	120%	≥ 21%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus >5% to 7%
Super stretch target	120.1 to 150% (maximum vesting)	≥ 22%	Cumulative normalised earnings per share growth rate over 3 years of real GDP growth plus CPI plus 7% to 10%

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE calculation is based on net asset value (NAV) taking into consideration adjustments resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

During the current year, it was determined that the group failed to achieve the minimum ROE requirement over the performance period, and Remco notified qualifying employees that the awards with market vesting conditions would consequently not vest. This has been included in the forfeiture awards for the current year. For employees with 50% of the award subject only to continued employment, that portion of the award would vest if the employee is still in the employment of the group.

32 REMUNERATION SCHEMES continued

Currently open

2020 (Vesting date in 2023) – 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 participant remains in employment of the group. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. 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 maximum target with linear grading correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control.

Examples would include issues that materially damaged the group's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance committee (RCCC); and concerns regarding adherence to the liquidity and capital management strategies in place.

The performance conditions for the 2020 award include prudential targets relating to liquidity and capital ratios, a normalised earnings per share growth target and an ROE target. The table below further stipulates the performance conditions to be fulfilled by the company and the corresponding vesting level for purposes of calculating the vesting value of the conditional award. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board and measured at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses and none of the other conditions described below are assessed.

Vesting level*	**Performance conditions**	
	Minimum ROE requirement at 30 June 2023**	**Normalised earnings per share growth requirement (3-year compound annual growth rate)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum compound annual growth rate (CAGR) of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120%	ROE of at least 20%	Minimum compound annual growth rate of 22%
120.1% to 150% (maximum vesting of 150%)	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting

* Linear grading between these vesting levels based on the growth achieved.

** In the event that the ROE target is not met for the higher vesting level, the outcome will be constrained to the ROE target even if the growth measured could result in higher vesting outcomes.

32 REMUNERATION SCHEMES continued

2021 (Vesting date in 2024) – From 2021, all CIP awards have performance conditions applied to 100% of the award. The group implemented a DIP without performance conditions for certain employees and no longer issues CIP awards with only employment as a condition for vesting. Graded vesting applies to all CIP awards. 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 maximum (super stretch) target with linear grading correlated to normalised earnings per share growth between targets. If the minimum conditions are met, vesting will commence at 50% and if these are not met, the award will lapse. Remco has the right to adjust the vesting level downwards by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include issues that materially damaged the group's businesses, including its reputation; material enterprise-wide risk and control issues, as recommended to it by the RCCC; and concerns regarding the adherence to the liquidity and capital management strategies in place. Lack of compliance with the group's climate roadmap over the three-year period was included as an additional potential downward adjustment item relating to non-financial measures for the 2021 awards.

	Performance conditions		
	Vesting level should both conditions be met	**ROE target (30 June 2024)***	**Normalised earnings per share growth requirement (3-year compound annual growth rate)** FirstRand Limited must achieve growth in normalised earnings per share relative to the South African CPI plus real GDP growth on a cumulative basis over the three-year performance period from the base year end, being 30 June 2021, as set out for each vesting level indicated below:
Minimum vesting, below which the award lapses	50%	≥ 17%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 1% or CPI where real GDP growth is negative
On target performance	100%	≥ 18%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 3%
Stretch**	120%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 5%
Super stretch**	150%	≥ 20%	Cumulative normalised earnings per share growth rate over three years of real GDP growth plus CPI plus 8%

* The ROE target is measured at 30 June 2024. The ROE calculation is based on NAV taking into consideration adjustments (if required) resulting from, for example, dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. In the event that the ROE target is met for the higher vesting level, the outcome will be constrained to the ROE target even if the earnings growth measured could result in higher vesting outcomes.

** For vesting at 120% or above, ROE ≥ 20% is required. The vesting level between 120% and 150% will be determined through linear grading linked to the earnings growth CAGR, with the maximum vesting at 150% at a level of real GDP growth plus CPI plus 8% over the three year period.

32 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of the conditional share awards granted are detailed below.

	2022 Conditional incentive plan	2021 Conditional incentive plan
Award life (years)	**2 – 4**	2 – 4
Risk-free rate (%)	**5.03 – 8.44**	3.67 – 5.74

	Share incentive plans (FirstRand shares)	
Share awards outstanding	**2022**	2021
Number of awards in force at the beginning of the year (millions)	**103.4**	64.0
Number of awards granted during the year (millions)	**53.7**	73.6
Number of awards exercised/released during the year (millions)	**(11.0)**	(4.7)
- Market value range at date of exercise/release (cents)*	**5 200 - 6 537**	3 768 - 5 534
- Weighted average (cents)	**6 136**	3 929
Number of awards forfeited during the year (millions)**	**(24.0)**	(29.5)
Number of awards in force at the end of the year (millions)	**122.1**	103.4

	Share incentive plan (FirstRand shares)			
	2022		2021	
Conditional outstanding#	**Weighted average remaining life (years)**	**Outstanding awards (millions)**	Weighted average remaining life (years)	Outstanding awards (millions)
Vesting during 2021			0.30	10.9
Vesting during 2022	**0.27**	**16.8**	1.30	30.6
Vesting during 2023	**1.33**	**70.0**	2.31	61.9
Vesting during 2024	**2.33**	**35.3**		
Total conditional awards		**122.1**	-	103.4
Number of participants		**5 395**		5 121

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share award vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Scheme vesting during 2022 (i.e. the 2019 award) failed to vest due to the performance conditions attached to the scheme not being achieved.*

Years referenced in the rows relate to calendar years and not financial years.

33 CONTINGENCIES AND COMMITMENTS

R million	2022	Restated 2021
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)*	**59 118**	53 270
Letters of credit	**14 120**	10 059
Total contingencies	**73 238**	63 329
Irrevocable commitments	**172 795**	155 154
Committed capital expenditure*	**5 315**	4 529
Legal proceedings**	**219**	316
Other	**72**	54
Contingencies and commitments	**251 639**	223 382

* *Commitments in respect of capital expenditure and long term investments approved by the directors.*

** *There is a small number of potential legal claims against the group, the outcome of which is uncertain at present. These claims are not regarded as material, either on an individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.*

The prior year balances have been restated, the impact and rationale of the restatement are disclosed below.

R million	Previously reported	Reclassified	Adjusted	Restated
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)#	49 943	3 327	-	53 270
Letter of credit	10 059	-	-	10 059
Total contingencies	60 002	3 327	-	63 329
Irrevocable commitments#	166 397	(11 243)	-	155 154
Committed capital expenditure†	3 633	-	896	4 529
Legal proceedings‡	-	316	-	316
Other	54	-	-	54
Contingencies and commitments	230 086	(7 600)	896	223 382
Legal proceedings	316	(316)		

During the current year, the methodology and business rules for classification of off-balance sheet items in the retail secured lending business were reviewed and streamlined. This resulted in the re-presentation of balances from irrevocable commitments to guarantees and revocable commitments of R7 600 million that do not form part of contingencies and commitments. The related release of ECL on this restatement is not material.

† *Committed capital approved by the directors has been restated, following the identification of amounts that should have been included and which become apparent as a result of improved reporting tools implemented in the current year, offset by an amount that was incorrectly included in the prior year.*

‡ *Legal proceedings were previously shown in a separate section of the note. They have now been included as part of contingencies and commitments.*

33 CONTINGENCIES AND COMMITMENTS continued

33.1 Future minimum lease payments receivable under operating leases where the group is the lessor

The group owns various assets that are leased to third parties under non-cancellable operating leases as part of the group's revenue-generating operations.

The minimum future lease payments under non-cancellable operating leases on assets where the group is the lessor are detailed below.

	2022		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	**86**	**207**	**9**
Motor vehicles	**1 002**	**1 658**	**250**
Total operating lease commitments	**1 088**	**1 865**	**259**
	2021		
Property	56	333	24
Motor vehicles	1 429	2 338	263
Total operating lease commitments	1 485	2 671	287

34 FAIR VALUE MEASUREMENTS

34.1 Valuation methodology

The group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation of the valuation techniques used to determine fair value measurements, as well as any changes required. Valuation committees comprising representatives from key management have been established within each operating business 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 an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

34.2 Fair value hierarchy and measurements

Measurement of assets and liabilities at level 2 and 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 2 and level 3.

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable inputs - Level 3
Derivative financial instruments				
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit and currency basis curves and spot prices	Market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and 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.	Strike price of the option, market-related discount rate, spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable input - Level 3
Advances to customers				
Advances under repurchase agreements and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised. For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. 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.	Market interest rates, credit inputs and listed prices of an underlying	Credit inputs and market risk correlation factors
Corporate and investment banking book	Discounted cash flow	Future cash flows are discounted using a market-related interest rates, adjusted for credit inputs. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. Where credit risk has a significant impact on the fair value measurement, these advances are classified as level 3 in the fair value hierarchy.	Market interest rates	Credit inputs
Investment securities				
Equities listed in an inactive market	Discounted cash flow	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 a market-related interest rate.	Market interest rates	P/E ratios

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable inputs - Level 3
Investment securities continued				
Unlisted equities	P/E model and discounted cash flow	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.	Market transactions and market interest rates	Growth rates and P/E ratios
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Discounted cash flow	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for NCD instruments	Credit inputs
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 quotes for money market and fixed-income instruments	N/A
Non-recourse investments	Discounted cash flow	Future cash flows are discounted using a discount rate which is determined as a base rate plus a margin. The base rate is determined by legal agreements as either a bond or swap curve. The margin 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 rates	N/A

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable inputs - Level 3
Investment securities continued				
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's 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.	Equity listed prices	Third-party valuations used, minority and marketability adjustments
Investment properties	Discounted cash flow	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 a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above and below market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The fair value was based on unobservable income capitalisation rate inputs.	N/A	Expected rentals, capitalisation and exit/terminal rates

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable inputs - Level 3
Deposits				
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the interest rates derived from the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Market interest rates	N/A
Non-recourse deposits and other liabilities	Discounted cash flow	Future cash flows are discounted using market-related interest rates. Fair value for interest rate risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets. 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 rates or performance of underlying	Performance of underlying contracts
Deposits referencing credit-linked instruments and other deposits	Discounted cash flow	The related forecasting 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 rates	Credit inputs, market risk and correlation factors

34 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs - Level 2	Unobservable inputs - Level 3
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	N/A
Contracts with fixed and guaranteed terms	Discounted cash flow	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates	N/A
Other				
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates	Credit inputs

34 FAIR VALUE MEASUREMENTS continued

Non-recurring fair value measurements

A disposal group and investment in associate was classified as a disposal group held for sale at 30 June 2022. The entirety of the disposal group and investment in associate is subject to IFRS 5 measurement criteria. The disposal group was measured at fair value less costs to sell and categorised as level 3 fair value hierarchy. Further details have been provided in note 14.

34.2.1 Fair value hierarchy

The following table presents the fair value hierarchy and applicable measurement basis of assets and liabilities of the group, which are recognised at fair value.

	2022			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**476**	**64 545**	**646**	**65 667**
Advances	**–**	**48 384**	**47 299**	**95 683**
Investment securities	**109 998**	**99 613**	**3 040**	**212 651**
Non-recourse investments	**822**	**6 191**	**–**	**7 013**
Commodities	**17 580**	**–**	**–**	**17 580**
Investment properties	**–**	**–**	**698**	**698**
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	**–**	**–**	**–**	**–**
Total fair value assets	**128 876**	**218 733**	**51 683**	**399 292**
Liabilities				
Recurring fair value measurements				
Short trading positions	**14 614**	**–**	**9**	**14 623**
Derivative financial instruments	**208**	**62 132**	**2 207**	**64 547**
Deposits	**1 103**	**39 821**	**5 621**	**46 545**
Non-recourse deposits	**–**	**7 013**	**–**	**7 013**
Other liabilities	**–**	**68**	**3**	**71**
Policyholder liabilities under investment contracts	**–**	**5 396**	**–**	**5 396**
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	**–**	**–**	**–**	**–**
Total fair value liabilities	**15 925**	**114 430**	**7 840**	**138 195**

	2021 - Restatement of derivative asset and derivative liabilities (level 2)	
R million	Assets Derivative financial instruments	Liabilities Derivative financial instruments
Previously reported	81 481	82 800
Adjustment	(16 267)	(16 267)
Restated*	65 214	66 533

* *Refer to section 10.1 in the accounting policies for the restatement of derivative financial instruments.*

	2021			
	Level 1	Level 2	Level 3	Total fair value
	41	65 214	1 206	66 461
	–	61 106	34 218	95 324
	118 080	100 310	3 165	221 555
	329	8 688	–	9 017
	18 641	–	–	18 641
	–	–	659	659
	–	–	19	19
	137 091	235 318	39 267	411 676
	18 945	–	–	18 945
	41	66 533	1 595	68 169
	1 046	39 989	4 471	45 506
	–	9 017	–	9 017
	–	50	2	52
	–	5 378	–	5 378
	–	1	–	1
	20 032	120 968	6 068	147 068

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments

34.3.1 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.

	2022		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	**689**	**(41)**	The market for certain investment securities has become liquid in the current year which resulted in transfers from level 3 into level 1.
Level 2	**607**	**(1 405)**	Increased liquidity in the market for certain investment securities as well as equity-linked deposits that are approaching maturity, resulted in transfers from level 3 to level 2 due to the significant inputs becoming more observable during the current period.
Level 3	**1 446**	**(1 296)**	Investment securities and equity-linked deposits whose fair value have been observable in a traded market, no longer met the criteria for level 1 and 2 as the market has become illiquid and the fair value was determined using significant unobservable inputs.
Total transfers	**2 742**	**(2 742)**	

	2021		
	Transfers in	Transfers out	Reasons for significant transfers in
	945	(24)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 and level 2 into level 1.
	210	(1 025)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
	607	(713)	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as active trading ceased during the period and the fair value was determined using significant unobservable inputs.
	1 762	(1 762)	

34 FAIR VALUE MEASUREMENTS continued

34.3 Additional disclosures for level 3 financial instruments (continued)

34.3.2 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
Balance as at 30 June 2020	925	48 633	3 886	722
Gains or losses recognised in profit or loss	816	669	280	(89)
Losses recognised in other comprehensive income	–	–	(356)	–
Purchases, sales, issue and settlements	(535)	(14 146)	(509)	26
Acquisitions/disposals of subsidiaries	–	–	2	–
Net transfer to level 3	–	–	(106)	–
Exchange rate differences	–	(938)	(32)	–
Balance as at 30 June 2021	**1 206**	**34 218**	**3 165**	**659**
Gains or losses recognised in profit or loss	**(30)**	**1 971**	**256**	**(19)**
Gains recognised in other comprehensive income	**–**	**–**	**8**	**–**
Purchases, sales, issue and settlements	**(517)**	**10 394**	**340**	**–**
Acquisitions/disposals of subsidiaries	**–**	**–**	**(15)**	**58**
Net transfer to level 3	**(13)**	**–**	**(702)**	**–**
Exchange rate differences	**–**	**716**	**(12)**	**–**
Balance as at 30 June 2022	**646**	**47 299**	**3 040**	**698**

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

Gains or losses on advances classified as level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments due to changes in currency and base rates. These instruments are funded by liabilities whereby 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.

	Short term trading positions	Derivative financial liabilities	Other liabilities	Deposits
	–	1 856	300	5 063
	–	319	(47)	(215)
	–	–	–	–
	–	(580)	(251)	(351)
	–	–	–	–
	–	–	–	–
	–	–	–	(26)
	–	**1 595**	**2**	**4 471**
	–	**1 341**	**1**	**122**
		–	**–**	**–**
	9	**(328)**	**–**	**(241)**
	–	**–**	**–**	**–**
	–	**(401)**	**–**	**1 266**
	–	**–**	**–**	**3**
	9	**2 207**	**3**	**5 621**

34 FAIR VALUE MEASUREMENTS continued

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

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

The table below presents the total gains or losses relating to the 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 designated at FVTPL and FVOCI debt instruments, all gains or losses are recognised in NIR.

	2022		2021	
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	**117**	**–**	782	–
Advances*	**1 525**	**–**	799	–
Investment securities	**515**	**–**	287	(300)
Investment properties	**(19)**	**–**	(89)	–
Total	**2 138**	**–**	1 779	(300)
Liabilities				
Derivative financial instruments	**(1 268)**	**–**	(288)	–
Deposits	**(109)**	**–**	86	–
Other liabilities	**1**	**–**	–	–
Short trading positions	**(1)**	**–**	–	–
Total	**(1 377)**	**–**	(202)	-

* *Mainly accrued interest on fair value advances and movements in interest rates and foreign currency that have been economically hedged. These advances are primarily classified as level 3, 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.*

34 FAIR VALUE MEASUREMENTS continued

34.3.3 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	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit migration matrix	The probability of default is adjusted either upwards or downwards in relation to the base case.
Investment securities	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument
Investment properties	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates was used to assess reasonability of the rate(s) used.
Deposits	Credit inputs, correlation and devaluation parameters	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.

34 FAIR VALUE MEASUREMENTS continued

34.3.3 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives continued

	2022			2021		
	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	**646**	**703**	**589**	1 206	1 344	1 067
Advances	**47 299**	**47 366**	**47 231**	34 218	34 295	34 152
Investment securities	**3 040**	**3 186**	**2 908**	3 165	3 290	2 921
Investment properties	**698**	**703**	**520**	659	724	593
Total financial assets measured at fair value in level 3	**51 683**	**51 958**	**51 248**	39 248	39 653	38 733
Liabilities						
Derivative financial instruments	**2 207**	**2 114**	**2 305**	1 595	1 508	1 680
Deposits	**5 621**	**5 593**	**5 648**	4 471	4 441	4 501
Short trading positions	**9**	**9**	**9**	–	–	–
Other liabilities	**3**	**3**	**3**	2	2	2
Total financial liabilities measured at fair value in level 3	**7 840**	**7 719**	**7 965**	6 068	5 951	6 183

34 FAIR VALUE MEASUREMENTS continued

34.4 Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value in 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.

R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
	2022				
Assets					
Advances	**1 238 641**	**1 246 930**	**-**	**148 282**	**1 098 648**
Investment securities	**162 485**	**156 639**	**107 835**	**38 550**	**10 254**
Total financial assets at amortised cost	**1 401 126**	**1 403 569**	**107 835**	**186 832**	**1 108 902**
Liabilities					
Deposits	**1 602 414**	**1 603 572**	**567**	**1 259 157**	**343 848**
Other liabilities	**5 343**	**5 352**	**-**	**4 303**	**1 049**
Tier 2 liabilities	**20 937**	**21 111**	**-**	**21 111**	**-**
Total financial liabilities at amortised cost	**1 628 694**	**1 630 035**	**567**	**1 284 571**	**344 897**
	2021				
Assets					
Advances	1 128 110	1 147 500	-	120 714	1 026 786
Investment securities	137 615	137 071	110 822	19 969	6 280
Total financial assets at amortised cost	1 265 725	1 284 571	110 822	140 683	1 033 066
Liabilities					
Deposits	1 487 555	1 491 024	513	1 179 295	311 216
Other liabilities	4 808	4 823	-	4 248	575
Tier 2 liabilities	20 940	21 397	-	21 397	-
Total financial liabilities at amortised cost	1 513 303	1 517 244	513	1 204 940	311 791

34.5 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	**2022**	2021
Opening balance	**108**	197
Day 1 profits or losses not initially recognised on financial instruments in the current year	**369**	281
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(134)**	(370)
Closing balance	**343**	108

34 FAIR VALUE MEASUREMENTS continued

34.6 Financial instruments designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. These are the methods used.	
Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances, based on the original credit spreads (as determined using the group's credit spread pricing matrix), and the fair value of advances based on the most recent credit inputs where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is immaterial.

34 FAIR VALUE MEASUREMENTS continued

34.6.1 Financial assets designated at fair value through profit or loss

The group has designated certain financial assets at fair value through profit or loss that would otherwise have been measured at amortised cost or fair value through other comprehensive income. The table below contains details on the change in credit risk attributable to these financial assets. Losses are indicated in brackets.

	2022			
			Change in fair value due to credit risk	
R million	Fair value	Mitigated credit risk	Current period	Cumulative
Advances	**10 480**	**1 080**	**(88)**	**236**
Investment securities	**8 274**	**-**	**-**	**-**
Total	**18 754**	**1 080**	**(88)**	**236**
	2021			
Advances*	9 250	449	(111)	(256)
Investment securities	8 059	-	-	-
Total	17 309	449	(111)	(256)

** In the prior year, the mitigated credit risk for advances was omitted. The comparative amount has been updated in the current year.*

34.6.2 Financial liabilities designated at fair value through profit or loss

	2022		2021	
R million	Fair value	Contractually payable at maturity	Fair value	Contractually payable at maturity
Deposits	**8 959**	**8 619**	10 303	9 988
Non-recourse deposits	**7 013**	**5 283**	9 017	7 762
Other liabilities	**71**	**71**	52	52
Policyholder liabilities under investment contracts	**5 396**	**5 396**	5 378	5 378
Total	**21 439**	**19 369**	24 750	23 180

34.7 Total fair value income included in profit or loss for the year

R million	2022	2021
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**6 835**	6 574
Fair value of credit of advances included in impairment of advances	**(541)**	(260)

** Refer to note 2.3.*

35 SEGMENT INFORMATION

35.1 Reportable segments

Segment reporting		
Group's chief operating decision maker	Chief Executive Officer (CEO)	
Identification and measurement of operating segments	Aligned with the internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments with total revenue, absolute profit or loss for the period or total assets that constitute 10% or more of all the segments' revenue, profit or loss or total assets are reported separately.	
Major customers	The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is therefore not reliant on revenue from one or more major customers.	
Reportable segments		
RETAIL AND COMMERCIAL		
	Products and services	**Footprint**
FNB	FNB represents FirstRand's activities in the retail and commercial segments in South Africa and broader Africa. FNB offers a diverse set of financial products and services to market segments including retail, private small business, agriculture, medium corporate, and public sector entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings. Products include mortgage loans and commercial property finance; credit and debit cards (card issuing); personal loans (including loans offered by DirectAxis); debtor and leveraged finance; securities-based lending; foreign exchange; funeral, credit life, life- and other insurance policies; and savings and investment products. Services include transactional and deposit taking, card-acquiring, credit facilities, insurance, trust and fiduciary services, rewards programme (eBucks), FNB Connect (a mobile virtual network operator), merchant services (card acquiring)	FNB operates in South Africa, Namibia, Botswana, Lesotho, Eswatini, Zambia, Mozambique and Ghana. The operations of FNB Tanzania were taken over by Exim Bank on 7th July 2022.

35 SEGMENT INFORMATION continued

Reportable segments		
	Products and services	**Footprint**
FNB	and cash management solutions. FNB's distribution channels include the branch network and other physical representation points, ATMs, call centres, an app, cellphone banking (USSD) and online banking.	
WesBank	WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. MotoVantage provides value-added products and services (VAPS) related to vehicle ownership. These include maintenance and service plans, warranties, and credit life and shortfall cover.	WesBank operates in South Africa.
CORPORATE AND INSTITUTIONAL		
RMB	RMB represents the group's activities in the corporate and investment banking segments in South Africa, the UK, the African continent and India. RMB offers corporate finance, leveraged finance, resource sector solutions, infrastructure sector solutions, real estate finance, debt capital markets, debt trade solutions, sponsor services, corporate broking, loan syndications, coverage, advisory, corporate transactional banking and principal investments. From a markets perspective it offers market making, financial risk management and investment across interest rate, currency, commodity, equity and credit asset classes as well as execution, asset financing, custody and clearing services. Ashburton Investments results are also reported as part of RMB.	RMB operates in South Africa, Namibia, Botswana, Eswatini, Lesotho, Mozambique, Zambia, Ghana and Nigeria, and manages FirstRand Bank's representative offices in Kenya, Angola and China. It also operates in the UK and India (through FirstRand Bank branches).

35 SEGMENT INFORMATION continued

ALDERMORE		
Aldermore	Aldermore is a UK specialist lender focusing on lending in six areas: asset finance, invoice finance, SME commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance (MotoNovo). It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and by phone.	Aldermore operates in the UK.
CENTRE (INCLUDING GROUP TREASURY)		
Centre (including Group Treasury)	Centre represents group-wide functions, including Group Treasury, Group Finance, Group Tax, Enterprise Risk Management, Group Compliance and Group Internal Audit. The reportable segment includes all management accounting and consolidated entries. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore in May 2019) is reported in the London branch, and is included in Centre.	

35.2 Description of normalised adjustments

Normalised adjustments
The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies. Normalised earnings are the measurement basis used by the chief operating decision maker to manage the group. Normalised earnings adjustments include reallocation entries where amounts are moved between income statement lines and lines of the statement of financial position, without having an impact on the IFRS profit or loss for the year or total assets and total liabilities reported in terms of IFRS. Other normalised adjustments have an impact on the profit or loss reported for the period.

35 SEGMENT INFORMATION continued

35.2 Description of normalised adjustments continued

Normalised adjustments	
Consolidated private equity subsidiaries	In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.
FirstRand shares held for client trading activities	The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group. In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss. In addition, one of the group's joint ventures also holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity. Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits when equity accounting is applied, the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group. For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group. Where the client trading position is itself an equity instrument, neither gains nor losses on client trading positions, or FirstRand shares held to hedge these, are reflected in profit or loss or in the statement of financial position.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Margin-related items included in fair value income	In terms of IFRS, the group is either 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 component of the wholesale advances book in RMB that is measured at FVTPL; ➢ fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and ➢ currency translations and associated costs inherent to the US dollar funding and liquidity pool.
IAS 19 remeasurement of plan assets	In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs to the value of the interest on the plan assets and increasing other comprehensive income.

35 SEGMENT INFORMATION continued

Normalised adjustments	
Realisations on the sale of private equity subsidiaries	In terms of *Circular 01/2021 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 industry rule, 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 various 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 accordance with IFRS 2, the expense resulting from these share 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 a portion of 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 for the share schemes that are not hedge accounted. 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 that remains is equal to the grant date fair value of the awards given.
Headline earnings adjustments	All adjustments that are required by *Circular 01/2021 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 amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit.

35 SEGMENT INFORMATION continued

	2022			
	Retail and commercial			
	FNB			
R million	FNB SA	FNB Africa	WesBank	
Net interest income before impairment of advances	34 511	3 969	4 877	
Impairment charge	(4 770)	(168)	(1 402)	
Net interest income after impairment of advances	29 741	3 801	3 475	
Non-interest revenue	29 971	4 453	3 378	
Net income from operations	59 712	8 254	6 853	
Operating expenses	(32 948)	(5 791)	(5 022)	
Share of profit of associates and joint ventures after tax	59	-	476	
Income before tax	26 823	2 463	2 307	
Indirect tax	(680)	(164)	(37)	
Profit for the year before tax	26 143	2 299	2 270	
Income tax expense	(7 312)	(846)	(636)	
Profit for the year	18 831	1 453	1 634	
The income statement includes				
Depreciation	(2 381)	(409)	(845)	
Amortisation	(152)	(14)	(31)	
Net impairment charges	(50)	1	(31)	
Non-interest revenue includes the following external revenue from contracts with customers*				
Banking fees and commissions	27 103	4 285	690	
Non-banking fees and commissions	761	91	11	
Insurance income (excluding risk-related income)	871	125	403	
Management, trust and fiduciary fees	1 323	-	537	
Other non-interest revenue from customers	590	21	468	
The statement of financial position includes				
Investments in associated companies	770	-	2 732	
Investments in joint ventures	-	-	16	
Total assets	449 722	56 045	145 798	
Total liabilities**	426 894	53 275	144 442	

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

* *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

** *Total liabilities are net of interdivisional balances.*

	2022						
		Corporate and institutional					
	Retail and commercial	RMB	Aldermore	Centre (including Group Treasury)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	43 357	9 074	10 707	4 718	67 856	(1 481)	66 375
	(6 340)	413	(1 159)	6	(7 080)	-	(7 080)
	37 017	9 487	9 548	4 724	60 776	(1 481)	59 295
	37 802	12 193	702	(3 841)	46 856	1 392	48 248
	74 819	21 680	10 250	883	107 632	(89)	107 543
	(43 761)	(11 329)	(5 852)	(82)	(61 024)	255	(60 769)
	535	1 458	21	(508)	1 506	(15)	1 491
	31 593	11 809	4 419	293	48 114	151	48 265
	(881)	(194)	(285)	(73)	(1 433)	-	(1 433)
	30 712	11 615	4 134	220	46 681	151	46 832
	(8 794)	(3 252)	(939)	858	(12 127)	(66)	(12 193)
	21 918	8 363	3 195	1 078	34 554	85	34 639
	(3 635)	(136)	(214)	(11)	(3 996)	-	(3 996)
	(197)	(154)	(14)	(466)	(831)	-	(831)
	(80)	(5)	-	(30)	(115)	(195)	(310)
	32 078	4 220	154	(32)	36 420	-	36 420
	863	58	31	24	976	-	976
	1 399	-	70	31	1 500	-	1 500
	1 860	713	-	(2)	2 571	-	2 571
	1 079	250	36	(81)	1 284	124	1 408
	3 502	3 669	123	884	8 178	-	8 178
	16	2 564	-	(16)	2 564	54	2 618
	651 565	621 725	370 600	360 588	2 004 478	(76)	2 004 402
	624 611	608 635	343 083	247 364	1 823 693	-	1 823 693

35 SEGMENT INFORMATION continued

	2021		
	Retail and commercial		
	FNB		
R million	FNB SA#,‡	FNB Africa	WesBank#,‡
Net interest income before impairment of advances	33 534	3 825	5 257
Impairment charge	(8 084)	(865)	(2 204)
Net interest income after impairment of advances	25 450	2 960	3 053
Non-interest revenue	27 740	4 191	3 241
Net income from operations	53 190	7 151	6 294
Operating expenses	(30 873)	(5 416)	(4 843)
Share of profit of associates and joint ventures after tax	90	-	465
Income before tax	22 407	1 735	1 916
Indirect tax	(820)	(128)	(68)
Profit for the year before tax	21 587	1 607	1 848
Income tax expense	(6 010)	(548)	(518)
Profit for the year	15 577	1 059	1 330
The income statement includes			
Depreciation	(2 599)	(433)	(906)
Amortisation	(112)	(20)	(67)
Net impairment charges	9	(1)	(18)
Non-interest revenue includes the following external revenue from contracts with customers*			
Banking fees and commissions	25 457	3 925	541
Non-banking fees and commissions	760	92	14
Insurance income (excluding risk-related income)	836	138	392
Management, trust and fiduciary fees	1 430	-	526
Other non-interest revenue from customers	981	-	465
The statement of financial position includes			
Investments in associated companies	797	-	2 527
Investments in joint ventures	-	-	7
Total assets#,†	415 887	53 184	142 671
Total liabilities**,#,†	397 586	51 583	141 135

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

* *The vast majority of external revenue from contracts with customers was recognised at a point in time.*

** *Total liabilities are net of interdivisional balances.*

Restated due to the reallocation of asset based finance (ABF) customers that bank with FNB from FNB commercial to Wesbank Corporate.

† *Total assets and total liabilities have been restated. Refer to section 10.1 of the accounting policies for details.*

‡ *Restated following internal restructures to better facilitate the execution of group strategy. Disclosure has been updated for the allocation of AT1 costs and investment management activities to the relevant segment.*

	2021						
		Corporate and institutional					
	Retail and commercial	RMB‡	Aldermore	Centre (including Group Treasury)‡	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	42 616	9 097	9 017	3 781	64 511	(1 221)	63 290
	(11 153)	(1 448)	(1 076)	17	(13 660)	-	(13 660)
	31 463	7 649	7 941	3 798	50 851	(1 221)	49 630
	35 172	11 530	713	(3 867)	43 548	1 647	45 195
	66 635	19 179	8 654	(69)	94 399	426	94 825
	(41 132)	(10 403)	(5 173)	(634)	(57 342)	(214)	(57 556)
	555	1 356	15	(494)	1 432	106	1 538
	26 058	10 132	3 496	(1 197)	38 489	318	38 807
	(1 016)	(190)	(224)	(86)	(1 516)	-	(1 516)
	25 042	9 942	3 272	(1 283)	36 973	318	37 291
	(7 076)	(2 784)	(690)	1 701	(8 849)	(132)	(8 981)
	17 966	7 158	2 582	418	28 124	186	28 310
	(3 938)	(142)	(218)	(12)	(4 310)	-	(4 310)
	(199)	(200)	(42)	(475)	(916)	-	(916)
	(10)	(19)	-	(209)	(238)	(155)	(393)
	29 923	3 876	176	(4)	33 971	-	33 971
	866	52	6	40	964	-	964
	1 366	-	89	23	1 478	-	1 478
	1 956	570	-	-	2 526	-	2 526
	1 446	(1 980)	590	1 282	1 338	-	1 338
	3 324	4 065	113	1 142	8 644	-	8 644
	7	2 081	-	(17)	2 071	45	2 116
	611 742	591 309	325 195	341 797	1 870 043	(30)	1 870 013
	590 304	579 835	300 915	231 072	1 702 126	-	1 702 126

35 SEGMENT INFORMATION continued

Geographical segments

R million	South Africa	Other Africa	United Kingdom	Other	Total
	2022				
Net interest income after impairment	**42 609**	**6 440**	**9 973**	**273**	**59 295**
Non-interest revenue	**41 854**	**6 532**	**1 159**	**194**	**49 739**
- Non-interest revenue from contracts with customers	**37 060**	**5 323**	**447**	**45**	**42 875**
- Other non-interest revenue	**3 322**	**1 209**	**691**	**151**	**5 373**
- Share of profits of associates and joint ventures after tax	**1 472**	**-**	**21**	**(2)**	**1 491**
Non-current assets*	**29 843**	**2 525**	**8 309**	**1**	**40 678**
	2021				
Net interest income after impairment	35 002	5 015	9 389	224	49 630
Non-interest revenue	39 890	6 030	748	65	46 733
with customers	34 902	4 871	451	53	40 277
- Other non-interest revenue	3 464	1 159	283	12	4 918
joint ventures after tax	1 524	-	14	-	1 538
Non-current assets*	30 097	2 457	8 980	7	41 541

* *Exclude financial instruments, other assets, deferred income tax assets, current tax assets, post-employment benefit assets and rights arising under insurance contracts.*

36 RELATED PARTIES

36.1 Balances with related parties

R million	**2022**	2021
Advances		
Associates	**17 442**	18 243
Joint ventures	**7 605**	7 034
Key management personnel	**50**	11
Other assets		
Associates	**583**	424
Joint ventures	**18 887**	22 077
Derivative assets		
Fair value		
Joint ventures	**2**	-
Investment securities		
Associates	**163**	141
Investments under the co-investment scheme		
Key management personnel	**-**	67
Deposits		
Associates	**1 572**	977
Joint ventures	**5 824**	1 849
Key management personnel	**120**	105
Accounts payable		
Associates	**4**	3
Joint ventures	**-**	1
Derivative liabilities		
Fair value		
Joint ventures	**370**	35
Commitments		
Associates	**1 839**	3 027
Joint ventures*	**4 711**	6 670

** The comparative figure has been updated to correctly reflect commitments with joint ventures. R405 million was incorrectly reflected in the prior year.*

Refer to the remuneration disclosures on B256 for details of the compensation payable to key management personnel.

Transactions with related parties occur in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those for comparable transactions with other external parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features.

The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts. Market-related rates and terms and conditions apply to transactions with related parties, including key management personnel.

36 RELATED PARTIES continued

36.2 Transactions with related parties appear below

R million	2022	2021
Interest received		
Entities that have significant influence over the group and its subsidiaries	**-**	-
Associates	**1 091**	860
Joint ventures	**1 084**	992
Key management personnel	**2**	3
Interest paid		
Entities that have significant influence over the group and its subsidiaries	**-**	-
Associates	**(48)**	(55)
Joint ventures	**(95)**	(91)
Key management personnel	**(7)**	(1)
Non-interest revenue		
Associates	**1 099**	1 139
Joint ventures	**1 498**	3 003
Key management personnel	**2**	-
Operating expenses		
Associates	**(866)**	(998)
Joint ventures	**-**	(5)
Dividends received		
Associates	**333**	520
Joint ventures	**1 977**	642
Net investment return credited in respect of investments under the co-investment scheme		
Key management personnel	**-**	10
Financial consulting fees and other		
Salaries and other employee benefits		
Key management personnel	**250**	314
- Salaries and other short-term benefits	**154**	136
- Share-based payments	**96**	178

Deferred compensation of R44 million (2021: R26 million) is due to key management personnel and is payable in FirstRand Limited shares. A list of the board of directors of the group is available in the Corporate governance section of this report.

During the financial year, no contracts were entered into in which directors or officers of the group had an interest and which significantly affected the business of the group.

The directors had no interest in any third party or company responsible for managing any of the business activities of the group.

36 RELATED PARTIES continued

36.3 Post-retirement benefit fund

Details of transactions between the group and the group's post-employment benefit plan are listed below.

R million	**2022**	2021
Dividend income	**22**	7
Fee expense	**(12)**	(1)
Deposits held with the group	**478**	770
Interest income	**32**	41

Refer to note 21 for details of the closing balance of the group's post-employment benefit plan.

37 FINANCIAL AND INSURANCE RISKS

Risk governance in the group

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 operational, tactical and strategic decision-making.

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 risk management framework describes the group's risk governance structures and approach to risk management. Effective risk management requires three lines of control or safeguards that should consistently be applied at various levels throughout the organisation.

The primary board committee overseeing risk matters across the group is the FirstRand RCCC. It has delegated responsibility for a number of specialist risk types to various subcommittees. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, whose governance structures align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at www.firstrand.co.za/investors/basel-pillar-3-disclosure.

37 FINANCIAL AND INSURANCE RISKS

Overview of financial and insurance risks

The financial instruments recognised on the group's statement of financial position expose the group to various financial risks.

The information presented in this note represents the information required by IFRS 7 and sets out the group's exposure to these financial and insurance risks. This section also contains details on the group's capital management process.

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">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.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
➢ advances;
➢ certain investment securities; and
➢ off-balance sheet exposures.

Other sources of credit risk are:
➢ reinsurance assets;
➢ cash and cash equivalents;
➢ accounts receivable included in other assets; and
➢ derivative balances.</td><td>The following information is presented for these assets:
➢ credit assets and concentration risk (37.1.1);
➢ information about the quality of credit assets (37.1.2 and 37.1.3); and
➢ credit risk mitigation techniques and collateral held (37.1.5).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that the group will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the group to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
➢ undiscounted cash flow analysis of financial liabilities (37.2.1);
➢ discounted cash flow analysis of total assets and liabilities (37.2.2); and
➢ collateral pledged (37.2.3).</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The group distinguishes between traded market risk and non-traded market risk. For non-traded market risk the group distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Traded market risk (37.3.1) emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB.</td><td>The following information is presented for traded market risk:
➢ 1-day 99% value-at-risk (VaR) analysis; and
➢ 10-day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the banking book (37.4.1) is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</td><td>The following information is presented for interest rate risk in the banking book:
➢ projected NII sensitivity to interest rate movements; and
➢ banking book NAV sensitivity to interest rate movements as a percentage of total group capital.</td></tr>
<tr><td>Structural foreign exchange risk (37.4.2) is 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. It arises from balances denominated in foreign currencies and group entities with functional currencies other than the rand.</td><td>Information on the group's net structural foreign exposures and sensitivity of these exposures are presented.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.</td></tr>
<tr><td>Equity investment risk (37.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB, Aldermore and Centre. Ashburton Investments also contributes to equity investment risk through the short-term seeding of new traditional and alternative funds, both locally and offshore, which exposes the group until these investments are taken up by external parties. Long-term seeding is also provided where there is alignment with strategy and the business case meets the internal return hurdle requirements. Any equity investments in any types of funds held in the bank’s banking book, including money market funds, are treated as part of equity investment risk.</td><td>The following information is presented for equity investments:
➢ investment risk exposure, risk-weighted assets, and sensitivity analysis of investment risk; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

Insurance risk	Insurance risk arises from the inherent uncertainties of liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of the liabilities differing from expectations. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting or claims management.
	The risk arises from the group's third-party insurance operations housed in FirstRand Insurance Holdings Limited. Currently insurance risk arises from the group's long-term insurance operations, underwritten through its subsidiary FirstRand Life Assurance Limited (FirstRand Life), and short-term insurance operations, underwritten through its subsidiary FirstRand Short-Term Insurance (FirstRand STI).
Tax risk	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.
	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.

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. The group, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.

37 FINANCIAL AND INSURANCE RISKS continued

37.1 Credit risk

Objective

Credit risk management objectives are twofold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management:** Credit risk is taken within the constraints of the group's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in Enterprise Risk Management (ERM) and relevant board committees, fulfil this role.

Based on the group's credit risk appetite, as measured on an ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios, which are aligned to customer profiles. These portfolios are retail, commercial and corporate.

The assessment of credit risk across the group relies on internally developed quantitative models for addressing regulatory and business needs. These models are used for the internal assessment of the three primary credit risk components:

- PD;
- EAD; and
- LGD.

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

37 FINANCIAL AND INSURANCE RISKS continued

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FR rating	Midpoint PD	International scale mapping (based on S&P)*
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
33 – 39	1.44%	BB-, B+(upper)
40 – 53	2.52%	B+
54 – 83	6.18%	B(upper), B, B-(upper)
84 – 90	13.68%	B-
91 – 99	59.11%	CCC+,CCC
100	100%	D (defaulted)

* *Indicative mapping to the international rating scales of S&P Global Ratings. The group currently only uses mapping to S&P rating scales.*

37.1.1 Credit assets and concentration risk

The assets and off-balance sheet amounts included in the table below expose the group to credit risk. For all on-balance sheet exposures, the gross amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Concentration risk is managed based on the nature of the credit concentration in each portfolio.

37 FINANCIAL AND INSURANCE RISKS continued

Geographic concentration of significant credit asset exposure

The following tables provide a breakdown of credit exposure across geographical areas.

	2022							
R million	South Africa	Broader Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	**64 513**	**9 746**	**35 585**	**8 305**	**12 841**	**302**	**633**	**131 925**
Total advances	**918 509**	**106 647**	**321 624**	**23 763**	**4 270**	**88**	**7 157**	**1 382 058**
Stage 3 advances	**39 416**	**3 447**	**7 930**	**5**	**1**	**83**	**4**	**50 886**
Derivatives*	**35 922**	**527**	**23 821**	**4 869**	**494**	**-**	**34**	**65 667**
Debt investment securities (excluding non-recourse investments)**	**232 438**	**32 816**	**32 992**	**25 951**	**35 212**	**1 170**	**2 401**	**362 980**
Other assets**	**4 453**	**945**	**814**	**103**	**164**	**10**	**55**	**6 544**
Reinsurance assets	**569**	**14**	**-**	**-**	**-**	**-**	**-**	**583**
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	**39 964**	**8 721**	**20 280**	**1 273**	**23**	**10**	**2 967**	**73 238**
Irrevocable commitments#	**141 508**	**14 728**	**13 911**	**667**	**1 702**	**-**	**279**	**172 795**

* *Restated. Refer to Accounting Policy note 10.1 for details. The table on the next page reflects what was previously reported.*

** *In the prior year debt investments and other assets were reflected net of ECL. The comparative information has been amended to reflect debt investment and other assets gross of impairments. The table on the next page reflects what was previously*

\# *The prior year amount has been restated. Refer to Note 33 Contingencies and commitments for details.*

2021							
South Africa	**Broader Africa**	**United Kingdom**	**Other Europe**	**North and South America**	**Austra-lasia**	**Asia**	**Total**
71 792	8 027	31 666	4 723	7 380	386	529	124 503
837 912	89 937	323 861	12 039	2 762	89	7 452	1 274 052
47 879	3 682	8 969	4	1	85	85	60 705
37 254	610	26 531	1 974	45	2	45	66 461
214 079	35 177	31 360	22 571	34 955	498	7 699	346 339
3 788	986	941	10	366	12	64	6 167
378	9	-	-	-	-	-	387
32 588	6 656	21 108	687	15	8	2 267	63 329
129 899	12 957	8 354	3 310	64	71	499	155 154

South Africa	**Broader Africa**	**United Kingdom**	**Other Europe**	**North and South America**	**Austra-lasia**	**Asia**	**Total****
Irrevocable commitments							
141 142	12 957	8 354	3 310	64	71	499	166 397
Derivatives							
37 254	610	42 798	1 974	45	2	45	82 728
Debt investment securities							
213 822	35 177	31 360	22 571	34 955	498	7 698	346 081
Other assets							
3 570	982	941	10	366	12	64	5 945

37 FINANCIAL AND INSURANCE RISKS continued

R million	**2022**	2021
Breakdown of advances per class		
Gross advances	**1 382 058**	1 274 052
- Retail secured	**342 111**	325 768
- Residential mortgages	**242 757**	225 666
- WesBank VAF*	**99 354**	100 102
- Retail unsecured**	**87 351**	86 670
- FNB card	**32 821**	31 249
- Personal loans	**40 173**	39 709
- Retail other	**14 357**	15 712
- Corporate and commercial	**533 747**	481 415
- FNB commercial#	**107 823**	97 092
- WesBank corporate#	**45 128**	41 015
- RMB corporate and investment banking#	**380 796**	343 308
- Broader Africa	**67 247**	60 353
- Centre (including Group Treasury)	**47 756**	36 230
- UK operations	**303 846**	283 616
- Retail	**231 437**	221 188
- Commercial	**72 409**	62 428

* *Includes public sector.*
** *Includes acceptances.*
# *Voluntary movement in classes of advances. Refer to note 38.*

37 FINANCIAL AND INSURANCE RISKS continued

Sector analysis concentration of advances

Advances expose the group to concentration risk in various industry sectors. The following tables set out the group's exposure to various industry sectors for total advances and credit-impaired advances.

	2022			
		Stage 3		
R million	**Total advances**	**Advances**	**Security held and expected recoveries**	**Impairment**
Sector analysis				
Agriculture	**52 102**	**2 473**	**1 167**	**1 306**
Banks	**48 384**	**-**	**-**	**-**
Financial institutions	**160 606**	**338**	**86**	**252**
Building and property development	**80 398**	**1 430**	**607**	**823**
Government, Land Bank and public authorities	**30 027**	**191**	**76**	**115**
Individuals	**655 802**	**37 212**	**20 145**	**17 067**
Manufacturing and commerce	**164 324**	**4 353**	**1 307**	**3 046**
Mining	**8 045**	**103**	**25**	**78**
Transport and communication	**40 141**	**880**	**486**	**394**
Other services	**142 229**	**3 906**	**1 666**	**2 240**
Temporary stress scenario	**-**	**-**	**(1)**	**1**
Total	**1 382 058**	**50 886**	**25 564**	**25 322**
	2021			
Sector analysis				
Agriculture	44 062	1 982	1 159	823
Banks	42 931	-	-	-
Financial institutions	160 715	1 565	1 048	517
Building and property development	73 988	1 839	900	939
Government, Land Bank and public authorities	22 928	826	639	187
Individuals	632 731	43 609	24 534	19 075
Manufacturing and commerce	130 911	5 013	1 948	3 065
Mining	9 048	111	42	69
Transport and communication	29 238	1 396	869	527
Other services	127 500	4 364	2 134	2 230
Temporary stress scenario	-	-	(44)	44
Total	1 274 052	60 705	33 229	27 476

37 FINANCIAL AND INSURANCE RISKS continued

37.1.2 Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantees per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3) and paying debt-review customers as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the group holds a guarantee against a stage 3 advance, the FR rating would reflect the same.

	2022					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	**100 495**	**46 274**	**110 507**	**4 010**	**304**	**25**
Stage 2	**71**	**42**	**12 950**	**81**	**6 628**	**10**
Stage 3	**-**	**-**	**-**	**-**	**11 802**	**9**
Total residential mortgages	**100 566**	**46 316**	**123 457**	**4 091**	**18 734**	**44**
WesBank VAF						
Stage 1	**-**	**-**	**81 900**	**-**	**188**	**-**
Stage 2	**-**	**-**	**8 371**	**-**	**2 692**	**-**
Stage 3	**-**	**-**	**-**	**-**	**6 203**	**-**
Total WesBank VAF	**-**	**-**	**90 271**	**-**	**9 083**	**-**
Retail unsecured						
FNB card						
Stage 1	**361**	**-**	**26 403**	**-**	**150**	**-**
Stage 2	**1**	**-**	**1 604**	**-**	**624**	**-**
Stage 3	**-**	**-**	**-**	**-**	**3 678**	**-**
Total FNB card	**362**	**-**	**28 007**	**-**	**4 452**	**-**
Personal loans						
Stage 1	**115**	**-**	**25 788**	**-**	**1 439**	**-**
Stage 2	**90**	**-**	**1 699**	**-**	**4 768**	**-**
Stage 3	**-**	**-**	**-**	**-**	**6 274**	**-**
Total personal loans	**205**	**-**	**27 487**	**-**	**12 481**	**-**

37 FINANCIAL AND INSURANCE RISKS continued

	2022					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	**488**	**141**	**10 584**	**304**	**141**	**177**
Stage 2	**1**	**-**	**136**	**-**	**1 041**	**-**
Stage 3	**4**	**-**	**1**	**-**	**1 961**	**-**
Total retail other unsecured	**493**	**141**	**10 721**	**304**	**3 143**	**177**
Temporary stress scenario - retail						
Stage 1	**-**	**-**	**(2 688)**	**-**	**-**	**-**
Stage 2	**-**	**-**	**2 688**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Temporary stress scenario - retail	**-**	**-**	**-**	**-**	**-**	**-**
Corporate and commercial						
FNB commercial						
Stage 1	**424**	**827**	**95 051**	**19 568**	**293**	**90**
Stage 2	**-**	**-**	**5 700**	**296**	**1 728**	**122**
Stage 3	**-**	**-**	**95**	**-**	**4 532**	**228**
Total FNB commercial	**424**	**827**	**100 846**	**19 864**	**6 553**	**440**
WesBank corporate						
Stage 1	**10 467**	**1 807**	**28 579**	**-**	**371**	**-**
Stage 2	**13**	**-**	**4 307**	**-**	**488**	**-**
Stage 3	**-**	**-**	**-**	**-**	**903**	**-**
Total WesBank corporate	**10 480**	**1 807**	**32 886**	**-**	**1 762**	**-**
RMB corporate and investment banking						
Stage 1	**126 919**	**63 715**	**225 957**	**61 217**	**68**	**98**
Stage 2	**-**	**-**	**22 862**	**1 421**	**803**	**1 444**
Stage 3	**-**	**-**	**1 392**	**45**	**1 979**	**117**
Purchased or originated credit impaired	**-**	**-**	**663**	**28**	**153**	**-**
Total RMB corporate and investment banking	**126 919**	**63 715**	**250 874**	**62 711**	**3 003**	**1 659**

37 FINANCIAL AND INSURANCE RISKS continued

	2022					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Temporary stress scenario - commercial						
Stage 1	**-**	**-**	**(130)**	**-**	**-**	**-**
Stage 2	**-**	**-**	**130**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Temporary stress scenario - commercial	**-**	**-**	**-**	**-**	**-**	**-**
Broader Africa						
Stage 1	**3 101**	**1 324**	**54 394**	**8 182**	**587**	**281**
Stage 2	**113**	**22**	**4 034**	**59**	**1 700**	**7**
Stage 3	**-**	**-**	**114**	**-**	**3 204**	**7**
Total broader Africa	**3 214**	**1 346**	**58 542**	**8 241**	**5 491**	**295**
UK operations retail						
Stage 1	**7 414**	**-**	**195 580**	**8 635**	**376**	**-**
Stage 2	**10**	**-**	**6 978**	**-**	**14 114**	**-**
Stage 3	**-**	**-**	**964**	**-**	**6 001**	**-**
Total UK operations retail	**7 424**	**-**	**203 522**	**8 635**	**20 491**	**-**
UK operations commercial						
Stage 1	**2 429**	**-**	**62 009**	**4 338**	**745**	**-**
Stage 2	**27**	**-**	**3 833**	**-**	**2 403**	**-**
Stage 3	**-**	**-**	**-**	**-**	**963**	**-**
Total UK operations commercial	**2 456**	**-**	**65 842**	**4 338**	**4 111**	**-**
Centre (including Group Treasury)						
Stage 1	**4 424**	**-**	**43 289**	**21 081**	**-**	**-**
Stage 2	**-**	**-**	**43**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Total Centre (including Group Treasury)	**4 424**	**-**	**43 332**	**21 081**	**-**	**-**
Stage 1	**256 637**	**114 088**	**957 223**	**127 335**	**4 662**	**671**
Stage 2	**326**	**64**	**75 335**	**1 857**	**36 989**	**1 583**
Stage 3	**4**	**-**	**2 566**	**45**	**47 500**	**361**
Purchased or originated credit impaired	**-**	**-**	**663**	**28**	**153**	**-**
Total advances	**256 967**	**114 152**	**1 035 787**	**129 265**	**89 304**	**2 615**

37 FINANCIAL AND INSURANCE RISKS continued

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	31 174	27 102	164 355	28 470	846	105
Stage 2	331	152	10 590	446	5 014	113
Stage 3	3	-	381	10	12 972	425
Total residential mortgages	31 508	27 254	175 326	28 926	18 832	643
WesBank VAF						
Stage 1	1	-	77 464	-	49	-
Stage 2	-	-	8 015	-	4 662	-
Stage 3	-	-	-	-	9 911	-
Total WesBank VAF	1	-	85 479	-	14 622	-
Retail unsecured						
FNB card						
Stage 1	243	-	24 160	-	150	-
Stage 2	2	-	2 074	-	586	-
Stage 3	-	-	-	-	4 034	-
Total FNB card	245	-	26 234	-	4 770	-
Personal loans						
Stage 1	15	-	24 399	-	762	-
Stage 2	13	-	1 854	-	5 120	-
Stage 3	-	-	-	-	7 546	-
Total personal loans	28	-	26 253	-	13 428	-

37 FINANCIAL AND INSURANCE RISKS continued

R million	2021					
	FR1-25		FR26-90		FR91-100	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail other unsecured						
Stage 1	641	162	10 793	364	246	198
Stage 2	-	-	339	-	1 201	-
Stage 3	5	-	-	-	2 487	-
Total retail other unsecured	646	162	11 132	364	3 934	198
Temporary stress scenario - retail						
Stage 1	-	-	(1 212)	-	-	-
Stage 2	-	-	1 212	-	-	-
Stage 3	-	-	-	-	-	-
Temporary stress scenario - retail	-	-	-	-	-	-
Corporate and commercial						
FNB commercial*						
Stage 1	208	507	82 714	17 293	308	39
Stage 2	6	-	5 107	199	2 951	542
Stage 3	-	-	101	6	5 697	151
Total FNB commercial	214	507	87 922	17 498	8 956	732
WesBank corporate*						
Stage 1	9 428	3 007	25 394	-	739	-
Stage 2	27	-	3 153	-	880	-
Stage 3	-	-	-	-	1 394	-
Total WesBank corporate*	9 455	3 007	28 547	-	3 013	-
RMB corporate and investment banking						
Stage 1	131 387	50 037	179 772	53 275	181	83
Stage 2	187	-	26 733	3 805	1 369	1 094
Stage 3	-	-	1 285	-	1 496	136
Purchased or originated credit impaired	-	-	706	-	192	57
Total RMB corporate and investment banking	131 574	50 037	208 496	57 080	3 238	1 370

* *Voluntary movement in classes of advances. Refer to note 38.*

37 FINANCIAL AND INSURANCE RISKS continued

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Temporary stress scenario - commercial						
Stage 1	-	-	(99)	-	-	-
Stage 2	-	-	99	-	-	-
Stage 3	-	-	-	-	-	-
Temporary stress scenario - commercial	-	-	-	-	-	-
Broader Africa						
Stage 1	4 463	1 584	44 500	6 004	1 013	462
Stage 2	390	4	3 971	207	2 489	48
Stage 3	-	-	171	1	3 356	10
Total broader Africa	4 853	1 588	48 642	6 212	6 858	520
UK operations retail						
Stage 1	17 174	-	181 032	4 218	307	-
Stage 2	58	-	11 046	-	4 699	-
Stage 3	-	-	2 185	-	4 687	-
Total UK operations retail	17 232	-	194 263	4 218	9 693	-
UK operations commercial						
Stage 1	4 059	-	49 054	4 229	50	-
Stage 2	173	-	5 357	-	1 639	-
Stage 3	-	-	-	-	2 096	-
Total UK operations commercial	4 232	-	54 411	4 229	3 785	-
Centre (including Group Treasury)						
Stage 1	32 939	-	2 921	21 853	319	-
Stage 2	-	-	51	-	-	-
Stage 3	-	-	-	-	-	-
Total Centre (including Group Treasury)	32 939	-	2 972	21 853	319	-
Stage 1	231 732	82 399	865 247	135 706	4 970	887
Stage 2	1 187	156	79 602	4 657	30 609	1 797
Stage 3	8	-	4 123	17	55 676	722
Purchased or originated credit impaired	-	-	706	-	192	57
Total advances	232 927	82 555	949 678	140 380	91 447	3 463

37 FINANCIAL AND INSURANCE RISKS continued

Analysis of impaired advances (stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost, in line with the manner in which the group manages credit risk.

	2022		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3 by class			
Total retail secured	18 005	12 219	5 786
- Residential mortgages	11 802	9 266	2 536
- WesBank VAF	6 203	2 953	3 250
Total retail unsecured	11 918	3 365	8 553
- FNB card	3 678	1 067	2 611
- Personal loans	6 274	1 795	4 479
- Retail other	1 966	503	1 463
Total retail secured and unsecured	29 923	15 584	14 339
- Temporary stress scenario	-	-	-
Total corporate and commercial	9 717	3 637	6 080
- FNB commercial	4 627	1 482	3 145
- WesBank corporate	903	487	416
- RMB corporate and investment banking	4 187	1 668	2 519
Broader Africa	3 318	1 373	1 945
Group Treasury and other	-	-	-
UK operations	7 928	4 970	2 958
- Retail	6 965	4 417	2 548
- Commercial	963	553	410
Total stage 3	50 886	25 564	25 322
Stage 3 by category			
Overdrafts and cash management accounts	4 082	830	3 252
Term loans	2 205	794	1 411
Card loans	4 253	1 108	3 145
Instalment sales and hire purchase agreements	9 914	4 033	5 881
Lease payments receivable	190	60	130
Property finance	19 548	15 198	4 350
- Home loans	17 755	14 153	3 602
- Commercial property finance	1 793	1 045	748
Personal loans	7 290	2 143	5 147
Preference share agreements	253	-	253
Investment bank term loans	1 212	995	217
Long-term loans to group associates and joint ventures	655	-	655
Other	1 284	403	881
Total stage 3	50 886	25 564	25 322

	2021		
	Total	Security held and expected recoveries	Stage 3 impairment
	23 267	16 424	6 843
	13 356	10 539	2 817
	9 911	5 885	4 026
	14 072	3 781	10 291
	4 034	866	3 168
	7 546	2 249	5 297
	2 492	666	1 826
	37 339	20 161	17 178
	-	(44)	44
	10 871	5 251	5 620
	5 798	2 419	3 379
	1 394	843	551
	3 679	1 989	1 690
	3 527	1 559	1 968
	-	-	-
	8 968	6 258	2 710
	6 872	4 791	2 081
	2 096	1 467	629
	60 705	33 229	27 476
	4 915	1 305	3 610
	2 576	1 015	1 561
	4 506	899	3 607
	14 238	7 757	6 481
	459	212	247
	22 267	17 651	4 616
	19 286	15 525	3 761
	2 981	2 126	855
	8 818	2 710	6 108
	236	-	236
	1 605	1 469	136
	614	42	572
	471	169	302
	60 705	33 229	27 476

37 FINANCIAL AND INSURANCE RISKS continued

37.1.3 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

R million	**AAA to BBB**	**BB+ to B-**	**CCC**
	2022		
Investment securities at amortised cost			
Stage 1	**27 766**	**129 082**	**5 951**
Stage 2	**-**	**-**	**-**
Investment securities at fair value through other comprehensive income			
Stage 1	**38 858**	**12 222**	**2**
Investment securities at fair value through profit or loss	**40 522**	**108 556**	**21**
Total investment securities	**107 146**	**249 860**	**5 974**
Stage 2	**803**	**5 535**	**167**
Stage 3	**-**	**(16)**	**54**
Total financial other assets	**803**	**5 519**	**221**
Cash and cash equivalents			
Stage 1	**65 792**	**62 663**	**3 470**
Total cash and cash equivalents	**65 792**	**62 663**	**3 470**
Derivative assets	**29 138**	**31 228**	**5 301**
	2021		
Investment securities at amortised cost			
Stage 1	32 673	101 033	3 116
Stage 2	-	1 051	-
Investment securities at fair value through other comprehensive income			
Stage 1	36 010	10 205	-
Investment securities at fair value through profit or loss	41 347	120 851	54
Total investment securities*	110 030	233 140	3 170
Stage 2**	681	5 363	192
Stage 3	1	(40)	37
Total financial other assets	682	5 323	229
Cash and cash equivalents			
Stage 1	48 223	73 300	2 980
Total cash and cash equivalents	48 223	73 300	2 980
Derivative assets#	27 579	38 507	375

* *Total investment securities has been represented to include investment securities at fair value through profit and loss.*

** *Financial other assets have been restated following the identification of amounts that should have been included in the prior year.*

Refer to Accounting Policy note 10.1 for the restatement of derivative financial instruments. Comparative information relating to the credit quality of derivative assets were previously presented as R43 846 million, R38 507 million and R375 million for AAA to BBB, BB+ to B- and CCC respectively.

37 FINANCIAL AND INSURANCE RISKS continued

37.1.4 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the group's lending risk, which result in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments:

- Mortgage and instalment sale finance portfolios in FNB, WesBank, MotoNovo and Aldermore are secured by the underlying assets financed.
- FNB and Aldermore commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For FNB and WesBank retail customers, insurance against disability, life and retrenchment is prescribed, where applicable.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements refer to Note 40.
- Working capital facilities in RMB corporate and investment banking are secured and unsecured. Security is usually taken in the form of financial or other collateral, including guarantees and assets.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model, and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the group credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

37 FINANCIAL AND INSURANCE RISKS continued

37.1.4 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial, held against the exposure along with any other credit enhancements and netting arrangement.

	2022			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	242 757	50 451	(4 084)	289 124
WesBank VAF	99 354	-	(5 396)	93 958
FNB card	32 821	-	(4 361)	28 460
Personal loans	40 173	-	(7 808)	32 365
Retail other	14 357	622	(2 458)	12 521
Temporary stress scenario - retail	-	-	(317)	(317)
FNB commercial	107 823	21 131	(5 237)	123 717
Temporary stress scenario - commercial	-	-	(55)	(55)
WesBank corporate	45 128	1 807	(795)	46 140
RMB corporate and investment banking	380 796	128 085	(7 064)	501 817
Broader Africa	67 247	9 882	(3 856)	73 273
Group Treasury and other	47 756	21 081	(617)	68 220
UK operations	303 846	12 973	(5 686)	311 133
- Retail**	231 437	8 635	(4 565)	235 507
- Commercial	72 409	4 338	(1 121)	75 626
Total advances	1 382 058	246 032	(47 734)	1 580 356
Investment securities#	362 980	-	(314)	362 666
Cash and cash equivalents	131 925	-	-	131 925
Other assets	6 544	-	(329)	6 215
Derivatives	65 667	-	-	65 667

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Includes MotoNovo back book in FirstRand Bank with a closing balance of R5 278 million (£265 million) and MotoNovo front book of R81 228 million (£4 072 million).*

\# *Includes debt instruments measured at fair value but excludes equity and non-recourse investments.*

	Netting and financial collateral	Unsecured	Secured*
	3 817	1 351	283 956
	-	48	93 910
	-	28 460	-
	-	32 365	-
	-	10 301	2 220
	-	(129)	(188)
	5 303	17 242	101 172
	-	(55)	-
	-	-	46 140
	1 911	108 595	391 311
	3 796	20 595	48 882
	-	58 521	9 699
	-	9 617	301 516
	-	27	235 480
	-	9 590	66 036
	14 827	286 911	1 278 618
	31 808	318 751	12 107
	29 927	101 998	-
	7	6 199	9
	-	65 667	-

37 FINANCIAL AND INSURANCE RISKS continued

37.1.4 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and debt instruments at fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial held against the exposure, along with any other credit enhancements and netting arrangement.

	2021			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	225 666	56 823	(4 304)	278 185
WesBank VAF	100 102	-	(5 850)	94 252
FNB card	31 249	-	(4 683)	26 566
Personal loans	39 709	-	(8 630)	31 079
Retail other	15 712	724	(3 119)	13 317
Temporary stress scenario -retail	-	-	(335)	(335)
FNB commercial**	97 092	18 737	(5 761)	110 068
Temporary stress scenario - commercial	-	-	(148)	(148)
WesBank corporate**	41 015	3 007	(956)	43 066
RMB corporate and investment banking	343 308	108 487	(7 405)	444 390
Broader Africa	60 353	8 320	(3 901)	64 772
Group Treasury and other	36 230	21 853	(623)	57 460
UK operations	283 616	8 447	(4 903)	287 160
- Retail#	221 188	4 218	(3 571)	221 835
- Commercial	62 428	4 229	(1 332)	65 325
Total advances	1 274 052	226 398	(50 618)	1 449 832
Investment securities†	346 339	-	(258)	346 081
Cash and cash equivalents	124 503	-	-	124 503
Other assets	6 167	-	(222)	5 945
Derivatives (restated)‡	66 461	-	-	66 461

* *Secured represents balances which have non-financial collateral attached to the financial asset.*
** *Voluntary movement in classes of advances. Refer to note 38.*
# *Includes MotoNovo back book in FirstRand Bank with a closing balance of R15 149 million (£768 million) and MotoNovo front book of R61 197 million (£3 103 million).*
† *Includes debt instruments measured at fair value but excludes equity and non-recourse investments.*
‡ *In the prior year R82 728 million was presented for derivatives. Refer to Accounting Policy note 10.1 for restatement of derivative financial instruments.*

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance. The amounts disclosed above represent the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect is calculated.

Netting and financial collateral	Unsecured	Secured*
2 186	690	275 309
-	-	94 252
-	26 566	-
-	31 079	-
-	11 304	2 013
-	(265)	(70)
6 069	15 444	88 555
-	(148)	-
-	-	43 066
2 843	89 736	351 811
3 140	18 015	43 617
(1 999)	49 502	9 957
-	8 354	278 806
-	94	221 741
-	8 260	57 065
12 239	250 277	1 187 316
27 965	309 148	8 968
26 339	98 164	-
-	5 446	499
-	66 461	-

37 FINANCIAL AND INSURANCE RISKS continued

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	**2022**	2021
Cash collateral held	**15 102**	11 859

The table below reflects the collateral that the group holds where it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral held in structured transactions

	2022		2021	
R million	**Fair value**	**Fair value of collateral sold or repledged in the absence of default**	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**14 821**	**-**	11 051	-
Advances	**70 828**	**24 282**	65 584	25 385
Investment securities	**1 402**	**1 402**	655	655
Total collateral pledged	**87 051**	**25 684**	77 290	26 040

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

Collateral taken possession of

When the group takes possession of collateral that is neither cash nor readily convertible into cash, the group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the group is unable to obtain the pre-set sale amount at an auction, it will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained. Properties taken possession of amounted to R 100 million (June 2021: R100 million).

37 FINANCIAL AND INSURANCE RISKS continued

The financial collateral included in the previous table is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group-wide level, the collateral amount included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the financial instruments amount not subject to offset or MNA.

	Derivatives			Structured transactions		Other advances/deposits	
		Restated*	Previously reported				
R million	**2022**	2021	2021	**2022**	2021	**2022**	2021
Assets							
Offsetting applied							
Gross amount	**113 434**	89 576	89 576	**70 946**	71 488	**-**	-
Amount offset**	**(43 911)**	(39 503)	(23 236)	**(14 003)**	(14 059)	**-**	-
Net amount reported on the statement of financial position	**69 523**	50 073	66 340	**56 943**	57 429	**-**	-
Offsetting not applied							
Financial instruments subject to MNAs and similar agreements	**(49 308)**	(39 419)	(55 686)	**(585)**	(897)	**-**	-
Financial collateral	**(6 890)**	(4 745)	(4 745)	**(56 358)**	(56 532)	**-**	-
Net amount	**13 325**	5 909	5 909	**-**	-	**-**	-
Financial instruments not subject to offset or MNAs	**(3 856)**	16 388	16 388	**13 674**	8 155	**1 263 707**	1 157 850
Total statement of financial position	**65 667**	66 461	82 728	**70 617**	65 584	**1 263 707**	1 157 850
Liabilities							
Offsetting applied							
Gross amount	**114 776**	89 861	89 861	**26 713**	31 551	**-**	-
Amount offset**	**(44 926)**	(39 503)	(23 236)	**(14 003)**	(14 059)	**-**	-
Net amount reported on the statement of financial position	**69 850**	50 358	66 625	**12 710**	17 492	**-**	-
Offsetting not applied							
Financial instruments subject to MNAs and similar agreements	**(49 308)**	(39 419)	(55 686)	**(585)**	(897)	**-**	-
Financial collateral	**(15 752)**	(3 180)	(3 180)	**(12 125)**	(16 595)	**-**	-
Net amount	**4 790**	7 759	7 759	**-**	-	**-**	-
Financial instruments not subject to offset or MNAs	**(5 303)**	17 811	17 811	**3 999**	7 062	**1 639 263**	1 517 524
Total statement of financial position	**64 547**	68 169	84 436	**16 709**	24 554	**1 639 263**	1 517 524

** Refer to Accounting Policy note 10.1 for the restatement of derivative financial instruments.*

*** Amounts offset under derivatives are contracts that are set off under netting agreements, such as the ISDA Master Agreement or derivative clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting is applied across all outstanding transactions covered by these agreements.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2 Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The group's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors from diverse and sustainable funding pools, thus creating a natural liquidity buffer. Because of the liquidity risk introduced by its business activities across various currencies and geographies, the group seeks to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

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

Assessment and management

The group focuses on continually monitoring and analysing the potential impact of other risks and events on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the group can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high-quality liquid assets are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining several contingency funding sources to draw upon in times of economic stress.

37 FINANCIAL AND INSURANCE RISKS continued

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

37.2.1 Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts, and includes all cash outflows related to principal amounts, as well as future payments.

	2022			
		Term to maturity		
R million	Undiscounted carrying amount	Call to 3 months	4–12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	**1 740 568**	**1 233 822**	**204 092**	**302 654**
Short trading positions	**14 623**	**14 623**	**-**	**-**
Derivative financial instruments	**65 286**	**55 559**	**711**	**9 016**
Creditors, accruals and provisions	**37 100**	**24 745**	**930**	**11 425**
Tier 2 liabilities	**24 453**	**2 788**	**10 023**	**11 642**
Other liabilities	**5 461**	**163**	**3 734**	**1 564**
Lease liabilities	**3 261**	**287**	**777**	**2 197**
Policyholder liabilities	**7 430**	**1 256**	**1 351**	**4 823**
Off-balance sheet exposures				
Financial and other guarantees	**73 238**	**49 618**	**1 920**	**21 700**
Other contingencies and commitments	**5 606**	**2 983**	**2 245**	**378**
Facilities not drawn	**172 795**	**172 795**	**-**	**-**
	2021			
On-balance sheet exposures				
Deposits and current accounts	1 619 418	1 134 779	202 260	282 379
Short trading positions	18 945	18 945	-	-
Derivative financial instruments**	87 937	77 091	3 432	7 414
Creditors, accruals and provisions	22 998	17 626	884	4 488
Tier 2 liabilities	24 122	174	3 889	20 059
Other liabilities	5 083	236	442	4 405
Lease liabilities	3 160	238	749	2 173
Policyholder liabilities	7 389	1 144	1 673	4 572
Off-balance sheet exposures				
Financial and other guarantees*	63 329	40 673	1 678	20 978
Other contingencies and commitments*	4 899	2 494	2 065	340
Facilities not drawn*	155 154	155 154	-	-

* *Prior year amount has been amended. Refer to Note 33 for details.*

** *Refer to Accounting Policy note 10.1 for the restatement of derivative financial instruments. In the comparative period the undiscounted amount and call to 3 months were presented as R104 204 million and R93 358 million respectively.*

37 FINANCIAL AND INSURANCE RISKS continued

For the affected balances, the following amounts were disclosed in the prior year

R million	Undiscounted carrying amount	Term to maturity: Call to 3 months	Term to maturity: 4–12 months
Off-balance sheet exposures			
Financial and other guarantees*	60 002	37 346	-
Other contingencies and commitments*	3 687	1 081	2 266
Facilities not drawn	166 397	166 397	-

37.2.2 Discounted cash flows

The following table represents the group's contractual discounted cash flows of total assets, liabilities and equity. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents a worst-case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds representing a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

R million	2022 Discounted carrying amount	Term to maturity: Call to 3 months	Term to maturity: 4 – 12 months	Term to maturity: > 12 months and non-contractual
Total assets	**2 004 402**	**621 495**	**253 854**	**1 129 053**
Total equity and liabilities	**2 004 402**	**1 336 299**	**218 084**	**450 019**
Net liquidity gap	**-**	**(714 804)**	**35 770**	**679 034**
Cumulative liquidity gap	**-**	**(714 804)**	**(679 034)**	**-**
	2021			
Total assets (Restated)*,**	1 870 013	610 243	195 030	1 064 740
Total equity and liabilities (Restated)**	1 870 013	1 231 383	202 114	436 516
Net liquidity gap	-	(621 140)	(7 084)	628 224
Cumulative liquidity gap	-	(621 140)	(628 224)	-

** Comparative information relating to the split of total assets between call to 3 months and >12 months has been re-represented. In the prior year R639 484 million was reflected as call to 3 months, R194 919 was reflected as 4-12 months and R1 051 877 million was reflected as >12 months and non-contractual.*

*** Refer to Accounting Policy note 10.1 for the restatement of derivative financial instruments. In the comparative period the total assets and total equity and liabilities was presented as R1 886 280 million. Comparative information relating to the split of total assets between call to 3 months was reflected as R639 484 million. Comparative information relating to the split of total equity and liabilities between call to 3 months was reflected as R1 247 650 million. The net liquidity gap was unaffected.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.3 Collateral pledged

The group pledges assets under the following terms and conditions:

- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the group borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

The following assets have been pledged to secure the liabilities set out in the table below. These assets are not available in the normal course of business.

R million	**2022**	2021
Cash and cash equivalents	**29 939**	27 059
Advances	**60 043**	70 130
Investment securities – held under repurchase agreements	**4 893**	18 041
Investment securities – other	**3 658**	1 847
Total assets pledged	**98 533**	117 077

The following liabilities have been secured by the group pledging either its own or borrowed financial assets, except for the short-trading positions, which are covered by borrowed securities only.

R million	**2022**	2021
Short-trading positions	**14 623**	18 945
Total deposits	**38 144**	55 073
- Deposits under repurchase agreements	**15 183**	23 631
- Deposits in securities lending transactions*	**1 526**	923
- Other secured deposits	**21 435**	30 519
Derivative liabilities**	**30 776**	28 284
Other	**4 796**	-
Total	**88 339**	102 302

* *Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

** *The description has been updated to appropriately reflect the nature of the liability. This line was previously: Other. The total amount reflected in the prior year has not changed.*

37 FINANCIAL AND INSURANCE RISKS continued

37.2.4 Concentration analysis of deposits

R million	**2022**	2021
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**102 054**	124 505
Public sector entities	**89 442**	86 700
Local authorities	**16 322**	16 678
Banks	**49 097**	40 623
Securities firms	**23 945**	19 698
Corporate customers	**804 504**	727 041
Retail customers	**565 888**	521 997
Other	**4 720**	4 836
Total deposits	**1 655 972**	1 542 078
Geographical analysis		
South Africa	**1 141 779**	1 088 653
Broader Africa	**111 571**	104 428
UK	**360 301**	333 106
Other	**42 321**	15 891
Total deposits	**1 655 972**	1 542 078

37.3 Market risk

37.3.1 Traded market risk

Objective

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book, which is managed as part of the trading book.

37 FINANCIAL AND INSURANCE RISKS continued

37.3.1 Traded market risk continued

Assessment and management

Management and monitoring of interest rate risk in the banking book is split between the RMB banking book and the remaining domestic banking book, (which is covered in the interest rate risk in the banking book section on B292). RMB manages the majority of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the FirstRand market and investment risk committee. The RMB banking book interest rate risk exposure was R81 million on a 10-day expected tail loss (ETL) basis at 30 June 2022 (2021: R59 million).

Global and local markets have continued to display volatility. After the market effect of the pandemic subsided, concerns around interest rates and high inflation created uncertainty exacerbated by geopolitical conflict. The market risk measurement framework continued to perform well during the volatility, and market risk exposures remained within approved limits.

The risk related to market risk-taking activities is measured as the height of the group's internal ETL measure (a proxy for economic capital) and regulatory capital based on 60-point average of VaR plus stressed VaR (sVaR).

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress (2008/2009). The ETL is liquidity adjusted for illiquid exposures. Holding periods ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios. The market history of the past 260 trading days has been continually updated to reflect current market volatility. The static period of market stress is periodically reviewed for appropriateness.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

37 FINANCIAL AND INSURANCE RISKS continued

VaR analysis by risk type

The following table reflects the 1-day VaR, and the 10-day VaR and sVaR at the 99% confidence level. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2022*						
R million	**Equities**	**Interest rates#**	**Foreign exchange**	**Com-modities**	**Traded credit**	**Diversi-fication effect**	**Diversified total**
VaR (10-day 99%)							
Maximum value**	**86.5**	**329.7**	**121.4**	**71.3**	**33.1**		**277.7**
Average value	**15.7**	**196.7**	**43.0**	**35.8**	**16.2**		**188.3**
Minimum value**	**4.6**	**126.8**	**8.1**	**9.6**	**1.5**		**101.2**
Period end	**6.9**	**257.8**	**34.6**	**62.9**	**2.2**	**(175.0)**	**189.4**
sVaR (10-day 99%)							
Maximum value**	**103.1**	**446.8**	**166.3**	**86.9**	**40.9**		**439.2**
Average value	**23.7**	**324.4**	**64.7**	**48.2**	**16.4**		**187.7**
Minimum value**	**8.8**	**116.4**	**13.2**	**16.8**	**2.3**		**76.7**
Period end	**15.8**	**365.5**	**156.9**	**46.3**	**7.3**	**(152.6)**	**439.2**
VaR (1-day 99%)							
Maximum value**	**67.8**	**198.1**	**68.5**	**51.0**	**11.5**		**146.1**
Average value	**7.3**	**90.2**	**18.3**	**20.8**	**5.4**		**95.8**
Minimum value**	**3.0**	**60.2**	**0.3**	**4.5**	**1.0**		**54.6**
Period end	**4.5**	**100.6**	**7.1**	**20.3**	**1.1**	**(49.4)**	**84.2**

* *Excludes foreign branches and subsidiaries, which are reported on in the standardised approach for market risk. The sVaR numbers relate to FirstRand Bank South Africa only.*

** *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

Interest rate risk in the trading book.

2021*						
Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
162.3	554.2	80.9	65.8	47.2		374.4
38.0	266.9	35.3	41.0	17.8		242.2
3.2	110.7	5.9	16.4	4.9		140.2
12.5	193.3	40.6	41.8	6.4	(92.4)	202.2
91.8	415.9	131.1	60.7	80.4		218.9
21.1	278.4	53.1	32.3	29.6		162.5
1.8	137.3	10.5	15.8	7.9		108.6
9.2	267.7	60.2	46.9	10.7	(259.0)	135.6
39.3	332.3	45.5	28.7	16.8		181.0
8.7	140.0	17.6	17.3	8.5		127.6
2.2	35.5	1.8	8.5	4.0		31.9
5.5	112.0	19.1	21.4	4.9	(50.0)	112.8

37 FINANCIAL AND INSURANCE RISKS continued

37.4 Non-traded market risk

37.4.1 Interest rate risk in the banking book

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity/earnings risk and PV01/economic value of equity (EVE) sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically in line with the group's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise any accounting mismatches that may arise. Interest rate risk from the fixed rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Foreign operations

Management of subsidiaries in broader Africa, Aldermore and the bank's foreign branches is performed by in-country management teams with oversight provided by Group Treasury and Centre Risk Management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the group's appetite. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) and the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

37 FINANCIAL AND INSURANCE RISKS continued

Earnings sensitivity

Earnings models are run monthly to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the group's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity to a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the group's NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R335 billion, excluding Aldermore, for the year ended 30 June 2022 (2021: R286 billion).

Projected ZAR NII sensitivity to interest rate movements

	2022		
	Change in projected 12-month NII		
R million	**FirstRand Bank South Africa**	**Subsidiaries in broader Africa and the bank's foreign branches**	**Total FirstRand**
Downward 200 bps	**(277)**	**(754)**	**(1 031)**
Upward 200 bps	**102**	**561**	**663**
	2021		
Downward 200 bps	(1 621)	(777)	(2 398)
Upward 200 bps	1 066	428	1 494

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R1 031 million (2021: R2 398 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R663 million (2021: R1 494 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) has been the reference interest rate that underpinned trillions of loans and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs is a priority for global regulators. The group established a steering committee in the 2020 financial year consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors to oversee the group's IBOR reform transition plan. This steering committee developed a transition project for affected contracts and potential future contracts with the aim of minimising the potential disruption to business, mitigating operational and conduct risks and possible financial losses.

On 5 March 2021, LIBOR's administrator, the ICE Benchmark Administration Limited (ICE), announced the cessation of several IBOR settings after 31 December 2021. The publication of EUR, CHF, JPY and GBP LIBOR for all tenors ceased on 31 December 2021. The one-week and two-month USD LIBOR tenors were also discontinued on 31 December 2021. The announcement by ICE noted that the remaining USD LIBOR tenors would be discontinued after 30 June 2023.

The group will continue to transition all other instruments exposed to other IBOR rates, as and when the related ARRs become available and on the instruments reset dates. Aldermore has fully transitioned to the Sterling Overnight Index Average (SONIA).

Although, there is currently no indication as to when JIBAR will be replaced, several proposed ARRs and calculation methodologies have been released by the South African Reserve Bank (SARB).

The group currently has a number of contracts, including derivatives which reference JIBAR and extend beyond 2022. The group's established steering committee, detailed above, that has previously overseen the group's IBOR related reforms and transition planning in respect of USD/GBP LIBOR, will apply the same transitioning policies to affected JIBAR contracts.

The table below shows the financial instruments, including derivatives, held for trading or used by the group in fair value hedges that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2022 and which will not have matured by the related IBOR cessation date. LIBOR cessation occurred on 31 December 2021 for GBP, EUR, JPY, CHF and USD for one-week and two-months tenors, and is expected to occur on 30 June 2023 for all other USD LIBOR tenors.

Refer to note 8, for the impact the IBOR reforms have on hedge accounting.

37 FINANCIAL AND INSURANCE RISKS continued

Financial assets subject to IBOR reform that have not yet transitioned to replacement rates.

R million	USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
	2022				
Assets recognised on the balance sheet					
Derivative financial instruments (assets)*	**62 865**	**-**	**-**	**-**	**284**
Investment securities	**76**	**-**	**-**	**-**	**-**
Advances	**28 080**	**-**	**-**	**-**	**-**
Total assets recognised on the balance sheet subject to IBOR reform	**91 021**	**-**	**-**	**-**	**284**
Off-balance sheet items					
Irrevocable commitments	**7 238**	**-**	**-**	**-**	**339**
Total off-balance sheet exposure subject to IBOR reform	**7 238**	**-**	**-**	**-**	**339**
Total asset exposure subject to IBOR reform	**98 259**	**-**	**-**	**-**	**623**
	2021				
Assets recognised on the balance sheet					
Derivative financial instruments (assets)*	64 220	26 998	16 095	9	2
Investment securities	20	-	-	-	-
Advances	27 227	2 793	609	-	-
Total assets recognised on the balance sheet subject to IBOR reform	91 467	29 791	16 704	9	2
Off-balance sheet items					
Irrevocable commitments	6 963	234	694	-	-
Total off-balance sheet exposure subject to IBOR reform	6 963	234	694	-	-
Total asset exposure subject to IBOR reform	98 430	30 025	17 398	9	2

* *These balances represent the notional amount directly impacted by the IBOR reform.*

37 FINANCIAL AND INSURANCE RISKS continued

Financial liabilities subject to IBOR reform that have not yet transitioned to replacement rates:

R million	USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
	2022				
Liabilities recognised on the balance sheet					
Derivative financial instruments (liabilities)*	**41 282**	**-**	**-**	**-**	**317**
Deposits	**20 926**	**-**	**-**	**-**	**-**
Other liabilities	**-**	**-**	**-**	**-**	**-**
Tier 2 liabilities	**-**	**-**	**-**	**-**	**-**
Total liabilities recognised subject to IBOR reform	**62 208**	**-**	**-**	**-**	**317**
	2021				
Liabilities recognised on the balance sheet					
Derivative financial instruments (liabilities)*	45 505	32 878	7 645	16	2
Deposits	27 509	13 930	-	-	-
Other liabilities	1 244	-	-	-	-
Tier 2 liabilities	216	-	-	-	-
Total liabilities recognised subject to IBOR reform	74 474	46 808	7 645	16	2

* *These balances represent the notional amount directly impacted by the IBOR reform.*

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the group of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, be it a 1 bps shock or a full-stress shock, which is monitored relative to the total risk limits, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and comprises a sustained, instantaneous parallel downward and upward shock of 200 bps to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

The following table:

- highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total group capital

	2022	2021
Downward 200 bps	**3.49**	3.20
Upward 200 bps	**(3.11)**	(2.90)

37 FINANCIAL AND INSURANCE RISKS continued

37.4.2 Structural foreign exchange risk

Objective

The group is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural foreign exchange risk from the translation of its foreign operations' results into rand.

Group Treasury is responsible for oversight of structural foreign exchange risk and produces reports that are submitted to group ALCCO, a subcommittee of the RCCC. It is also responsible for reporting on and the management of the group's foreign exchange exposure and macroprudential limit utilisation.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by in-country macroprudential and regulatory limits. In the group, additional board limits and management risk appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of the market risk reporting process (see *Traded market risk* section).

Structural foreign exchange risk impacts the current NAV of the group as well as future profitability and earnings potential. Economic hedging is undertaken where viable, given market constraints and within risk appetite levels.

The following table provides an overview of the group's exposure to entities with functional currencies other than the rand, and the pre-tax impact on equity of a 15% change in the exchange rate between the rand and the relevant functional foreign currencies. There were no significant structural hedging strategies employed by the group in the current financial year.

37 FINANCIAL AND INSURANCE RISKS continued

Net structural foreign exposures

	2022		2021	
R million	**Carrying value of net investment**	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
Functional currency				
Botswana pula	**4 951**	**743**	5 632	845
US dollar	**10 592**	**1 589**	9 232	1 385
Sterling	**34 186**	**5 128**	26 390	3 958
Nigerian naira	**2 433**	**365**	2 010	301
Australian dollar	**-**	**-**	25	4
Zambian kwacha	**1 324**	**199**	502	75
Mozambican metical	**670**	**101**	439	66
Indian rupee	**838**	**126**	742	111
Ghanaian cedi	**1 126**	**169**	1 266	190
Tanzanian shilling	**(139)**	**(21)**	318	48
Common Monetary Area (CMA) countries*	**7 539**	**1 131**	7 220	1 083
Total	**63 520**	**9 530**	53 776	8 066

* *Currently Namibia, Eswatini and Lesotho are part of the Common Monetary Area. Unless these countries decide to exit the Common Monetary Area, rand volatility will not impact these countries' rand reporting values.*

37 FINANCIAL AND INSURANCE RISKS continued

37.5 Equity investment risk

Assessment and management

The equity investment risk portfolio is managed through a rigorous evaluation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place, which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed.

The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process, and including the carrying value of investments in associates and joint ventures.

Investment risk exposure and sensitivity of investment risk

R million	**2022**	2021
Listed investment risk exposure included in the equity investment risk ETL process	**4**	4
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**215**	194

37 FINANCIAL AND INSURANCE RISKS continued

37.6 Insurance risk

Long-term insurance products

Overview and governance

The risk arises from the group's long-term insurance operations, underwritten through its subsidiary, FirstRand Life Assurance Limited (FirstRand Life).

FirstRand Life currently underwrites a range of insurance products such as life, disability, funeral, credit life (against FNB credit products) and annuity policies. These policies are all originated through the FNB business. FirstRand Life also writes linked-investment policies. There is, however, no insurance risk associated with these policies as these policies do not have guaranteed benefits.

FirstRand Life is exposed to insurance risk from the policies underwritten as indicated in the following table.

<table>
<tr><td rowspan="11">Catastrophe risk</td><td rowspan="11">Lapse risk</td><th>Portfolio</th><th>Description</th><th>Core product type</th><th>Risk</th></tr>
<tr><td rowspan="10">Retail protect products</td><td rowspan="10">Simple, non-underwritten products that are sold in the open market and are subject to simple sales processes.</td><td>Funeral policies</td><td>Mortality</td></tr>
<tr><td colspan="2">Benefit paid upon death of life assured</td></tr>
<tr><td>Health cash plans</td><td>Hospitalisation</td></tr>
<tr><td colspan="2">Benefit paid per day the policyholder is hospitalised</td></tr>
<tr><td>Accidental death plans</td><td>Mortality</td></tr>
<tr><td colspan="2">Benefit paid upon death of policyholder</td></tr>
<tr><td>Lifestyle protection plans</td><td>Morbidity</td></tr>
<tr><td colspan="2">Benefit paid upon death or disability</td></tr>
<tr><td>PayProtect policies</td><td>Morbidity and retrenchment</td></tr>
<tr><td colspan="2">Benefit paid upon disability or retrenchment</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

<table>
<tr><th rowspan="4">Catastrophe risk</th><th rowspan="4">Lapse risk</th><th>Portfolio</th><th>Description</th><th>Core product type</th><th>Risk</th></tr>
<tr><td>Underwritten life products</td><td>The underwritten life portfolio comprises Life Simplified and Life Customised. Life Simplified provides death cover up to R1 million after limited underwriting. Life Customised policies provide for more complex needs with cover amounts up to R100 million, R50 million and R5 million on death, disability and critical illness cover respectively.</td><td>Life cover combined with disability and critical illness.</td><td>○ Mortality
○ Morbidity</td></tr>
<tr><td>Credit life</td><td>Products that are sold in conjunction with FNB's credit products. The current offering includes credit cover across credit products within FNB – which include personal loans (compulsory), home loans (compulsory), housing financing, credit cards, overdrafts and revolving loans (voluntary).</td><td>Credit life policies</td><td>○ Mortality
○ Morbidity
○ Retrenchment</td></tr>
<tr><td>Business life products</td><td>Products to business customers.</td><td>○ Key person policies
○ Grouped funeral policies
○ Business credit protect
○ Simplified group schemes
○ Personal health insurance</td><td>○ Mortality
○ Morbidity</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISKS continued

As a result of these insurance risk exposures, the group is exposed to catastrophe risk stemming from the possibility of an extreme event linked to any of the above.

For all of the above, the risk is that the decrement rates (e.g. mortality rates and morbidity rates) and associated cash flows are different from those assumed when pricing or reserving. Mortality, morbidity and retrenchment risk can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Policies underwritten by FirstRand Life are available through all of FNB's distribution channels. Some of these channels introduce the possibility of anti-selection, which also impacts the level of insurance risk.

These policies also expose FirstRand Life to lapse risk, which is the risk of the loss of future profits and expenses risks. These risks are classified as business risks but are included in this section as they result from insurance products.

The overall responsibility for risk management resides with the board. The board committees of FirstRand Insurance Holdings include an audit and risk committee, which provides oversight over risk management, and the assets, liability and capital committee (ALCCO), which is responsible for:

- providing oversight of the product suite;
- approving new products;
- financial resource management; and
- governance and challenging input models and results of pricing valuations.

These committees are supported by management committees.

Risk management

Ensuring that insurance risk is understood and priced correctly is an important component of managing insurance risk.

37 FINANCIAL AND INSURANCE RISKS continued

This is achieved through:

- Rigorous and proactive risk management processes that ensure sound product design and accurate pricing which include:
  - independent model validation;
  - challenging assumptions, methodologies and results;
  - debating and challenging design, relevance, target market and market competitiveness, and treating customers fairly;
  - identifying potential risks;
  - monitoring business mix and risk of new business; and
  - thoroughly reviewing policy terms and conditions.
- Underwritten life policies. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where specific channels introduce the risk of anti-selection, mix of business by channel is monitored. On non-underwritten products insurance risk can be controlled through lead selection for outbound sales.
- The design of appropriate reinsurance structures is an important component of the pricing and product design to keep risk exposure within appetite.

The assessment and management of insurance risk of the in-force book use the following methodologies:

- Monitoring and reporting of claims experience by considering incidence rates, claims ratios and business mix.
- The actuarial valuation process involves the long-term projection of in-force policies and the setting up of insurance liabilities. This gives insight into the longer-term evolution of the risks on the portfolio. Adequate reserves are set for future and current claims and expenses.
- Experience investigations are performed annually to understand the actual experience compared to the basis used in valuations and pricing. These investigations are signed off by the head of the actuarial function. Where required, changes are made to bases and product design.
- There are also reinsurance agreements in place to mitigate various insurance risks and manage catastrophe risk.
- Asset/liability management is performed to ensure that assets backing insurance liabilities are appropriate and liquid.
- Stress and scenario analyses are performed and provide insights into the risk profile and future capital position.

The management of insurance risk is governed by a suite of company policies and processes. Tools and systems are available in the business to assess and manage insurance risk.

An own risk and solvency assessment (ORSA) process is performed at least annually. ORSA is defined as the entirety of the processes and procedures employed to identify, assess, monitor, manage and report on short- and long-term risks that FirstRand Insurance Holdings faces or might face, and to determine the funds necessary to ensure that the overall solvency needs of FirstRand Life are met at all times and are sufficient to achieve its business strategy. An ORSA report is produced annually.

37 FINANCIAL AND INSURANCE RISKS continued

Detailed risk management per risk type:

Mortality risk is the risk that mortality rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- For underwritten products, underwriting is a key control.
- For non-underwritten products the mix of business by various factors is monitored and outbound sales leads are selected to influence the desired mix.
- Reinsurance is used to control exposure to large risks. The retention limits vary by portfolio.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Morbidity risk is the risk that morbidity rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Quota share reinsurance on underwritten products where there is limited data.
- Monitoring of trends in experience on credit life business.
- Validation and fraud checks are performed at claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Retrenchment risk is the risk that retrenchment rates and the associated cash flows are different from those assumed. The risk is managed as follows:

- Selection of retrenchment risk is controlled by FNB’s credit scoring or internal selection models.
- Additional margins are allowed in pricing assumptions to allow for potential cyclicality in experience.
- Regular monitoring of exposure by industry and employer and feedback into risk selection takes place.
- Validation and fraud checks are performed at the claim stage to ensure only valid claims in line with the terms and conditions of the policy are paid.

Catastrophe risk is the risk that stems from extreme or irregular events contingent on mortality, morbidity or retrenchment the effects of which are not expected.

The risk is managed by catastrophe reinsurance, limiting exposure to mortality and morbidity catastrophes. The entity is, however, not covered for pandemics. The limits are reviewed annually based on the composition of the book and risk appetite.

No cover is in place against retrenchment catastrophe as this is not available at a reasonable cost. Additional capital is held in economic capital to cover a retrenchment catastrophe scenario.

37 FINANCIAL AND INSURANCE RISKS continued

Lapse risk is the risk that lapse rates and the associated cash flows are different from those assumed, as well as the risk of a mass lapse in policies. The risk is managed as follows:

- Collection strategies are regularly reviewed to ensure they are optimal.
- Changes to product lapse rules are made where more lenient lapse rules can benefit both the customer and FirstRand Life.

Expenses risk is the risk that expenses and/or expense inflation is different from that assumed in pricing and valuations. The group has a rigorous budgeting process in place to manage the risk.

Concentration risk

The majority of the portfolio consists of funeral and credit life policies sold to retail customers. There is, therefore, no significant concentration risk, but the mix of portfolios according to various factors impacting different risk types is frequently monitored. Large policies in the underwritten portfolio are reinsured to avoid single large exposures to lives. Catastrophe reinsurance is in place to provide cover against many lives being lost in a single event (excluding pandemics).

The following table demonstrates the concentration risk across insurance products for sums assured at risk before and after reinsurance.

Retail sums assured at risk	Before reinsurance						
	Mortality risk		Morbidity risk		Retrenchment risk		Total
	R million	%	R million	%	R million	%	
2022							
1 – 499 999	**183 098**	**44**	**61 128**	**57**	**18 044**	**100**	**262 270**
500 000 – 999 999	**63 331**	**15**	**17 155**	**16**	**77**	**-**	**80 563**
1 000 000 – 1 999 999	**131 739**	**31**	**7 790**	**7**	**17**	-	**139 546**
2 000 000 and above	**43 036**	**10**	**21 846**	**20**	-	-	**64 882**
Total	**421 204**	**100**	**107 919**	**100**	**18 138**	**100**	**547 261**
2021							
1 – 499 999	173 568	45	59 151	69	17 712	99	250 431
500 000 – 999 999	63 540	16	15 969	19	104	1	79 613
1 000 000 – 1 999 999	119 579	31	6 128	7	20	-	125 727
2 000 000 and above	29 103	8	4 474	5	-	-	33 577
Total	385 790	100	85 722	100	17 836	100	489 348

37 FINANCIAL AND INSURANCE RISKS continued

Retail sums assured at risk	After reinsurance						
	Mortality risk		Morbidity risk		Retrenchment risk		Total
	R million	%	R million	%	R million	%	
2022							
1 – 499 999	**158 386**	**54**	**53 989**	**64**	**15 345**	**100**	**227 720**
500 000 – 999 999	**46 887**	**16**	**12 323**	**15**	**16**	**-**	**59 226**
1 000 000 – 1 999 999	**78 885**	**27**	**2 186**	**3**	**3**	**-**	**81 074**
2 000 000 and above	**9 376**	**3**	**15 479**	**18**	**-**	**-**	**24 855**
Total	**293 534**	**100**	**83 977**	**100**	**15 364**	**100**	**392 875**
2021							
1 – 499 999	143 966	53	49 041	78	14 236	100	207 243
500 000 – 999 999	48 496	18	11 597	19	33	-	60 126
1 000 000 – 1 999 999	72 642	27	1 497	2	4	-	74 143
2 000 000 and above	6 193	2	442	1	-	-	6 635
Total	271 297	100	62 577	100	14 273	100	348 147

Assessment and management

The assessment and management of insurance risk is influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated, as well as the subsequent impact thereof on estimated long-term claims.

The group manages the insurance risk of its policies through monitoring incidence rates, claims ratios and business mix, as policies are not underwritten and pricing is flat. Any other risk policies sold to a different target market are underwritten. This allows underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where various channels introduce the risk of anti-selection, mix of business by channel is monitored. There is also a reinsurance agreement in place to manage catastrophe risk.

Insurance risk mitigation

The risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The group purchases reinsurance as part of its risk mitigation programme. The reinsurance agreements spread the risk of loss and minimise the effect of losses. The risk retention levels depend on the evaluation of specific risk, subject to certain circumstances, to maximum limits based on the characteristics of coverage. For life insurance products reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota share reinsurance, which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with outstanding claims.

37 FINANCIAL AND INSURANCE RISKS continued

Liability before zerorisation

R million	2022	2021
Liability at the beginning of the year	**(2 025)**	(1 408)
Data and methodology changes	**18**	32
Final liability at the beginning of the year	**(2 007)**	(1 376)
Current period projection relating to in-force policies	**(1 984)**	(1 889)
Experience variance	**(106)**	(421)
Actual in-force liability at the end of the year	**(2 090)**	(2 310)
New business and reinstatements	**(1 065)**	(1 015)
Basis changes	**939**	1 300
- Economic basis	**186**	215
- Mortality basis	**92**	(332)
- Lapse basis	**(29)**	(102)
- Retrenchment basis*	**-**	155
- Critical illness basis	**17**	
- Disability basis	**(83)**	(7)
- New hospital cash basis	**(80)**	(1)
- Expense basis	**836**	19
- Covid-19 adjustments	**-**	1 353
Final liability at the end of the year	**(2 216)**	(2 025)

* *Line has been disaggregated to show retrenchment basis separately, this does not impact the total amount disclosed.*

Sensitivities

An analysis was performed in the current year for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on the liabilities.

R million	2022	2021
Base reserves	**(2 216)**	(2 025)
Sensitivity to interest rate changes		
- Interest rate decreased by 1%	**(2 031)**	(1 949)
Sensitivity to other changes in assumptions		
- Expenses down by 10%	**(2 605)**	(2 227)
- Lapses down by 10%	**(2 280)**	(2 152)
- Mortality and morbidity down by 5%	**(2 573)**	(2 395)

37 FINANCIAL AND INSURANCE RISKS continued

The table below sets out what the IBNR liability would be if the key inputs were changed as set out below:

IBNR sensitivities

R million	2022	2021
Gross IBNR	**609**	880
Reinsurance asset	**(105)**	(205)
Net IBNR	**504**	675
Gross IBNR with sensitivity*	**667**	960
Reinsurance asset with sensitivity*	**(115)**	(221)
Net IBNR with sensitivity	**552**	739

* *Sensitivities added to the IBNR reserve were:*

- 7.5% (2021:7.5%) on mortality

- 10% (2021:10%) on morbidity

- 15% (2021:15%) on retrenchment

- 15% (2021:10%) on health

Short-term insurance products

The risk arises from the group's short-term insurance operations.

The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The methodology driving the provisions for these contracts is reviewed at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is assessed by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

The short-term insurance products offered by the group include:

- Liability – provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- Motor – provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third-party liabilities.
- Personal accident – provides compensation arising from a death or disability directly caused by an accident occurring anywhere in the world, provided that the death or disability occurs within 12 months of this injury.
- Property – provides indemnity relating to movable and immovable property caused by perils such as fire, explosions, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

37 FINANCIAL AND INSURANCE RISKS continued

37.7 Capital management

The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The group continues to focus on the quality and mix of capital, as well as optimisation of the group's RWA. The group's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved internal targets are CET1 of 11.0% – 12.0%; Tier 1 of >12.0% and total capital of >14.25%.

The following diagram defines the main components of qualifying capital and reserves.

Total qualifying capital and reserves

=

Tier 1 capital

CET1 capital

- Share capital and premium
- Retained earnings (appropriated)
- Accumulated other comprehensive income
- Non-controlling interests
- Less: specified regulatory deductions

+

AT1 capital

- Additional Tier 1 capital instruments
- Instruments issued out of consolidated subsidiaries to third parties.
- Less: specified regulatory deductions

+

Tier 2 capital

- Subordinated debt instruments
- General provisions under the standardised approach
- Provisions in excess of expected losses under the AIRB approach
- Instruments issued out of consolidated subsidiaries to third parties
- Less: specified regulatory deductions

37 FINANCIAL AND INSURANCE RISKS continued

Capital adequacy for the group's regulated subsidiaries and foreign branches

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

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet in-country regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends or return of profits.

Capital management for insurance entities

Capital for insurance entities is calculated on a regulatory basis in line with Insurance Act No.18 of 2017 and regulations, as well as on an economic basis. Capital is risk sensitive and is also used to understand the exposure to insurance risk. The insurance group's ORSA assesses the impact of various stresses on the solvency position of the insurance entities and informs the capital targets. Target levels for capital coverage are specified in the insurance risk appetite statement and have been met during the year under review. Insurance entities remain appropriately capitalised.

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES

Note 11 (Advances)

Voluntary changes to the classes previously reported at 30 June 2021

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	225 666	-	225 666
WesBank VAF	100 102	-	100 102
Total retail secured	325 768	-	325 768
FNB card	31 249	-	31 249
Personal loans	39 709	-	39 709
Retail other	15 712	-	15 712
Total retail unsecured	86 670	-	86 670
Temporary stress scenario	-	-	-
Total retail secured and unsecured	412 438	-	412 438
FNB commercial*	111 121	(14 029)	97 092
- Amortised cost	111 030	(14 029)	97 001
- Fair value	91	-	91
- Temporary stress scenario	-	-	-
WesBank corporate*	26 986	14 029	41 015
RMB corporate and investment banking	343 308	-	343 308
Total corporate and commercial	481 415	-	481 415
Broader Africa	60 353	-	60 353
Centre (including Group Treasury)	36 230	-	36 230
UK operations	283 616	-	283 616
Retail	221 188	-	221 188
Commercial	62 428	-	62 428
Total advances at 30 June 2021	1 274 052	-	1 274 052

* *The group reclassified advances between classes and elected to voluntarily restate its comparative information both in Note 11 (Advances), Note 12 (Impairments) and Note 37 (Financial Risks).*

Loss allowance		
As previously reported	Movement	Updated amount
4 304	-	4 304
5 850	-	5 850
10 154	-	10 154
4 683	-	4 683
8 630	-	8 630
3 119	-	3 119
16 432	-	16 432
335	-	335
26 921	-	26 921
6 310	(401)	5 909
6 162	(401)	5 761
-	-	-
148	-	148
555	401	956
7 405	-	7 405
14 270	-	14 270
3 901	-	3 901
623	-	623
4 903	-	4 903
3 571	-	3 571
1 332	-	1 332
50 618	-	50 618

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 11 (Advances)

Analysis of advances per class (gross advances and loss allowances)

R million	Gross advances			Loss allowance		
	As previously reported	Movement	Presented in note 11	As previously reported	Movement	Presented in note 11
	Stage 1					
FNB commercial*	94 617	(11 387)	83 230	1 033	(89)	944
WesBank corporate	24 174	11 387	35 561	108	89	197
	Stage 2					
FNB commercial	10 126	(2 062)	8 064	1 524	(86)	1 438
WesBank corporate	1 998	2 062	4 060	122	86	208
	Stage 3					
FNB commercial	6 378	(580)	5 798	3 605	(226)	3 379
WesBank corporate	814	580	1 394	325	226	551

* *The restated amount for stage 1 consists of amortised cost advances of R83 139 million and fair value advances of R91 million. It excludes the temporary stress scenario.*

Note 12 (impairment)

Reconciliation of the ECL on advances per class – amortised cost

R million	FNB commercial			WesBank corporate		
	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
Reported as at 1 July 2020	6 028	(322)	5 706	506	322	828
— Stage 1	1 394	(104)	1 290	114	104	218
— Stage 2	1 339	(48)	1 291	111	48	159
— Stage 3	3 295	(170)	3 125	281	170	451
Acquisition/(disposal) of advances	-	-	-	1	-	1
Transfers from/(to) other divisions	-	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(1 686)	71	(1 615)	(84)	(71)	(155)
Current period provision created/(released)	1 820	(150)	1 670	132	150	282
— Stage 1	(947)	20	(927)	(18)	(20)	(38)
— Stage 2	1 003	(42)	961	27	42	69
— Stage 3	1 764	(128)	1 636	123	128	251
Amount as at 30 June 2021	6 162	(401)	5 761	555	401	956
— Stage 1	1 033	(89)	944	108	89	197
— Stage 2	1 524	(86)	1 438	122	86	208
— Stage 3	3 605	(226)	3 379	325	226	551

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk)

Credit assets

R million	Previously reported	Adjustment	Restated
On-balance sheet exposures			
Cash and short-term funds	124 503	-	124 503
- Money at call and short notice	67 410	-	67 410
- Balances with central banks	57 093	-	57 093
Gross advances	1 274 052	-	1 274 052
- Retail secured	325 768	-	325 768
- Residential mortgages	225 666	-	225 666
- WesBank VAF	100 102	-	100 102
- Retail unsecured	86 670	-	86 670
- FNB card	31 249	-	31 249
- Personal loans	39 709	-	39 709
- Retail other	15 712	-	15 712
- Corporate and commercial	481 415	-	481 415
- FNB commercial	111 121	(14 029)	97 092
- WesBank corporate	26 986	14 029	41 015
- RMB corporate and investment banking	343 308	-	343 308
- Broader Africa	60 353	-	60 353
- Group Treasury and other	36 230	-	36 230
- UK operations	283 616	-	283 616
- Retail	221 188	-	221 188
- Commercial	62 428	-	62 428
Derivatives*	66 461	-	66 461
Debt investment securities (excluding non-recourse investments)	346 081	-	346 081
Financial accounts receivable included in other assets	5 945	-	5 945
Reinsurance assets	387	-	387
Off-balance sheet exposures	232 129	-	232 129
Total contingencies	60 002	-	60 002
- Guarantees	49 943	-	49 943
- Letters of credit	10 059	-	10 059
Irrevocable commitments	166 397	-	166 397
Credit derivatives.	5 730	-	5 730
Total	2 049 558	-	2 049 558

* *Derivatives was previously reflected as R82 728 million. Refer to Accounting Policy note 10.1 for details.*

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk continued)

Quality of credit assets

	FNB commercial					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
FR 1-25						
On balance sheet	208	-	208	6	(1)	5
Off balance sheet	507	-	507	-	-	-
FR 26-90						
On balance sheet	93 673	(10 959)	82 714	6 728	(1 621)	5 107
Off balance sheet	17 293	-	17 293	199	-	199
FR 91-100						
On balance sheet	736	(428)	308	3 392	(441)	2 951
Off balance sheet	39	-	39	542	-	542

	WesBank corporate					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
FR 1-25						
On balance sheet	9 428	-	9 428	27	1	28
Off balance sheet	3 007	-	3 007	-	-	-
FR 26-90						
On balance sheet	14 435	10 959	25 394	1 532	1 621	3 153
Off balance sheet	-	-	-	-	-	-
FR 91-100						
On balance sheet	311	428	739	439	441	880
Off balance sheet	-	-	-	-	-	-

	FNB commercial					
	Stage 3			Purchase or originated credit impaired		
	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
	-	-	-	-	-	-
	-	-	-	-	-	-
	101	-	101	-	-	-
	6	-	6	-	-	-
	6 277	(580)	5 697	-	-	-
	151	-	151	-	-	-

	WesBank corporate					
	Stage 3			Purchase or originated credit impaired		
	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	814	580	1 394	-	-	-
	-	-	-	-	-	-

38 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 37 (Financial and insurance risk continued)

Credit risk mitigation and collateral held

	2021					
	FNB commercial			WesBank corporate		
R million	As previously reported	Movement	Presented in note 37	As previously reported	Movement	Presented in note 37
Gross carrying amount	111 121	(14 029)	97 092	26 986	14 029	41 015
Off-balance sheet exposure	18 737	-	18 737	3 007	-	3 007
Loss allowance	(6 162)	401	(5 761)	(555)	(401)	(956)
Maximum exposure to credit risk	123 696	(13 628)	110 068	29 438	13 628	43 066
Supported as follows:						
Netting and financial collateral	6 069	-	6 069	-	-	-
Secured	102 183	(13 628)	88 555	29 438	13 628	43 066
Unsecured	15 444	-	15 444	-	-	-

39 CHANGE IN PRESENTATION OF THE ADVANCES NOTE

The group has made voluntary made changes to the presentation of the reconciliations within *Note 11 -– Advances* and *Note 12 – Impairment on advances*. To allow the user to compare the restated comparatives provided in these notes with the information previously presented, the whole of note 11 and note 12 included in the 2021 annual financial statements have been included below.

	2021			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	221 362	225 666	-	(4 304)
WesBank VAF	94 252	100 102	-	(5 850)
Total retail secured	315 614	325 768	-	(10 154)
FNB card	26 566	31 249	-	(4 683)
Personal loans	31 079	39 709	-	(8 630)
Retail other	12 593	15 712	-	(3 119)
Total retail unsecured	70 238	86 670	-	(16 432)
Temporary stress scenario	(335)	-	-	(335)
Total retail secured and unsecured	385 517	412 438		(26 921)
FNB commercial	104 811	111 030	91	(6 310)
- FNB commercial excluding scheme	103 464	109 431	91	(6 058)
- Government-guaranteed loan scheme	1 495	1 599	-	(104)
- Temporary stress scenario	(148)	-	-	(148)
WesBank corporate	26 431	26 986	-	(555)
RMB corporate and investment banking	335 903	248 091	95 217	(7 405)
Total corporate and commercial	467 145	386 107	95 308	(14 270)
Broader Africa	56 452	60 133	220	(3 901)
Centre (including Group Treasury)	35 607	35 428	802	(623)
UK operations	278 713	283 616	-	(4 903)
- Retail*	217 617	221 188	-	(3 571)
- Commercial	61 096	62 428	-	(1 332)
Total advances	1 223 434	1 177 722	96 330	(50 618)

* *Includes total MotoNovo of R76 346 million (£3 871 million).*

39 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

39.1 Reconciliation of the gross advances and loss allowance on total advances continued

	2021			
	Gross advances			
R million	Total	Stage 1	Stage 2	Stage 3
Amortised cost	1 240 659	1 065 670	117 896	56 192
Fair value	70 436	65 843	4 405	61
Amount as at 1 July 2021	1 311 095	1 131 513	122 301	56 253
Current year movement in the back book				
Stage 1	(234 515)	(189 737)	(43 148)	(1 630)
Transfer from stage 2 to stage 1	-	43 148	(43 148)	-
Transfer from stage 3 to stage 1	-	1 630	-	(1 630)
Current year change in exposure and net movement on GCA and ECL provided/(released)	(234 515)	(234 515)	-	-
Stage 2	(28 376)	(54 903)	29 565	(3 038)
Transfer from stage 1 to stage 2	-	(54 903)	54 903	-
Transfer from stage 3 to stage 2	-	-	3 038	(3 038)
Current year change in exposure and net movement on GCA and ECL provided/(released)	(28 376)	-	(28 376)	-
- Exposures with a change in measurement basis from 12 months to lifetime ECL	(12 247)	-	(12 247)	-
- Other changes in stage 2 exposures and ECL	(16 129)	-	(16 129)	-
Stage 3	(5 700)	(16 109)	(13 045)	23 454
Transfer from stage 1 to stage 3	-	(16 109)	-	16 109
Transfer from stage 2 to stage 3	-	-	(13 045)	13 045
Current year change in exposure and net movement on GCA and ECL provided/(released)	(5 700)	-	-	(5 700)
Purchased or originated credit-impaired	(221)	-	-	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(221)	-	-	-
New business	287 987	266 837	17 959	3 100
Current year change in exposure and net movement on GCA and ECL provided/(released)	287 987	266 837	17 959	3 100
Other movements applicable to new business and back book	(56 218)	(34 341)	(3 545)	(18 332)
Acquisition/(disposal) of advances	(3 107)	(3 074)	(11)	(22)
Transfers (to)/from non-current assets or disposal groups held for sale	429	365	80	(16)
Modifications that did not give rise to derecognition	(642)	(19)	(76)	(547)
Exchange rate differences	(36 701)	(31 613)	(3 538)	(1 550)
Bad debts written off	(16 197)	-	-	(16 197)
Temporary stress scenario	-	(1 311)	1 311	-
Amount as at 30 June 2021	1 274 052	1 101 949	111 398	59 807
Amortised cost	1 177 722	1 009 147	108 055	59 704
Fair value	96 330	92 802	3 343	103

The total amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R14 921 million.

2021					
Loss allowance					
Purchased or originated credit-impaired	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
10 943	48 447	10 943	12 961	24 543	-
392	933	392	411	10	120
11 335	49 380	11 335	13 372	24 553	120
(1 199)	(4 140)	(1 199)	(2 591)	(350)	-
2 591	-	2 591	(2 591)	-	-
350	-	350	-	(350)	-
(4 140)	(4 140)	(4 140)	-	-	-
(903)	2 434	(903)	3 828	(491)	-
(903)	-	(903)	903	-	-
-	-	-	491	(491)	-
-	2 434	-	2 434	-	-
-	64	-	64	-	-
-	2 370	-	2 370	-	-
(1 042)	15 188	(1 042)	(3 119)	19 349	-
(1 042)	-	(1 042)	-	1 042	-
-	-	-	(3 119)	3 119	-
-	15 188	-	-	15 188	-
-	49	-	-	-	49
-	49	-	-	-	49
2 321	4 800	2 321	1 287	1 189	3
2 321	4 800	2 321	1 287	1 189	3
(314)	(17 576)	(314)	(272)	(16 990)	-
(26)	(44)	(26)	(4)	(14)	-
10	(44)	10	(1)	(53)	-
-	-	-	-	-	-
(298)	(1 291)	(298)	(267)	(726)	-
-	(16 197)	-	-	(16 197)	-
254	483	253	186	44	-
10 452	50 618	10 451	12 691	27 304	172
10 184	49 612	10 183	12 054	27 285	90
268	1 006	268	637	19	82

39 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

39.1 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021

Pandemic-related risk cuts resulted in a slowdown in asset origination, but improved the overall risk profile of the group. Advances growth was impacted by potential new business not concluded where returns did not compensate for increased risk and specifically in corporate, not meeting the group's hurdle rates. Whilst elevated risk remains in specific industries, general consumer and business income continues to recover, with certain industries reflecting positive economic activity and recovery. The group continues to follow a targeted approach to origination, with data analytics providing improved insights into customer income sources and industry sectors. Credit risk appetite refinements continue to be made accordingly in order to support responsible growth.

FNB SA advances increased marginally with 1% growth in residential mortgages offset by a 2% decline in unsecured advances, specifically the personal loans portfolio, excluding the Covid-19 relief portfolio. This was primarily due to the cautious underwriting approach maintained through most of the financial year. The personal loans book run-down outpaced the more cautious origination approach given the backdrop of unemployment and income uncertainty. In the direct marketing channel, lower response rates also contributed to the decline. Card advances grew 3%, as consumer card spending recovered. Retail other contracted due to lower overdrafts.

WesBank vehicle asset finance (VAF) was down 4% as the rate at which the book ran down (including higher levels of write-offs related to Covid-19 arrears) exceeded new business inflows.

FNB commercial advances grew 2%, excluding the government's loan guarantee scheme for SMEs, which reflect strain in the economy and lower risk appetite. There was generally low demand for working capital and a switch to the SME government-guaranteed scheme, which grew R1.3 billion.

RMB's corporate and investment banking advances declined 2% year-on-year. This reflects the stabilisation of clients' liquidity needs during the current financial year following significant Covid-19 related support provided to clients after the first lockdown in March 2020. In addition, large settlements were received from various local and cross-border exposures during the year and the rand appreciated 18% against the dollar, contributing to the RMB corporate and investment banking cross-border advances book declining. RMB continued its deliberate cautious approach to new origination, in part reflecting slow structural economic recovery from the pandemic, the ongoing pressure in sectors of the economy hardest hit by the pandemic and the ongoing focus on protecting the return profile from new business origination given significant market-driven margin pressure experienced.

Broader Africa advances contracted 9%, impacted by the devaluation of local currencies, continued low risk appetite and higher write-offs.

Advances grew 1% in UK operations (7% contraction in rand terms).

39 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

39.1 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021 continued

The table below provides a breakdown of the movement in the gross carrying amount of advances across the group's classes and the resulting impact on the ECL provisions. The ECL charge for the period is further analysed into the key drivers of the movement in note 12.2.3. The comparative period information has not been updated in line with the information presented below. As IFRS 9 is refined and embedded in the group's reporting process, changes and additional disclosure are included.

R million	Total change in GCA	% change in GCA	Total change in ECL	% change in ECL	GCA related to new business	ECL related to new business
Residential mortgages	1 262	1	(388)	10	31 889	(116)
WesBank VAF	(3 912)	(4)	11	-	35 344	(943)
Total retail secured	(2 650)	(3)	(377)	10	67 233	(1 059)
FNB card	1 039	3	(482)	11	2 443	(148)
Personal loans	(2 165)	(5)	67	(1)	15 485	(1 448)
Retail other	(1 020)	(6)	20	(1)	1 757	(150)
Total retail unsecured	(2 146)	(2)	(395)	2	19 685	(1 746)
Temporary stress scenario	-	-	(335)	-	-	-
Total retail secured and unsecured	(4 796)	(1)	(1 107)	4	86 918	(2 805)
FNB commercial	3 205	3	(282)	5	22 151	(364)
- FNB commercial excluding scheme	1 951	2	(78)	1	21 211	(307)
- Government-guaranteed loan scheme	1 254	>100	(56)	>100	940	(57)
Temporary stress scenario	-	-	(148)	-	-	-
WesBank corporate	(128)	-	(49)	10	5 359	(78)
RMB corporate and investment banking	(6 007)	(2)	(900)	14	74 541	(471)
Total corporate and commercial	(2 930)	(1)	(1 231)	9	102 051	(913)
Broader Africa	(6 027)	(9)	732	(16)	13 647	(284)
Centre (including Group Treasury)	(660)	(2)	276	(31)	1 096	(91)
UK operations	(22 630)	(7)	92	(2)	84 275	(707)
- Retail	(13 341)	(6)	(118)	3	62 317	(570)
- Commercial	(9 289)	(13)	210	(14)	21 958	(137)
Total advances	(37 043)	(3)	(1 238)	3	287 987	(4 800)

Included in the gross carrying amount are advances of R2 413 million for which no ECL is raised due to over-collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking.

39 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

39.2 Analysis of the gross advances and loss allowance on total advances per class

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
Residential mortgages	225 666	196 375	15 935	13 356	-
WesBank VAF	100 102	77 514	12 677	9 911	-
Total retail secured	325 768	273 889	28 612	23 267	-
FNB card	31 249	24 553	2 662	4 034	-
Personal loans	39 709	25 176	6 987	7 546	-
Retail other	15 712	11 680	1 540	2 492	-
Total retail unsecured	86 670	61 409	11 189	14 072	-
Temporary stress scenario	-	(1 212)	1 212	-	-
Total retail secured and unsecured	412 438	334 086	41 013	37 339	-
Total FNB commercial	111 121	94 518	10 225	6 378	-
- FNB commercial	111 121	94 617	10 126	6 378	-
-Temporary stress scenario	-	(99)	99	-	-
WesBank corporate	26 986	24 174	1 998	814	-
RMB corporate and investment banking	343 308	311 340	28 289	2 781	898
Total corporate and commercial	481 415	430 032	40 512	9 973	898
Broader Africa	60 353	49 976	6 850	3 527	-
Centre (including Group Treasury)	36 230	36 179	51	-	-
UK operations	283 616	251 676	22 972	8 968	-
Retail	221 188	198 513	15 803	6 872	-
Commercial	62 428	53 163	7 169	2 096	-
Total advances	1 274 052	1 101 949	111 398	59 807	898

2021				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchase or originated credit impairment
4 304	646	841	2 817	-
5 850	743	1 081	4 026	-
10 154	1 389	1 922	6 843	-
4 683	861	654	3 168	-
8 630	1 611	1 722	5 297	-
3 119	718	575	1 826	-
16 432	3 190	2 951	10 291	-
335	131	160	44	-
26 921	4 710	5 033	17 178	-
6 310	1 157	1 548	3 605	-
6 162	1 033	1 524	3 605	-
148	124	24	-	-
555	108	122	325	-
7 405	1 800	3 915	1 518	172
14 270	3 065	5 585	5 448	172
3 901	992	941	1 968	-
623	464	159	-	-
4 903	1 220	973	2 710	-
3 571	805	685	2 081	-
1 332	415	288	629	-
50 618	10 451	12 691	27 304	172

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IFRS 3	**Reference to the Conceptual Framework – amendment to IFRS 3** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period. The insurance contract liability is initially made up of: ➢ fulfilment cash flows, which represent the risk-adjusted present value of the entity’s rights and obligations to the policyholders; and ➢ the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). The group continues its implementation project on IFRS 17, including the	Annual periods commencing on or after 1 January 2023

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	integration of purchased IFRS 17 specific software. As part of the project of transitioning to IFRS 17, the group will use a mix of all transitional approaches allowed under IFRS 17. The impact of IFRS 17 on opening retained earnings will only be reliably determinable once the implementation project progresses further.	
IAS 16	**Property, plant and equipment: Proceeds before intended use – amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – Cost of fulfilling a contract - amendment to IAS 37** The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: ➢ The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ➢ Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. ➢ The amendments clarify the situations that are considered settlement of a liability.	Annual periods commencing on or after 1 January 2023

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	The group presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The group does not expect this amendment to have a significant impact on the annual financial statements.	
IAS 1	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help preparers provide useful accounting policy disclosures. The key amendments to IAS 1 include: ➢ requiring companies to disclose their material accounting policies rather than their significant accounting policies; ➢ clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ➢ clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

40 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Annual improvements **2018 - 2020**	Improvements to IFRS IFRS 9 Financial Instruments. Fees in the “10 per cent” test for derecognition of financial liabilities: ➢ The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39. ➢ An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. Lease incentives: ➢ The amendment removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendments are not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

41 EVENTS AFTER REPORTING PERIOD

The disposal of non-current assets held for sale in FNB Tanzania was completed on 7 July 2022 (refer to Note 14).

On 8 July 2022, FirstRand offered to acquire the non-cumulative non-redeemable B preference shares (preference shares) at par value from the preference shareholders. This will result in a change in the classification of these preference shares from equity to liabilities in the 2023 financial year. On 25 August 2022, preference and ordinary shareholders approved the repurchase of FirstRand's preference shares at par. The realisation of RMB's private equity investment in Studio 88 is expected to close during October 2022.

Financial statements for the year ended 30 June 2022

FirstRand Limited

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2022	2021
Revenue	2	**24 325**	8 018
Net interest income/(expense)	3	**15**	7
Interest and similar income	3	**15**	7
Income from operations		**24 340**	8 025
Operating expenses	4	**(197)**	(202)
Income before indirect tax		**24 143**	7 823
Indirect tax	5.1	**(9)**	(6)
Income before income tax		**24 134**	7 817
Income tax expense	5.2	**(437)**	(2)
Profit for the year		**23 697**	7 815
Other comprehensive income		**-**	-
Total comprehensive income for the year		**23 697**	7 815
Attributable to			
Ordinary equityholders		**23 452**	7 563
NCNR preference shareholders		**245**	252
Total comprehensive income for the year		**23 697**	7 815

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2022	2021
ASSETS			
Cash and cash equivalents	7	**217**	611
Other assets	8	**194**	294
Current tax asset		**-**	16
Investments in subsidiaries	9	**80 275**	73 502
Total assets		**80 686**	74 423
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**174**	452
Current tax liability		**413**	-
Amounts owing to subsidiaries	9	**8**	-
Employee liabilities	11	**198**	140
Total liabilities		**793**	592
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**67 262**	61 200
Capital and reserves attributable to ordinary equityholders		**75 374**	69 312
NCNR preference shares	12	**4 519**	4 519
Total equity		**79 893**	73 831
Total equity and liabilities		**80 686**	74 423

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

		Ordinary share capital and ordinary equityholders' funds		
R million	Notes	Share capital	Share premium	**Share capital and share premium**
Balance as at 1 July 2020		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2021		56	8 056	**8 112**
Ordinary dividends	13	-	-	**-**
Preference dividends	13	-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2022		56	8 056	**8 112**

	Ordinary share capital and ordinary equityholders' funds				
	Capital redemption reserve	Retained earnings	**Reserves attributable to ordinary equityholders**	**NCNR preference shares**	**Total equity**
	1	59 806	**59 807**	**4 519**	**72 438**
	-	(6 170)	**(6 170)**	**-**	**(6 170)**
	-	-	**-**	**(252)**	**(252)**
	-	7 563	**7 563**	**252**	**7 815**
	1	61 199	**61 200**	**4 519**	**73 831**
	-	(17 390)	**(17 390)**	**-**	**(17 390)**
	-	-	**-**	**(245)**	**(245)**
	-	23 452	**23 452**	**245**	**23 697**
	1	67 261	**67 262**	**4 519**	**79 893**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	**2022**	2021
Cash flows from operating activities			
Interest received		**15**	7
Other income		**-**	46
Other operating expenses		**(81)**	(83)
Dividends received		**24 428**	7 972
Dividends paid		**(17 635)**	(6 422)
Taxation paid		**(17)**	(51)
Cash generated from operating activities		**6 710**	1 469
Movement in operating assets and liabilities			
Other assets		**-**	1
Employee liabilities		**(53)**	(42)
Creditors and accruals		**(278)**	10
Net cash generated from operating activities		**6 379**	1 438
Cash flows from investing activities			
Additional investments in subsidiaries		**(6 773)**	(1 080)
Net cash outflow from investing activities		**(6 773)**	(1 080)
Cash flows from financing activities			
Net cash inflow from financing activities		**-**	-
Net (decrease)/increase in cash and cash equivalents		**(394)**	358
Cash and cash equivalents at the beginning of the year	7	**611**	253
Cash and cash equivalents at the end of the year	**7**	**217**	611

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable. Revenue within the company comprises fees from subsidiaries and dividend income from investments in subsidiaries.

The company recognises revenue from fees when the amount can be reliably measured and it is probable that future economic benefits will flow to the company from it.

Dividends are recognised when the company's right to receive payment is established.

1.2 Other accounting policies

The financial statements of FirstRand Limited Company are prepared according to the same accounting policies used in preparing the consolidated financial statements of the group, other than the accounting policies on consolidation, equity accounting and translation of foreign operations that are specific to group financial statements. For detailed accounting policies refer to page B34 and onwards in the 2022 annual financial statements. The financial statements are prepared on the going concern basis in accordance with IFRS.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Functional and presentation currency of the company	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The company has a policy of rounding up in increments of R500 000. Therefore, amounts less than R500 000 will round down to Rnil and are presented as a dash.

2 REVENUE

R million	2022	2021
Fee and commission income		
Incremental and directly attributable fee and commission expense	**(148)**	-
Recoveries from subsidiaries	**46**	46
Total fee and commission income	**(102)**	46
Fair value income		
Translation losses	**(1)**	-
Total fair value income	**(1)**	-
Gains less losses from investing activities		
Dividends received from subsidiaries – unlisted shares		
Ordinary dividends	**24 428**	7 972
Total gains less losses from investing activities	**24 428**	7 972
Total revenue	**24 325**	8 018

3 NET INTEREST INCOME/(EXPENSE)

R million	2022	2021
Interest and similar income		
Cash and cash equivalents	**15**	7
Interest and similar income	**15**	7

4 OPERATING EXPENSES

R million	Notes	2022	2021
Directors' fees		**(41)**	(37)
Direct staff costs		**(138)**	(105)
- Salaries, wages and allowances		**(53)**	(53)
- Share-based payment expense	11	**(84)**	(51)
- Social security levies		**(1)**	(1)
Professional fees		**(5)**	(6)
Corporate memberships		**(4)**	(2)
Other operating expenditure		**(9)**	(52)
Total operating expenses		**(197)**	(202)

5 INDIRECT AND INCOME TAX EXPENSE

R million	**2022**	2021
5.1 Indirect tax		
Value-added tax (net)	**(9)**	(6)
Total indirect tax	**(9)**	(6)
5.2 Income tax expense		
South African income tax		
Normal tax – current year	**(437)**	(2)
- Current tax	**(9)**	(2)
- Prior year adjustment	**(428)**	-
Total income tax expense	**(437)**	(2)

Tax rate reconciliation – South African normal tax

%	**2022**	2021
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividends received	**(28.3)**	(28.0)
Other	**2.1**	-
Effective rate of tax	**1.8**	-

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

The principal accounting policies from page B34 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned, and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

		2022		
R million	Notes	**Financial assets at amortised cost**	**Financial liabilities at amortised cost**	**Non-financial instruments**
ASSETS				
Cash and cash equivalents	7	**217**	**-**	**-**
Other assets	8	**-**	**-**	**194**
Current tax asset		**-**	**-**	**-**
Investment in subsidiaries	9	**-**	**-**	**80 275**
Total assets		**217**	**-**	**80 469**
LIABILITIES				
Creditors and accruals	10	**-**	**126**	**48**
Current tax liability		**-**	**-**	**413**
Amounts owing to subsidiaries	9	**-**	**8**	**-**
Employee liabilities	11	**-**	**-**	**198**
Total liabilities		**-**	**134**	**659**
		2021		
ASSETS				
Cash and cash equivalents	7	611	-	-
Other assets	8	-	-	294
Current tax asset		-	-	16
Investment in subsidiaries	9	-	-	73 502
Total assets		611	-	73 812
LIABILITIES				
Creditors and accruals	10	-	112	340
Current tax liability		-	-	-
Amounts owing to subsidiaries	9	-	-	-
Employee liabilities	11	-	-	140
Total liabilities		-	112	480

At the reporting date all other assets are considered to be neither past due nor impaired.
The carrying value of cash and cash equivalents, other assets, creditors and accruals approximates the fair value.

	2022		
	Total carrying value	**Current**	**Non-current**
	217	**217**	**-**
	194	**194**	**-**
	-	**-**	**-**
	80 275	**-**	**80 275**
	80 686	**411**	**80 275**
	174	**129**	**45**
	413	**413**	**-**
	8	**8**	**-**
	198	**63**	**135**
	793	**613**	**180**
	2021		
	611	611	-
	294	294	-
	16	16	-
	73 502	-	73 502
	74 423	921	73 502
	452	413	39
	-	-	-
	-	-	-
	140	62	78
	592	475	117

7 CASH AND CASH EQUIVALENTS

R million	2022	2021
Money at call and short notice	**217**	611
Cash and cash equivalents	**217**	611

8 OTHER ASSETS

R million	2022	2021
Standby liquidity facility	**149**	294
Accounts receivable	**45**	-
Total other assets	**194**	294

At the end of the previous year, the company provided the Bank of England with a financial guarantee to support the qualification of Aldermore Bank (a subsidiary of the group) for a collateral upgrade from the Bank of England. In order to manage the liquidity risk associated with providing this financial guarantee to the Bank of England, the company procured a standby liquidity facility from an international bank, in the unlikely event that the company were to be called up to honour the financial guarantee contract with the Bank of England and would require liquidity at short notice. The liquidity facility attracted a fee which has been capitalised to the balance sheet and will be released to the income statement over the period of the liquidity facility.

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	% voting rights	Nature of business	Shares at cost 2022 R million	Shares at cost 2021 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 675**	7 675
FirstRand Bank Limited			Banking		
Ordinary shares	**100**	100		**40 194**	40 194
FirstRand Investment Holdings Proprietary Limited			Other activities		
Ordinary shares	**100**	100		**4 038**	4 038
FirstRand Investment Management Holdings Limited			Investment management		
Ordinary shares	**100**	100		**399**	399
FirstRand Insurance Holdings Proprietary Limited			Insurance services		
Ordinary shares	**100**	100		**853**	713
FirstRand International Limited (FRI)			Banking		
Ordinary shares	**100**	100		**26 699**	20 066
Total				**79 858**	73 085
Investment through equity-settled share incentive scheme			Equity-settled share scheme	**417**	417
Total investments in subsidiaries				**80 275**	73 502
Amounts owing to subsidiaries				**8**	-

With the exception of FREMA and FRI, which offer financial services across Africa and the UK, the principal place of business for all of the company's subsidiaries is South Africa.

Increases in investments in subsidiaries

During the current financial year, the company acquired additional shares in its wholly owned subsidiaries FirstRand Insurance Holdings Propriety Limited and FRI. The cost of the additional investment amounted to R140 million and R6 633 million respectively.

10 CREDITORS AND ACCRUALS

R million	2022	2021
Unclaimed dividends	**113**	99
Accounts payable and accrued liabilities	**15**	307
Audit fee accrual	**7**	7
Financial guarantee liability*	**39**	39
Total creditors and accruals	**174**	452

* *The maximum exposure of the financial guarantee issued to the Bank of England amounts to R19 950 million (2021: R19 721 million) and FirstRand Short Term Insurance Limited R250 million (2021: nil). The full exposures are included in stage 1 ECL. Both guarantees are open-ended until such time as the company cancels the contract and as such the guarantees are long dated. The probability of the guarantees being called upon is considered low and has a credit rating of AA.*

11 EMPLOYEE LIABILITIES

R million	2022	2021
Liability for short-term employee benefits		
Opening balance	**65**	58
Additional provisions created	**27**	29
Utilised during the year	**(18)**	(22)
Total liability for short-term employee benefits	**74**	65
Share-based payment liability		
Opening balance	**75**	44
Share-based payment settlement (cash)	**(35)**	(20)
Charge to profit or loss	**84**	51
Total share-based payment liability	**124**	75
Total employee liabilities	**198**	140
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation rights scheme	**84**	51
Amount included in operating expenses	**84**	51

For a detailed description of share option schemes and trusts in which FirstRand Limited Company participates refer to note 32 of the consolidated annual financial statements.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital and share premium classified as equity

Authorised shares

	2022	2021
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

Issued shares

	2022			2021		
	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
Shares issued	**-**	**-**	**-**	-	-	-
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
B preference shares	**45 000 000**	**-**	**4 519**	45 000 000	-	4 519
Total issued share capital attributable to ordinary equityholders		**56**	**12 575**		56	12 575

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

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.

13 DIVIDENDS

R million	2022	2021
Ordinary dividends		
A final dividend of 185.00 cents (15 September 2021: 153.00 cents) per share as well as a special dividend of 125.00 cents per share was declared on 14 September 2022 in respect of the six months ended 30 June 2022.	**8 583**	-
An interim dividend of 157.00 cents (3 March 2021: 110.00 cents) per share was declared on 2 March 2022 in respect of the six months ended 31 December 2021.	**8 807**	6 170
Total ordinary dividends paid for the year	**17 390**	6 170
B preference shares		
A final dividend of 307.4 cents (30 August 2021: 237.90 cents) per share was declared on 29 August 2022 in respect of the six months ended 30 June 2022.	**123**	138
An interim dividend of 270.70 cents (22 February 2021: 253.60 cents) per share was declared on 28 February 2022 in respect of the six months ended 31 December 2021.	**122**	114
Total preference dividends paid for the year	**245**	252

14 RELATED PARTIES

14.1 Balances and transactions with related parties

R million	Notes	**2022** Entities that have significant influence over FirstRand Limited and its subsidiaries	**2022** Subsidiaries
Net interest income	3	**-**	**15**
Non-interest revenue	2	**-**	**46**
Dividends received	2	**-**	**24 428**
Amounts owing to subsidiaries	9	**-**	**8**
Cash and cash equivalents	7	**-**	**217**
Other assets	8	**-**	**45**
		2021	
Net interest income	3	-	7
Non-interest revenue	2	-	46
Dividends received	2	-	7 972
Amounts owing to subsidiaries	9	-	-
Cash and cash equivalents	7	-	611

Refer to the remuneration disclosures on page B255 for details of the compensation paid to key management personnel.

During the current year a financial guarantee was provided to FirstRand Short Term Insurance, as a subsidiary within the FirstRand group, by the company to provide immediate financial support in the event that FirstRand Short Term Insurance solvency capital requirements were to fall below its prudential thresholds. Refer to Note 10.

15 EVENTS AFTER REPORTING PERIOD

Refer to note 41 of the consolidated annual financial statements of the group for further details.

16 RISK MANAGEMENT

FirstRand Limited Company is not exposed to significant risks. For details on how financial risk is managed in the group refer to the summary risk and capital management report. For quantitative information about financial risk refer to note 37 of the consolidated financial statements of the group.

Shareholders' and supplementary information

C

Shareholders' and supplementary information

C

Analysis of ordinary shareholders

as at 30 June 2022

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
Public Investment Corporation		900 343	16.1
Royal Bafokeng Holdings		166 826	3.0
Remgro Limited (Remgro)		137 281	2.4
BEE partners*		292 894	5.2
Subtotal		1 497 344	26.7
Other		4 112 144	73.3
Total		5 609 488	100.0
Shareholder type			
Corporates (Royal Bafokeng Holdings and Remgro)		304 107	5.4
Pension funds		1 362 685	24.3
Insurance companies and banks		318 295	5.7
Unit trusts		1 887 607	33.7
Individuals		190 748	3.4
BEE partners*		292 894	5.2
Other		1 253 152	22.3
Total		5 609 488	100.0
Public and non-public shareholders			
Public	96 618	5 003 799	89.2
Non-public			
– Corporates (Royal Bafokeng Holdings and Remgro)**	4	304 107	5.4
– Directors and prescribed officers#	11	8 688	0.2
– BEE partners*	7	292 894	5.2
Total	96 640	5 609 488	100.0
Geographic ownership			
South Africa		2 917 819	52.0
International		2 036 231	36.3
Unknown/unanalysed		655 438	11.7
Total		5 609 488	100.0

* *BEE partners include FirstRand Empowerment Trust, FirstRand Staff Assistance Trust, MIC Investment Holdings, Mineworkers Investment Trust, Kagiso Charitable Trust, WDB Trust No 2 and WDB Investment Holdings.*

** *The group has two corporate shareholders (Royal Bafokeng Holdings and Remgro), which hold their FirstRand shares in multiple accounts (four in total).*

\# *Reflects direct beneficial ownership.*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	5 674	45 000	100.0
Non-public			
– Directors	–	–	–
Total	5 674	45 000	100.0

Performance on the JSE

	2022	2021
Number of shares in issue (thousands)	5 609 488	5 609 488
Market price (cents per share)		
Closing	6 237	5 359
High	7 934	5 796
Low	5 180	3 552
Weighted average	6 283	4 703
Closing price/net asset value per share	2.12	1.98
Closing price/earnings (headline)	10.66	11.15
Volume of shares traded (millions)	3 219	3 792
Value of shares traded (millions)	203 812	176 035
Market capitalisation (R billion)	349.86	300.61

Company information

Directors

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), JP Burger, GG Gelink, RM Loubser, TS Mashego, PD Naidoo, Z Roscherr, SP Sibisi, 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)
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000

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
Private Bag X9000, Saxonwold, 2132
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
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Auditors

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
Deloitte Place
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Credit ratings

Refer to https://www.firstrand.co.za/investors/debt-investor-centre/credit-ratings for detail on the group's credit ratings.

Definitions

Additional Tier 1 capital (AT1)	AT1 capital instruments and qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
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
Core lending advances	Total advances excluding assets under agreements to resell
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 core lending 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 at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period divided by normalised net asset value per share

Definitions continued

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, where applicable
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, capital instruments issued out of fully consolidated subsidiaries to third parties and qualifying provisions 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

ALCCO	Asset, liability and capital committee
ALM	Asset and liability management
ARR	Alternative reference rate
ASSA	Actuarial Society of South Africa
AT1	Additional Tier 1 capital
BCBS	Basel Committee for Banking Supervision
BEE	Black economic empowerment
BoE	Bank of England
BSE	Botswana Stock Exchange
CET1	Common Equity Tier 1 capital
CGU	Cash generating unit
CIP	Conditional incentive plan
CMA	Common Monetary Area
CODM	Chief operating decision maker
CPI	Consumer price index
CPT	Corporate performance target
CSM	Contractual service margin
DM	Developed market
EDC	External debt collection
ECL	Expected credit loss
EAD	Exposure at default
EMTN	European medium-term note programme
EPS	Earnings per share
ERM	Enterprise Risk Management
ETL	Expected tail loss
EVE	Economic value of equity
FLI	Forward-looking information
FNB	First National Bank
FR	FirstRand
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FSR	FirstRand Limited
FSV	Financial soundness valuation
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
GBP	British pound
GCA	Gross carrying amount
GDP	Gross domestic product
HEPS	Headline earnings per share
HQLA	High-quality liquid assets
IASB	International Accounting Standards Board
IBNR	Incurred but not reported
IBOR	Interbank offered rate
IRBA	Independent Regulatory Board for Auditors
IRRBB	Interest rate risk in the banking book
ISA	International Standards on Auditing
ISDA	International Swaps and Derivatives Association
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
KMP	Key management personnel
LECL	Lifetime expected credit losses
LGD	Loss given default
LIBOR	London Interbank Offered Rate
LSE	London Stock Exchange
MAFR	Mandatory audit firm rotation
MNA	Master netting arrangement
MPC	Monetary Policy Committee
NAV	Net asset value
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NIACC	Net income after capital charge
NII	Net interest income
NIR	Non-interest revenue
NPL	Non-performing loan
NSX	Namibian Stock Exchange
OCI	Other comprehensive income
OCR	Outstanding claims reserve
ORSA	Own risk and solvency assessment
PA	Prudential Authority

Abbreviations continued

PD	Probability of default
P/E	Price/earnings
PwC	PricewaterhouseCoopers Inc.
RCCC	Risk, capital management and compliance committee
RMB	RMB corporate and investment banking division
RMBIA	RMB Investments and Advisory
ROE	Return on equity
ROUA	Right of use asset
RWA	Risk weighted assets
S&P	Standard & Poors Global Ratings
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SAPs	Standards of Actuarial Practice
SARB	South African Reserve Bank
SBP	Share-based payment
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SONIA	Sterling Overnight Index Average
SPPI	Solely payments of principal and interest
SPV	Special purpose vehicles
sVaR	Stressed VaR
TRS	Total return swaps
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VaR	Value-at-risk
ZARONIA	South African Rand Overnight Index Average

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

Notes

FirstRand

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