FirstRand

ANNUAL INTEGRATED REPORT **2020**

owner-manager philosophy
innovation
entrepreneurship
franchise value

about this report

This integrated report describes the operational and financial performance and activities of FirstRand Limited (FirstRand or the group) for the year to 30 June 2020.

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

OF PARTICULAR NOTE:

- New disclosure relating to the group's approach to climate change can be found on pages 32 to 39.
- The group's response to the COVID-19 pandemic and a strategic update are covered in the CEO's report on pages 20 to 28.
- Infographics on pages 08 to 11 demonstrate how the operations of the group positively impact a broad range of stakeholders.
- The remuneration report includes refined scorecards for executive directors and prescribed officers – pages 127 to 155.

The commentary and financial results in the chairman's, CEO's and CFO's reports and the operational reviews are based on the normalised results of the group. The normalised results have been derived from the IFRS financial results. A detailed description of the differences between normalised and IFRS results and detailed reconciliation between normalised and IFRS results are provided on pages 270 to 277.

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FirstRand

1966/010753/06
Certain entities within the FirstRand group are authorised financial services and credit providers.
This analysis is available on the group's website: **www.firstrand.co.za**

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

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integrated reporting suite

1 ANNUAL INTEGRATED REPORT

Describes the operational and financial performance and activities of the group.
It includes the chairman's, CEO's and CFO's reports, operational reviews, group summary consolidated statements, King IV corporate governance disclosures and notice of the annual general meeting.

https://www.firstrand.co.za/investors/annual-reporting/

2 ANNUAL FINANCIAL STATEMENTS

- FirstRand group audited consolidated annual financial statements
- FirstRand Limited company audited financial statements

https://www.firstrand.co.za/investors/annual-reporting/

3 ANALYSIS OF FINANCIAL RESULTS AND RESULTS PRESENTATION

Covers the audited summary consolidated financial results of the group based on International Financial Reporting Standards (IFRS) and provides an in-depth analysis of the group's financial results, presented on a normalised basis as the group believes this most accurately reflects its economic performance. The analysis of financial results and results presentation are provided for interim and year-end results.

https://www.firstrand.co.za/investors/financial-results/

4 BASEL PILLAR 3 DISCLOSURE

In accordance with the Basel Pillar 3 framework and Regulation 43 of the amended Regulations relating to banks, the group is required to publish standardised disclosure templates that provide users with key quantitative and qualitative information that is comparable and consistent. Reports are provided on a biannual basis.

https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/

5 MATERIAL RISK FACTORS

In terms of the JSE Listings Requirements, FirstRand is required to disclose risk factors in terms of paragraph 7.F.7 (description of material risks which are specific to the issuer, its industry and/or its securities).

https://www.firstrand.co.za/investors/annual-reporting/

6 REPORT TO SOCIETY

Provides deeper insight into the social impact of the group's operational and financial performance.

https://www.firstrand.co.za/society/firstrand-contract-with-society/

about the group

purpose

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

portfolio

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

strategy

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

track record

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

FNB RMB WesBank Aldermore ASHBURTON INVESTMENTS

integrated highlights

financial

Normalised earnings
R17.3bn ↓38%
2019: R27.9bn

Return on equity
12.9%
2019: 22.8%

Net asset value
R137.6bn ↑6%
2019: R129.7bn

CET1 ratio
11.5% ↓60 bps
2019: 12.1%

Dividend per share
Interim: 146 cents ↑5%
2019: 139 cents
Final: n/a ↓(100%)
2019: 152 cents

Despite the group's healthy capital position, the board has not declared a final dividend given current regulatory guidance to preserve capital.

Normalised earnings

FNB	RMB	WesBank	Aldermore
R12.3bn	R5.8bn	R843m	£44m*

* Includes Aldermore and total MotoNovo.

social

Total employees
49 233 ↑1%
2019: 48 780

South African employees
40 668 ↑1%
2019: 40 233

% ACI employees (SA operations)
80% ↑100 bps
2019: 79%

B-BBEE status
Level 1
2019: Level 1

Procurement from black-owned companies
R6.2bn ↑22%
2019: R5.1bn

Education grants
R286m ↓15%
2019: R338m

Carbon emissions (SA operations) (tonnes)
199 168 ↓8%
2019: 216 726

Economic value added to society
R138bn ↓11%
2019: R155.7bn

operational

FNB customer numbers
8.23m ↔
2019: 8.20m

FNB digital transactions represent
91% of total FNB transactions*

* *Including point-of-sale and debit orders.*

Number of lives covered by FNB Life
6.3m ↑2%
2019: 6.2m

RMB advised on
R144.9bn worth of M&A and general corporate finance deals

RMB Morgan Stanley ranked
#1 in 11 categories in the Financial Mail Awards

WesBank finances
1 in 3 financed vehicles in SA

firstrand's integrated reporting framework

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

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

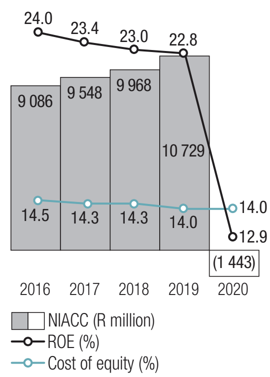
PURPOSE

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

08 Measuring social impact
On pages 08 to 11 are some measures of the group's social impact.
Group report to society:
www.firstrand.co.za/society/firstrand-contract-with-society/

Measurement

The group measures shareholder value creation through **return on equity (ROE) and net income after the cost of capital (NIACC)**. The group's ROE is currently below its target range of 18% to 22% for normal economic cycles. The group expects to return to the bottom of the range once the current stress scenario normalises.



PORTFOLIO MANAGEMENT

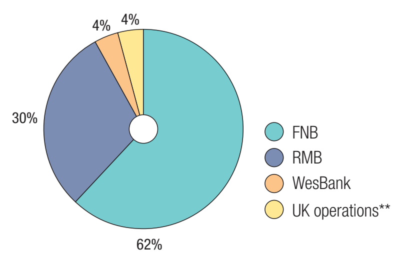
Actively manage the portfolio of businesses to deliver on this strategic purpose – a dynamic process that is measured against appropriate frameworks that balance risk, growth and returns.

18 CEO's report
40 CFO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

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

BUSINESS DIVERSIFICATION*
(based on normalised earnings)



* *Excluding FCC (including Group Treasury), FirstRand company, consolidation adjustments and dividends on other equity instruments.*
** *Include Aldermore group and total MotoNovo (i.e. new and back book).*

SUSTAINABLE RETURNS

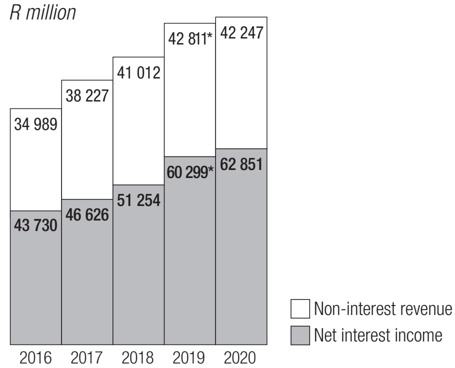
Through its financial resource management framework, the group allocates capital, funding and risk capacity on a through-the-cycle basis to deliver sustainable returns within acceptable levels of earnings volatility.

18 CEO's report
40 CFO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

The group's **long-term return profile is supported by** the relative size of its transactional franchise and mix of advances. These are direct outcomes of strategic decisions supported by the group's financial resource management methodology.

REVENUE MIX
R million



* *Restated following the reclassification of customer loyalty expenses from operating expenses to fee and commission expense.*

STAKEHOLDERS

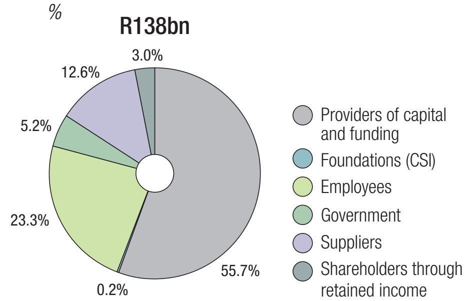
Create value for the providers of capital, customers, employees and the broader communities the group serves.

18 CEO's report
40 CFO's report
55 Review of operations
75 Corporate governance section
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

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

ECONOMIC VALUE DISTRIBUTION
%



GOVERNANCE

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

18 CEO's report
Basel Pillar 3 disclosure:
www.firstrand.co.za/investors/basel-pillar-3-disclosure/

Measurement

Compliance with King IV is assessed through:

- board evaluations; and
- internal audit reviews.

measuring social impact

The nature, size and scale of the group's business activities result in a broad set of financial and social outcomes:

- Provider of credit
- Custodian of the country's savings
- Provider of transactional platforms for people to access and spend their funds
- Material taxpayer
- Large employer

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

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

HOW THE GROUP'S TRANSACTIONAL PLATFORMS BENEFIT THE BROADER COMMUNITY

DEPLOYING THE BALANCE SHEET TO ASSIST CUSTOMERS

Rapid mobilisation of COVID-19 payment relief solutions for customers

Deepening access through the provision of digital channels, e.g. FNB's eWallet offering

6.7 million active eWallet users

2019: 6.4 million

Send money value **+10%** to R28.4 billion

2019: R25.9 billion

Send money volumes **+7%** to 49.2 million transactions

2019: 46.1 million

In South Africa

Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. The loans were priced at the prime interest rate with zero fees and a flexible repayment period starting three months after relief was taken up. No early settlement penalties are levied. Payment holidays were also offered.

FNB provided relief to commercial customers primarily in the form of payment holidays and additional relief was offered to SMEs through the government-guaranteed loan scheme.

For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers.

In the UK

Aldermore's focus was on providing forbearance for existing clients.

DEBT RELIEF

	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided
Retail*	203.3	674.3	68 834	473 102	15%
Commercial	16.7	31.0	30 832	135 030	23%
Corporate	n/a	n/a	58 083	359 704	16%
UK operations	86.7	86.7	71 889	306 246	23%
Total group	306.7	792.0	229 638	1 311 095	18%

* *Includes FNB rest of Africa core banking customers.*

HOW THE GROUP **TACKLED SOCIAL CHALLENGES CREATED BY COVID-19**

Scaling social solutions

To help broader society, FirstRand launched the South African Pandemic Intervention and Relief Effort (SPIRE) fund. R100 million was donated by FNB, RMB and the group's foundations.

HOW THE GROUP IS USING ITS FINANCIAL STRENGTH **TO CONTRIBUTE TO THE NEEDS OF THE POOR AND VULNERABLE**

Systemic social investing

Through its foundations, the group adopts a systemic social investing approach, designed to tackle the root causes of social problems through strategic interventions.

HOW THE GROUP IS **ADDRESSING TRANSFORMATION AND EMPLOYMENT EQUITY**

Workforce diversity

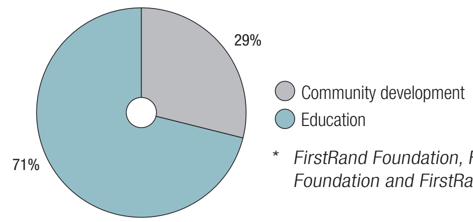
Approximately **80%** of the group's South African workforce is composed of African, Coloured and Indian (ACI) employees. Whilst significant progress has been made at junior levels, further improvement on the **44%** ACI representation at senior management level is required. Approximately **59%** of the group's workforce is female.

Partnered with government to assist the **healthcare frontline,** leveraging group platforms, systems, client relationships and networks

Expanded ICU capacity across four public sector hospitals	Supplied high-flow oxygen equipment to regional hospitals	Supported >150 care homes with food parcels and PPE

Since 2014 FirstRand's foundations have granted more than **R2 billion** for social investment projects

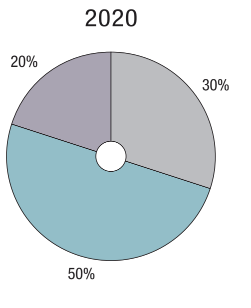
CSI* SPEND OF R403 MILLION IN 2020



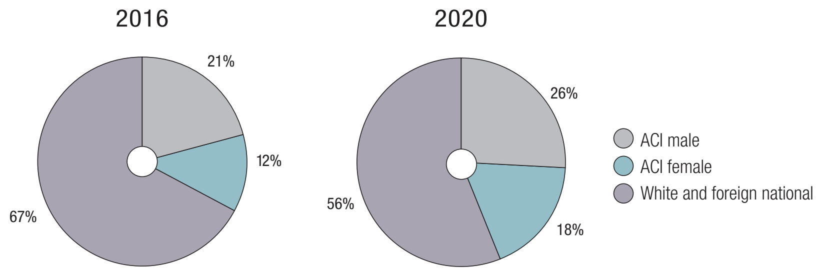
* *FirstRand Foundation, FirstRand Empowerment Foundation and FirstRand Staff Assistance Trust*

The FirstRand Empowerment Foundation was created from the group's BEE transaction – it represents one of the largest endowments in South Africa and is black controlled

SA WORKFORCE DIVERSITY



SENIOR MANAGEMENT DIVERSITY



Diversity in senior management continues to show a positive trend since 2016

chairman's *report*

"The socio-economic fallout of the COVID-19 pandemic has brought forward the inevitable inflection point that our country was bound to eventually face. Confronted by an accelerating unemployment rate, falling economic activity and an ever-rising government debt burden, economic change has become inevitable as the burden of these developments are becoming too heavy for the current system to carry. At this juncture we still have the opportunity to choose how we would best effect the changes necessary to reverse the trajectory."

Roger Jardine | CHAIRMAN

"Our world is in turmoil. Our economies are in free fall. People are scared, grieving and anxious. The COVID-19 pandemic is causing enormous suffering, and the measures to contain and overcome it are testing societies to the breaking point. This is above all a human crisis that is affecting everyone, everywhere.

This comment by the United Nations (UN) Deputy Secretary-General, Amina J. Mohammed, reminds us how the COVID-19 pandemic has profoundly shocked the world, and how the social and economic fabric of multiple countries and communities (particularly the most vulnerable) has been devastated.

Within this report are pages and pages of narrative and data points that reference how the pandemic impacted FirstRand's financial performance (I will get to this a bit later), however, we must not underestimate or ignore the wider humanitarian crisis that unfolded before us.

In March 2020, South Africa implemented one of the most comprehensive lockdowns in the world. The message from government was clear: we need to protect lives at all cost. The underlying worry was that the country's public hospitals were completely under-resourced to deal with thousands of COVID-19 cases, and that time was needed to try and limit the infection rate and scale up the frontline healthcare capacity ahead of winter.

March and April were particularly surreal months. Our cities were ghost towns and our roads deserted. Only supermarkets were open, the police and army were deployed to enforce the lockdown's travel restrictions, with bans on the sale of alcohol and tobacco put in place. Citizens were remarkably cooperative, with companies only allowing essential workers to travel to their premises and then rapidly mobilising technology solutions for employees to work remotely.

I am proud of how South Africans respected the government's decisions, and I was broadly supportive of the government's position. The President showed early decisiveness and moved quickly to protect all South Africans. However, there were certain aspects of the government's response that unnecessarily compounded the resultant impact on our economy, which was already extremely weak before the onset of lockdown. At the end of March, just as the hard lockdown was starting, Moody's became the final rating agency to downgrade South Africa's sovereign credit rating to sub-investment grade.

While it must be acknowledged that many governments around the world struggled with an appropriate response to COVID-19, by the time we reached mid-May there were clear signs that the government should adopt a more nimble style, without jeopardising lives. Thankfully, after May the overly prescriptive approach and slow-to-implement regulations were gradually eased. However, some of the earlier measures, particularly the inexplicable regulatory interventions in specific industrial sectors, undoubtedly aggravated the economic crisis that we continue to face.

The dedication and excellent work by our clinicians and frontline healthcare workers must be acknowledged. Through the group's SPIRE fund, which Alan Pullinger describes in his *CEO's report*, we experienced the amazing doctors, nurses and general hospital staff in our public hospitals. They are undoubtedly leading experts in their field and caregivers with an unmatched spirit of public service. They refused to buckle under the weight of a crumbling public healthcare system and have remained focused on saving lives. Together, with input from our universities on treatment protocols, their hard work, especially during the peak of June and July, helped to avert a health disaster.

Based on international experience, there is an expectation that there will be more waves of COVID-19 for us to weather. It is important that we build on our successes and learnings to date – both epidemiological and economic – as we confront these new waves. Active testing, tracking and sound isolation practices must remain key elements of our response. Active collaboration between clinicians and academia, and leveraging our strong industrial base will assist us in fighting future waves of the pandemic. Partnerships such as these, formed during wave 1 of this pandemic, were an important part of the success so far and we must strengthen the cohesion between government and business. Targeted economic stimulus to impacted people and industries must also be mobilised. The successful implementation of these measures will support the rebuilding of confidence in our economy, the health and wellbeing of our people and ultimately allow us to win the fight against COVID-19.

This pandemic clearly illustrated why public-private partnership must be at the core of South Africa's national policy responses to the many burning issues of our time. The private sector was not sitting on the sidelines during this pandemic, it was actively engaged in assisting government with its healthcare and social responses. Many corporates in the country stepped in and invested significant amounts of time, money, resources, networks and skills. Whether through contributions to the Solidarity Fund (which has to date deployed R2.5 billion), or other initiatives, the private sector voluntarily tackled healthcare challenges, food shortages and supply chain breakdowns, to name a few. All of this was done as companies worked to run their businesses, protect their employees, service customers and keep the wheels of commerce turning as best they could.

One of the topics I covered at length in last year's report was the need for government to "crowd in" the private sector to assist building much-needed capacity. It took a once in a 100-year crisis for this to actually happen "on the ground" and proved how this partnership can rapidly scale solutions across the country.

It's extremely important that as we move back to some level of normality we do not lose this momentum. South Africa is in a parlous state and needs to rapidly rebuild. Government cannot and should not do this alone as it is now in a worse fiscal position with depleted capacity.

One area where we can immediately make inroads is rebuilding the country's infrastructure. In 2018, the government announced its Infrastructure Fund, with the key objectives of stimulating economic growth and job creation. We acknowledge the work that has been done by the Infrastructure Office in the Presidency and the Development Bank of South Africa (DBSA), however, progress to implement the fund has been slower than originally anticipated and needs to be accelerated.

South Africa's public sector infrastructure spend as a percentage of GDP has averaged 5.9%, which sits well below the National Development Plan's (NDP's) target for infrastructure investment of 30% of GDP by 2030. The bulk of the public infrastructure budget has been allocated to the upgrade of Eskom's power stations and Transnet's infrastructure, and late delivery in some instances has resulted in significant cost overruns. In addition, there are still a number of real "obstacles" to practically delivering infrastructure projects. I have already mentioned the lack of public funding due to budgetary constraints. Other issues include the slow implementation of infrastructure projects and a significant decrease in the use of public-private partnerships (PPPs).

This brings me back to my point regarding the need to "crowd in" the private sector. The country's use of PPPs as a percentage of the total infrastructure budget currently sits at 2%, which is well below the global average of 5% – 15% for countries with a robust PPP framework such as ours.

Since the establishment of the PPP framework in 1998 – 1999, 34 projects with a total value of R91 billion have been completed successfully, with 85% delivered in the first decade. During this period, infrastructure spend was heavily weighted towards transport (over 50% was spent on the Gautrain) and health, which has a broader impact on job creation and economic growth. The second decade saw a significant decline in projects, with 83% of infrastructure spending being directed at office accommodation PPPs – which have a limited impact on sustainable job creation and economic growth.

The use of PPPs to deliver key infrastructure projects remains underutilised in South Africa. As the country finds itself in a low-investment, low-growth trap, the public sector needs to urgently leverage the private sector to create an ecosystem of shared risk, accountability and a deeper pool of skills and expertise. A shift is required in the current government and private sector engagement model. Whilst the private sector is willing, able and deeply capacitated to partner with government, it cannot be a model based on crowding out the private sector wherever possible and only finding a useful space for the private sector when convenient or in times of desperation (for example, the current health pandemic).

> “I am fully supportive of the President’s absolute and public commitment to rid the government of rent extraction and corruption.”

In my view there are some immediate quick wins. Through consultation, government and the private sector should agree on projects to prioritise. These should be projects with accelerated delivery times and maximum potential for job creation, and scalable projects that can be delivered rapidly, providing incentive to the private sector to invest or participate. Social infrastructure projects in the water, education and healthcare sectors should also be top of the list along with renewable energy projects under the independent power producer programme.

Infrastructure spending has been identified as one of the key pillars for the implementation of the NDP as it not only leads to quicker economic development and higher employment, but also promotes inclusive growth and boosts household income levels. The NDP aims to create 11 million jobs by 2030, and of these jobs 1.1 million are expected to be created by infrastructure spend. We need to make these projections a reality!

One of the other obstacles to the implementation of large projects is the fear that they become vehicles for graft, given the astounding level of corruption that has taken place in South Africa over the past decade. If our assumption is that corruption is endemic in both the public and private sector, this also makes a strong case for more PPPs where the potential for the abuse of tender processes is significantly reduced.

Depressingly, corruption continues to be an ongoing and toxic reality for the country, and even more distressing is the absolute callousness demonstrated during the COVID-19 pandemic, with the disappearance of personal protective equipment (PPE) and food for the poor. I am fully supportive of the President’s absolute and public commitment to rid the government of rent extraction and corruption. The granting of the International Monetary Fund (IMF) loan is one indication that the President has convinced some external funders that he is serious about this topic and he has certainly made some progress. Until corrupt people, both in the public and private sector, are successfully prosecuted and punished appropriately, the pervasive culture of looting will persist. It is therefore very important that the criminal justice system and the National Prosecuting Authority (NPA) be properly resourced to enable them to do their jobs without any institutional constraints.

As I pointed out last year, action has been taken at the NPA and SARS and the boards at Eskom, Transnet and the Public Investment Corporation (PIC) have been overhauled. For many South Africans, however, progress remains depressingly slow.

The President must continue to push hard for resolution and accountability as it will be extremely positive for the country's psyche to see people brought to account. It would also be an important signal for inward investment which is another much needed impetus for economic recovery.

For a systemic financial services group like FirstRand, an economic recovery is vital to our ability to grow earnings and deliver returns to our shareholders. This is not only important for institutional investors (who, by the way are the custodians of our pensions), it also important for broader stakeholders. For example, our corporate foundations will receive lower proceeds from group earnings and dividend yield in the coming year, which has a knock-on effect on their ability to fund social change and upliftment.

In the *CFO's report* on page 40, Harry Kellan unpacks the group's financial performance in detail.

The 38% decline in FirstRand's normalised earnings and the reduction in ROE to 12.9% was mainly due to the much higher than expected credit impairment charge, which was driven by forward-looking economic assumptions required under IFRS 9. During the year we revised our economic assumptions materially, currently forecasting an 8% contraction in real GDP, higher unemployment and weak property markets for the calendar year 2020.

The group's pre-provision operating profit decreased 2%, which points to a resilient operating performance from the underlying businesses FNB, RMB, WesBank and Aldermore. These performances are described on pages 55 to 71.

FirstRand's capital position remained strong, with a Common Equity Tier 1 (CET1) capital adequacy ratio of 11.5%. However, despite this healthy position, the board decided not to declare a final dividend given the Prudential Authority's (PA's) current guidance to preserve capital.

This performance had an impact on remuneration; with no salary increases granted to senior management. The total short-term incentive pool reduced 43%, which is more than the decline in normalised earnings, with incentives for executive directors and prescribed officers down 48%.

The remuneration committee and the board believe that these outcomes are appropriate. We took the view that management should be recognised for navigating a severe operational challenge, which whilst not reflected in this year's ROE and earnings, is key to the future sustainability of the business. The group pleasingly grew shareholder NAV 6%.

The performance conditions for the maturing 2017 long-term incentives were not met and failed to vest. However, given that the impact of COVID-19 could result in multiple years of non-vesting of long-term incentive plans, with the concomitant risk of talent leakage, a separate retention instrument was created to secure certain senior management. The details of this instrument can be found on page 126 of the remuneration report.

In addition to the above actions, the group has in this year's remuneration report enhanced disclosure with regard to its performance scorecards. This was in response to shareholder views that short-term incentives could not be properly calibrated to performance key performance indicators (KPIs). These scorecards remain dynamic, but I believe they are a significant improvement on those of previous years.

Similarly, the group has also worked hard to address the climate-related shareholder resolutions raised at the previous year's annual general meeting (AGM) by the Raith Foundation and Just Share. At the time we promised that by October 2020 we would publish coal and fossil fuel policies and incrementally improve disclosure on our lending to fossil fuels activities. In addition, we undertook to publish our roadmap to developing a complete framework for managing all climate-driven financial risks, driving investment, credit and insurance underwriting decisions, and addressing and overseeing these risks within the group's overall business strategy and risk appetite.

I am pleased to report that our coal and fossil fuel policies were published on our website earlier this year. In his *CEO's report*, Alan Pullinger covers how climate change is now a strategic focus area for the group from both a risk and opportunity perspective, and FirstRand has now become a signatory to the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD).

On pages 32 to 39 we have published new disclosure covering governance, risk management and performance, including the roadmap we committed to disclose to shareholders last year. We expect that next year this section will be replaced by more comprehensive disclosure aligned to the formal TCFD reporting framework.

As I look forward to the 2021 financial year, the outlook remains challenging. We expect conditions to remain tough, especially for the first six months to December 2020 as the full impact of the lockdown becomes increasingly visible.

The socio-economic fallout of the COVID-19 pandemic has brought forward the inevitable inflection point that our country was bound to eventually face. Confronted by an accelerating unemployment rate, falling economic activity and an ever-rising government debt burden, economic change has become inevitable as the weight of these developments is becoming too heavy for the current system to carry.

At this juncture we still have the opportunity to choose how we would best effect the changes necessary to reverse the trajectory. These choices cannot be wasted and need to be executed in a manner that optimises the roles of each of the social partners. The government should set the rules of the game by fostering an environment characterised by sound fiscal management, safety and security, intolerance for corruption, certainty of property rights, delivery of common goods, and protection of the poor and vulnerable. This will create an environment for businesses to play their part in delivering goods and services through employing skills, capital and technology. Labour should play its part by ensuring that South Africa has a highly competitive labour force.

Given the current state of the economy and government finances, time to implement these choices is running out. However, by executing on a few reforms, such as fiscal restraint, successful auctioning of spectrum, allowing business to generate electricity and attracting highly skilled people from the international labour markets, the government will send a strong signal of intent which can gain us some valuable time to implement the rest of the necessary reforms. The good news is that most of these measures have been suggested by government, it is now simply a matter of implementing them.

Our private sector remains ready to partner with government to rebuild this economy and make job creation and social upliftment a reality, not just another projection.

In closing, our board colleagues Ms Mary Bomela and Ms Tandi Nzimande will retire as directors at the annual general meeting, in line with Directive 4. Mr Herman Bosman resigned from the board, effective 30 June, pursuant to the unbundling of FirstRand shares by Rand Merchant Holdings Limited, and Mr Paballo Makosholo also resigned, effective 30 June, as he had been requested by his employer to serve on the board of another financial services institution. I thank them for their outstanding service as directors and wish them well in their future endeavours.

On behalf of the board, I also welcome Ms Zelda Roscherr, who joined on 1 April.

I want to thank each and every employee for their courageous response to the COVID-19 pandemic and their commitment to continuing to provide our customers with outstanding service, despite social and economic disruptions since March. I also want to thank all of our customers, as our business is successful because of their trust and loyalty.

ROGER JARDINE
Chairman

ceo's *report*

"The COVID-19 pandemic is a once in a generation event and has had a profound impact on the world. In South Africa it resulted in the deepest GDP contraction since the Second World War. The lockdown devastated the economy and it will be a long hard road back to recovery."

Alan Pullinger | CEO

FirstRand delivered normalised earnings of R17.3 billion for the year ended 30 June 2020. Its ROE of 12.9% was below the group's cost of equity for the first time since the global financial crisis, reflecting the depth of the COVID-19 crisis. A detailed explanation of the group's financial performance is provided in the *CFO's report*, and detailed financial and operating reviews of the underlying businesses can be found on pages 55 to 71.

This report provides commentary on the operating environment, an overview of the impact of the COVID-19 pandemic on the group as well as FirstRand's response to the crisis. It further provides an update on the group's strategic framework and progress on the execution of various growth strategies in South Africa, the rest of Africa and the UK.

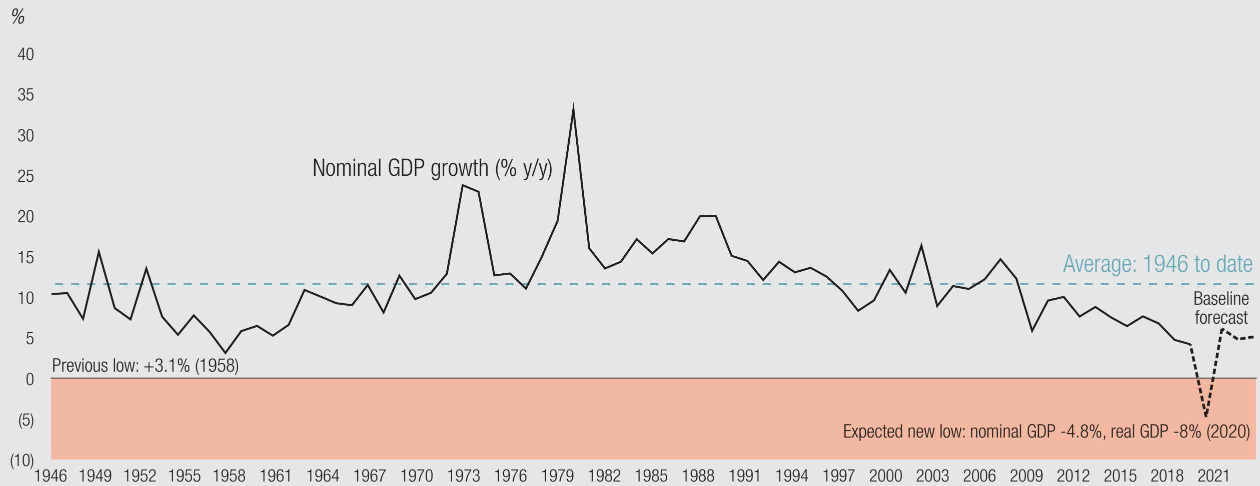
OPERATING ENVIRONMENT

The operating environment for the second half of FirstRand's financial year to 30 June 2020 is now considered to be the worst global economic crisis since the Second World War. The COVID-19 pandemic and associated economic crisis resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies. This translated into a once in a generation economic stress event.

This scenario prompted coordinated efforts by central banks and governments to lower policy rates and simultaneously provide fiscal stimulus packages to cushion the impact of the shock to the real economy. Despite these actions, global financial conditions are expected to remain challenging and any form of recovery will be contingent on proof that the spread of the virus in developed economies has peaked, allowing containment measures to be relaxed, and that the various governments' fiscal support to consumers and small businesses has been successful to some degree.

The following chart shows that South Africa's nominal GDP growth is set to register its first annual contraction on record. It is important to note that the trend in nominal GDP growth has been declining for more than a decade, reflecting South Africa's falling potential GDP growth. This fall has been well communicated by various institutions (including the government) and is unlikely to turn around unless decisive reforms are implemented.

YEAR-ON-YEAR GROWTH



Sources: SARB, FirstRand.

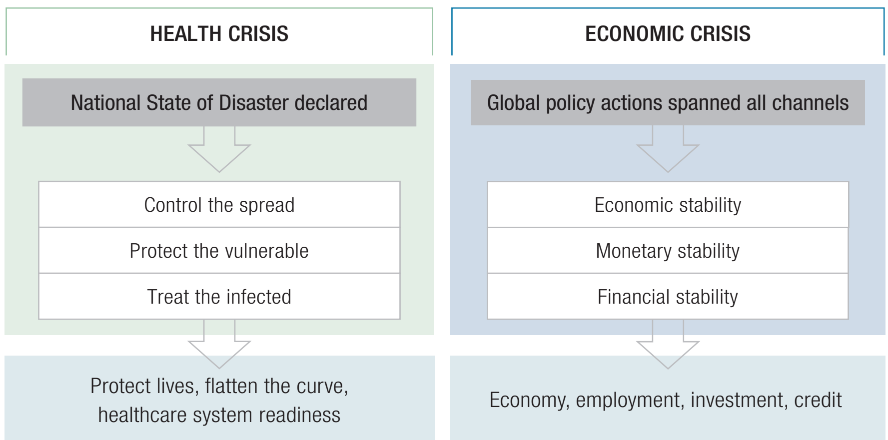
South Africa's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown, with limited fiscal space to support the economy. The South African Reserve Bank (SARB) provided monetary policy support, implementing 275 bps of rate cuts since the start of the crisis, however, the real-economy impact of COVID-19 remains deep given the loss of economic activity, tax revenue, and household and corporate income. Following years of declining macroeconomic conditions, the additional strain brought about by the pandemic has increased the need to urgently implement measures to stabilise the government's debt position and its debt service cost.

The rest of Africa portfolio also came under pressure as many of the Southern African Customs Union (SACU) economies rely heavily on activity in South Africa. Without exception, the real economies in these countries are extremely weak and face increased fiscal risk.

The UK entered the crisis with historically low levels of unemployment and fairly resilient household consumption activity. This, combined with the fiscal and monetary policy stimulus that is being applied, has provided some support to the real economy. However, despite these supportive factors, the UK suffered one of the deepest economic contractions globally in the second quarter of 2020.

RESPONDING TO THE COVID-19 PANDEMIC

In response to the pandemic, the South African government declared a National State of Disaster with associated stages of lockdown in order to protect lives. The SARB and National Treasury simultaneously acted to ensure financial stability, as reflected in the schematic below.



There has been a significant response to date from the central bank around monetary and financial stability, and the PA responded quickly with relief measures on liquidity, risk capacity and capital for the banking sector, as set out in the following chart. The measures undertaken by South African authorities followed a similar response seen in many other countries, but need to be seen in the context of the limited fiscal space available to government. The measures implemented are unpacked in the next graphic.

ECONOMIC STABILITY	MONETARY STABILITY	FINANCIAL STABILITY
Government fiscal and economic support measures, reprioritisation and guarantees = R500 billion: • Social grants and special COVID-19 grant • UIF • Tax deferrals • Municipal support • Health and frontline services • R200 billion loan guarantee scheme and special financing terms	• 275 bps in interest rate cuts to date • Enhanced liquidity operations • Continued use of FX swaps for liquidity management and FX provision	• SARB took action to support liquidity transmission and support market functioning • Initiated working group to consider reforms required for collateral management and operations • Recommendations to review liquidity risk in shadow banking institutions

PRUDENTIAL AUTHORITY

Actions to assist banks with risk capacity to ensure they continue to support real economy

Liquidity

- LCR minimum requirement reduced to 80% from 100%

Risk capacity

- Actions to limit procyclicality of IFRS 9 treatment of restructured credit exposures

Capital

- Reduced Pillar 2A requirement from 1% to 0%
- Restrictions on dividends on ordinary shares and compensation to executive officers/ material risk takers
- Allows banks to enter capital conservation buffer

Both the South African government and central bank's decisive actions were instrumental in protecting lives and ensuring financial stability, however, as mentioned above, the country's precarious fiscal position limits government's ability to deal with the magnitude of the economic consequences of the pandemic.

FirstRand and its operating businesses provided significant help to three key stakeholder groups in response to the pandemic, as outlined below.

The group's actions to support these stakeholder groups are described in more detail below.

Helping customers

COVID-19 created unprecedented economic stress, which has had a profound and far-reaching impact on the economy. One of the implications of this stress was the need to provide payment relief solutions for customers. For the South African businesses, some of these solutions are outlined below:

- Retail customers in good standing were offered emergency funds designed to bridge short-term liquidity needs and provide cash flow relief. The loans were priced at the prime interest rate with zero fees and a flexible repayment period starting three months after relief was taken up. No early settlement penalties are levied. This customer-centric approach covers all FNB products and those WesBank customers who bank with FNB. Payment holidays were also offered.
- FNB provided relief to commercial customers, primarily in the form of payment holidays, and additional relief was offered to small and medium-sized enterprises (SMEs) through the government-guaranteed loan scheme.
- For corporate customers, relief was advanced on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers.

Eligibility for relief followed a risk-based approach and was assessed at an overall customer level. For retail customers industry guidance set by the Banking Association of South Africa (BASA) was followed. Corporate and commercial portfolios were assessed against the respective sector's sensitivity to the impact of COVID-19.

As South Africa's leading digital bank, FNB was able to fulfil origination, account service and liability gathering digitally throughout the lockdown. FNB also assisted customers by waiving SASwitch fees, rental relief on speedpoints and other devices, and data charges.

In the UK, Aldermore's focus was on providing forbearance for existing clients.

Support for employees

At the onset of the pandemic, the group instituted a number of key forums to manage the needs of employees. These forums met frequently and covered the following issues:

- assess ongoing operational resilience for group employees operating on premises and remotely;
- track the case incidence of COVID-19 within the employee base;
- provide a single point for regular communication updates on the COVID-19 outbreak, medical trends and responses; and
- ensure the provision of appropriate medical and wellness support to employees.

Employees were provided with the necessary equipment, VPN access, hardware support and data solutions to enable the majority of the workforce to work effectively from home. Microsoft Teams was deployed across the group in three days and is now the primary tool of trade.

Appropriate protective measures were implemented to ensure a safe working environment. At on-site premises, temperature/symptom screening was conducted and a COVID-19 applet was created on the FNB banking app, with track-and-trace capability. This enabled employees to record temperatures and complete symptom screening, and vulnerable employees could make the necessary medical declarations.

The group also provided PPE and installed screens as appropriate, implemented safe zoning and floor spacing to enforce social distancing, and conducted ventilation monitoring, visitor pre-screening and sanitising of all premises. Medical teams were allocated to manage positive cases in the group's employee base.

From a wellbeing perspective, the group ran several interventions, focusing on mental health in particular.

"The group anchored business to certain financial resource management principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders."

Tackling broader social challenges

Immediately following lockdown, FirstRand created SPIRE, a public benefit fund created to assist government and other social partners in responding to the healthcare challenges of COVID-19 in South Africa and key markets in the rest of Africa. SPIRE facilitated a number of interventions particularly focused on healthcare solutions and feeding schemes for vulnerable communities.

SPIRE leveraged the FirstRand group's platforms, systems, client relationships and outreach ability to the top 1 000 SA corporates and more than 50 000 SMEs. Through the rapid mobilisation of these resources, SPIRE was able to create solutions to social challenges at scale. SPIRE has also engaged extensively with the Solidarity Fund, Business for South Africa (B4SA), various local and international foundations, and governmental departments and agencies.

SPIRE has delivered a number of projects to date:

- Protection for frontline workers (PPE, test kits, and safe and convenient accommodation).
- Expanded ICU capacity by 100 beds across four public sector hospitals.
- Supplied high-flow oxygen equipment to regional hospitals.
- Manufactured more than 300 000 cloth masks to date through the Maskathon initiative.
- Distributed food parcels.
- Supported donor-dependent old age homes (>150 vulnerable care homes).

Similar programmes were established in Namibia through the Health Optimisation in Pandemic Emergency Fund (HOPE) and in Ghana through the Accelerated Support for Pandemic Intervention and Relief Effort (ASPIRE). There were also various pandemic-related initiatives undertaken by the group's subsidiaries in Botswana, Nigeria, Zambia, Mozambique and the UK.

Crisis response framework to protect shareholder value

At the onset of lockdown, FirstRand implemented specific actions to strengthen and protect the balance sheet to enable the group to effectively weather the prevailing environment and emerge in a position to fully capitalise on the recovery.

Given the scale of the economic crisis, which FirstRand expects to influence the operating environment for the next 18 to 24 months, the group anchored business to certain financial resource management (FRM) principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders.

These FRM principles include:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and net asset value (NAV) – deployment of capital to reflect the increased cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

STRATEGIC FRAMEWORK

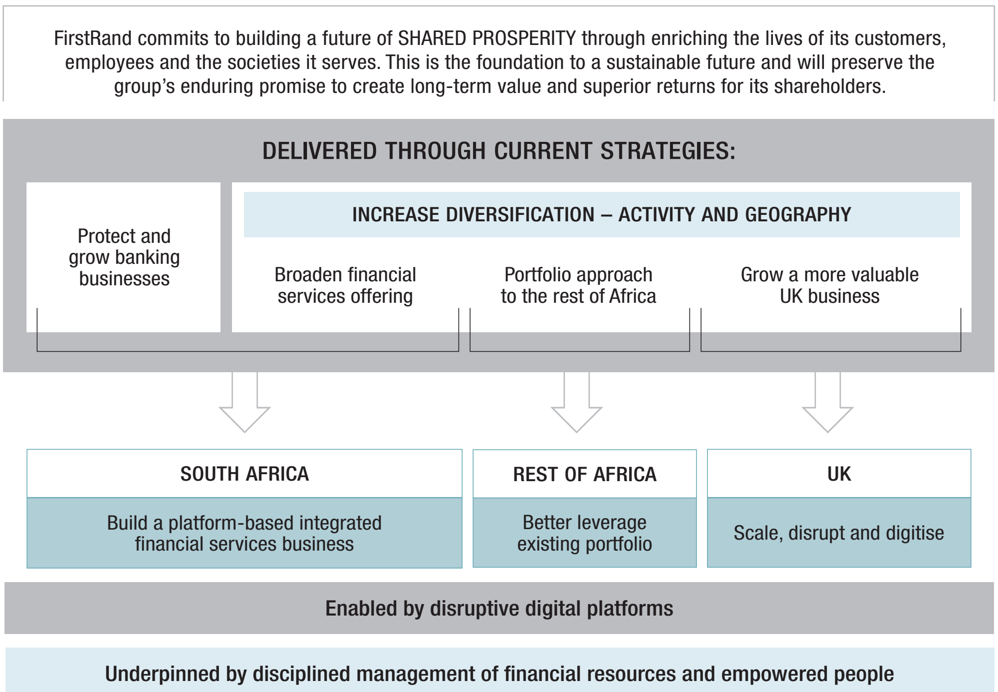
Despite the challenges presented by the COVID-19 crisis, the group continued to execute on its stated growth strategies.

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Increased competition is targeting these traditional banking profit pools, particularly the transactional activities, and the group remains focused on protecting this large and profitable revenue stream. At the same time, FirstRand is working hard to find other sources of ROE-enhancing revenues and is investing in building meaningful insurance, and wealth and investment management businesses.

Ultimately the group's strategy in its domestic market is to deliver integrated financial services to its customers. Successful execution is underpinned by a long-standing culture of entrepreneurial thinking and innovation, combined with disciplined allocation and pricing of financial resources. This approach has resulted in a long track record of delivering superior economic profits, returns and dividends to shareholders.

The group's strategy outside of South Africa includes growing its presence and offerings in certain key markets in the rest of Africa, where it believes it can build competitive advantage and scale over time. In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

The group's strategic framework is outlined in the schematic below.



PROGRESS ON STRATEGY

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

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

The group continues to increase revenues from providing savings, insurance and investment products to its customers. FNB is starting to make inroads in capturing insurance and investment flows from its customer base.

Some examples of traction, particularly in the build-out of a platform-based integrated financial services business, are outlined below.

Progress on the group's platform journey

The group continues to build out its platform capabilities. The overall objective is to have all group platforms working together to create a single customer-centric, integrated financial services platform ecosystem, supporting all operating businesses, segments and jurisdictions. The digitisation journey continues across businesses, enabling deep customer insights and lower processing costs.

The advantages of digital on-platform sales, service and fulfilment include:

- higher take-up of offers;
- lower cost of origination (the cost of digital origination for FNB loans, for example, is 95% cheaper than through branches);
- further entrenchment of customer relationships;
- multiple customer data points informing more contextual solutions offered to customers; and
- an improvement in proactive fraud detection of compromised customers.

FNB has approximately 10 000 data points on a typical retail customer that support the contextual solutions offered to customers. Approximately 1.7 billion customer interactions are streamed to the group's data and analytics platform in real time, enabling FNB to generate and pass ~300 million opportunities across all products to customers, translating into ~600 000 take-ups per month.

Most unsecured credit sales are fully automated on platform and 22% of mortgage payouts are originated through nav>>Home. The nav>>Car garage has close to 0.5 million cars registered.

Although the group has had a strong focus on driving platform adoption, branches still remain the largest sales channel. The group therefore believes it has the appropriate mix of physical and digital interfaces to deliver a holistic customer proposition.

On an inflation-adjusted basis, branch costs have continued to decline as investment in platform grows. The group is cognizant of the need to deliver efficiencies associated with its platform strategy and believes it is on track to deliver these in the medium term.

Insurance

The group's broader integrated financial services offerings provided additional protection for its customers. For example, FNB's credit life insurance product provided much-needed relief to those customers who were retrenched or suffered loss of income due to the lockdown.

FNB Life now covers 6.3 million lives and is the third largest insurer in FNB's customer base by debit order value. This represents excellent progress in growing the group's share of FNB customers' insurance flows. Digital sales more than doubled compared to the prior year, offsetting the reduction in sales from physical channels.

The group continues to execute on its short-term insurance strategy to provide household and motor insurance products to group customers over the next two years, via FNB Insure and MotoVantage. Investment continues in platform and product development for short-term insurance solutions.

Value of new business (VNB) reduced 77% to R217 million (2019: R964 million) and embedded value (EV) declined 3% to R4.7 billion (2019: R4.8 billion). The reductions in VNB and EV reflect the impact of COVID-19 on sales, lapses and claims ratios.

Investment management

Despite the difficult operating environment, FirstRand continues to make good progress in building out investment management. The group recently consolidated these activities under a single structure to coordinate management capabilities across FNB, Ashburton Investments and RMB. The aim is to deliver investment solutions aligned to client needs across all segments off a scalable and efficient platform.

The investment team has successfully managed client assets through one of the most significant market crises on record. Investment performance in core local and offshore offerings has been pleasing, both against benchmarks and major peers.

FNB's wealth and investments (WIM) business utilises Ashburton Investments' fixed income and index funds as building blocks for its portfolios. All five Horizon funds have delivered strong performances with three funds in the first quartile and the other two in the second quartile against peers. Four of the five funds posted double-digit returns over this period.

Good performance was also seen in Ashburton's offshore portfolios, with the Global Leaders Equity and the Global Equity Income portfolios continuing to outperform peers, as well as the MSCI ACWI index, over most relevant periods.

The investment in platform distribution is assisting progress in client penetration, with good digital distribution of wills, online share trading and Horizon unit trusts resulting in 13% growth in the account base to 483 211 accounts, and pleasing growth on the linked investment service provider (LISP) platform. Although assets under execution decreased, trade values increased from R20 billion to R33 billion year-on-year, resulting in increased brokerage income.

Enhanced channel enablement of investment solutions in the commercial, corporate and institutional client base contributed to the Ashburton Money Market Fund growing from R3 billion at the start of the financial year to R8.6 billion at the close of the year.

Total assets under management (AUM) was flat year-on-year, a pleasing performance given the difficult markets, and was mainly attributable to good growth in fixed income and the private clients business. Alternatives decreased due to the disposal and closure of the Westport funds.

Rest of Africa

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

The group continues its portfolio approach to the rest of Africa and the businesses are grouped into the following categories:

- mature businesses with significant scale and market share, which are focused on growing their financial services offerings (Namibia, Botswana and Eswatini);
- smaller businesses in Mozambique, Ghana, Lesotho and Zambia where the focus is on growing universal banks; and
- a specialist investment banking operation in Nigeria.

During the year under review, FNB decided to commence a process to exit Tanzania as this subsidiary's business model could not appropriately scale given the structure of the market.

Effective 5 May 2020, First National Bank Ghana acquired a 100% interest in GHL Bank plc in Ghana, for effectively R510 million. The acquisition has been finalised and the integration of the business is well under way.

The group regards Ghana as an attractive market with long-term potential and the acquisition of GHL provides a foundation for a broader retail strategy going forward. GHL has more than ten years' experience in the Ghanaian mortgage industry with an estimated market share of >50% in the domestic mortgage market.

Growing a more valuable UK business

Management teams are correctly challenged to demonstrate that capital deployed for strategic acquisitions add shareholder value. The group has owned Aldermore since 1 April 2018.

Aldermore has been earnings- and return-enhancing to the group's results. The following table sets out an analysis of the return on the investment made and compares the results to a scenario where no acquisition had been made and the capital was retained in the South African group. It shows that this investment has been value accretive in both rand and pound terms.

	£ million	R million (rand equivalent)
Investment at acquisition (March 2018)	**1 098**	**18 311**
Aldermore excluding MotoNovo: 3-month earnings	16	
June 2018 adjusted NAV @ spot rate (£1 = R18.18)	**1 114**	**20 253**
Aldermore excluding MotoNovo: annual earnings 2019	95	
June 2019 Adjusted NAV @ spot rate (£1= R17.98)	**1 209**	**21 738**
Aldermore excluding MotoNovo: annual earnings 2020	52	
June 2020 adjusted NAV @ spot rate (£1 = R21.43)	**1 261**	**27 023**
Aldermore excluding MotoNovo return on investment over 27 months	**14.8%**	**47.6%**
Compound annual growth rate (CAGR)	**6.3%**	**18.9%**

FirstRand excess capital could have been invested at 3-month JIBAR:
7.11% (2018), 7.06% (2019) and 6.51% (2020)

Significant strategic benefits emanating from the Aldermore acquisition have been realised, such as relieving the hard currency funding pressure on FirstRand Bank, ensuring a more competitive and sustainable funding solution for MotoNovo, and the asset diversification beyond vehicle finance introduced by Aldermore. The acquisition of Aldermore has yielded an annualised return of 6.3% in pound terms to date.

The group remains excited about the growth prospects offered in the specialist UK banking market and continues to believe that its UK strategy in search of attractive risk-adjusted earnings growth and diversification is sound.

An update on the group's UK operations is provided on pages 70 and 71.

INCREASED FOCUS ON CLIMATE CHANGE RISKS AND OPPORTUNITIES

As the chairman outlined in his report, FirstRand has delivered on the commitments, relating to climate change disclosure, made to shareholders in last year's AGM notice.

FirstRand believes that climate change is one of the defining issues of this century, with significant attention given to climate change mitigation and adaptation at governmental, business and societal level. It has the potential to disrupt business models and markets across all sectors and impact the livelihoods and wellbeing of individuals across the world. This is why the group has adopted the following global climate agreements and principles.

- Support for the South African government on its Paris Agreement commitment, with guidance from the Integrated Resource Plan, National Treasury's technical paper on sustainable finance, and the national climate change adaptation strategy with due consideration of a just transition.
- Signatory to the Equator Principles and committed to enhanced due diligence of transaction-related climate risks through the environmental and social risk assessment (ESRA) process.
- Signatory to the Financial Stability Board's TCFD and committed to enhancing its reporting to fully comply with these recommendations over time. This process will be a measured journey reflecting the evolving nature of climate strategy, risk management and reporting standards.
- Committed to working in partnership with relevant government institutions in the jurisdictions in which the group operates to enable sustainable financial solutions that promote positive climate outcomes, taking account of regional context and sustainable development needs.

The group believes there is also a clear commercial imperative for better climate-risk management, the development of sustainable financing and funding solutions, and the integration of climate impacts into capital allocation, origination strategies, portfolio diversification and reporting. FirstRand is therefore focused on formulating growth strategies, building appropriate capabilities and integrating climate change considerations into existing business plans and processes. This will ensure FirstRand can actively participate in financing of the green economy, pursuing the significant opportunities for innovation, new technologies and markets to help society adapt.

Areas of immediate focus are unpacked below:

- Supporting clients in managing their climate risks (physical or transition risks) by providing them with climate-appropriate financial solutions for adaptation or balance sheet protection, including financing/investment/transactional services, advisory/analytics and data services, capital raising and savings/investments/capital markets products. The solutions will focus on climate risk in carbon-intensive sectors, including energy and transportation, and on climate resilience in the most climate-vulnerable sectors, such as agriculture and property.
- Managing the group's lending portfolios, with the objective to reduce adverse climate outcomes by formally assessing transactions for transition, physical and liability risks, and to more deliberately target positive climate outcomes by financing a greater proportion of climate-friendly assets.

- Aligning the group's financial resource management practices to enable positive and mitigate negative climate outcomes. This includes:
  - the development and incorporation of a sustainable debt issuance framework into the overall funding strategy;
  - partnering with development finance institutions (DFIs) where appropriate;
  - targeting prudent environmental, social and governance (ESG) rating levels for the group; and
  - transmitting the price of financial resources, taking account of positive outcomes and negative externalities.
- Prudent risk management of climate risk on the balance sheet through the development and publishing of appropriate risk management policies and guidelines. The group will continue to build on its capacity and capability to identify, quantify (e.g. through appropriate transaction ESG ratings), price, manage and forecast through appropriate scenario analysis and stress testing (of asset values and long-term cash flow impacts) of climate risk in its portfolios including physical and transition risks.
- Commitment to mitigating the group's direct climate impact by reducing its operational emissions and increasing energy efficiency of its operations.

A more detailed narrative on the group's approach to climate change is contained in new supplementary disclosure at the end of this report.

OUTLOOK REMAINS CHALLENGING, BUT THE GROUP IS WELL POSITIONED

The group believes that economies that entered the crisis weak will take longer to recover. Consequently, South Africa's recovery will be very slow unless its long-term weaknesses are resolved.

Economic activity in South Africa is expected to start to rebound from the depths of the first half of 2020. This is mainly linked to the easing of lockdown measures and could stem the level of job losses and support the start of a recovery. However, given the South African government's limited capacity to inject further stimulus into the economy, there will be ongoing permanent damage to household and business balance sheets. This will limit the extent to which the economy will be able to recoup the output losses sustained during the first half of the year. As a result, private sector credit growth will remain weak and activity levels will continue to trend lower than pre-crisis.

There are several good proposals for South Africa's required structural reform on the table. Examples include the National Development Plan and the recent paper tabled by National Treasury. The COVID-19 crisis has accelerated the need for urgent implementation.

While a few reforms are difficult to implement and execution risks are high, there are some that should be easy, that are relatively inexpensive for the government and will go a long way to boost business and consumer confidence. The low-hanging fruit includes:

- providing licences to businesses to generate their own electricity;
- allocating 5G licences; and
- easing visa regulations for highly skilled job seekers.

As the chairman has already pointed out, private sector capacity and skills can be added to government's capacity as has recently been demonstrated by specific initiatives around COVID-19. FirstRand is committed to playing its part in facilitating the recovery.

The UK is likely to recover faster, given the government's significant stimulus measures. This rebound will, however, depend on the potential imposition of further lockdowns and the added complexity of Brexit uncertainty during the latter part of 2020, which may constrain growth.

For FirstRand, the economic impact of COVID-19 will continue to place acute pressure on the group's performance for the rest of the 2020 calendar year. Trends post lockdown are improving as the economic recovery slowly emerges, however, activity levels will remain muted on a relative basis, balance sheet growth will be subdued, and the credit performance will not materially improve. Whilst this will translate into a recovery of earnings for the six months to December 2020 on a rolling six-month basis, the period-on-period performance compared to the six months to December 2019 (a pre-COVID-19 period) will be a further reduction given the significant base effect.

FirstRand anticipates an upward trajectory in earnings in the second half to June 2021, although the absolute level of earnings for the full 2021 financial year are unlikely to revert to June 2020 levels.

Looking beyond the fallout from the pandemic, the group believes that its unique investment proposition (outlined in the chart below) is intact and will re-emerge in the next few years.

THE GROUP IS:

- A portfolio of multi-branded businesses providing a broad range of financial services
- A market leader in SA with ambitions to achieve leadership in all chosen markets
- Differentiated by a long-standing culture of entrepreneurial thinking

THE GROUP HAS:

- A rapidly maturing, integrated strategy – building ecosystems around the needs of customers
- Demonstrated an ability to create long-term, sustainable franchise value through innovation
- A disciplined approach to the allocation of scarce financial resources
- A long-term track record of delivering superior economic profits, returns and dividends to shareholders

The group believes its portfolio has distinctive characteristics that will drive the recovery in its investment proposition. These include:

- The relative size of the group's transactional franchise:
  - a source of capital-light revenues;
  - digital platform strategy enables regular interactions, ecosystems and network effects – outcome is growth and efficiencies;
  - associated deposit franchise provides cost of funds advantage;
  - data analytics enable contextual customer offerings and portfolio insights; and
  - highly geared to economic recovery and should provide a topline kicker.
- The group's balance sheet mix provides higher risk-adjusted margins.
- FirstRand's deeply embedded financial resource management principles drive the appropriate allocation and pricing of financial resources:
  - credit underwriting anchored to preserve return profile; and
  - ROA, not gearing, drives returns.
- A unique diversification strategy:
  - as the UK recovers, the group's UK operations will provide a risk-adjusted ROA uplift – the optionality to grow in a large market remains compelling; and
  - the group's integrated insurance and investment management businesses diversify and support FirstRand's non-interest revenue (NIR) trajectory.

In closing, FirstRand believes that the actions it has taken to strengthen and protect its balance sheet, combined with the structure of its portfolio and its chosen strategies, will ensure ROE and earnings recovery once the current stress scenario normalises.

The COVID-19 pandemic, as demonstrated in this report, has brought carnage to many economies, businesses and livelihoods. It has also impacted the health of our communities and FirstRand has not been spared. The pandemic has to date tragically seen some colleagues pass away from COVID-19-related illnesses and the group extends its condolences to their families and loved ones.

ALAN PULLINGER
CEO

supplementary

climate change disclosure

As referenced in the *CEO's report*, this new disclosure provides an overview of FirstRand's governance and risk management frameworks relating to climate change. It also covers the financing of climate-sensitive industries and presents the group's current roadmap to developing a complete framework for managing climate change.

GOVERNANCE

Responsibility for strategic focus areas that relate to climate change lies with the group's strategic executive committee (Stratco) which is chaired by the group CEO and is the most senior executive forum of the group.

Stratco delegates climate risk oversight to the chief risk officers (CROs) of FirstRand Limited and FirstRand Bank, as climate change is considered a strategic risk. The CROs are responsible for the management of climate risk as it relates to the business process risk management framework.

Board oversight rests with the Social, ethics and transformation committee and the Risk, capital management and compliance committee. These board committees are supported by the Environmental, social and climate risk committee, which consists primarily of segment/operating business CROs and risk specialists across the group.

The climate steering committee (CSC) is mandated by Stratco to manage climate-related risks and opportunities, and comprises senior representation from risk management, capital management, group finance and investor relations. The objectives of the CSC are outlined in the schematic below.

Climate steering committee

- **Support the climate-related risk management** programme at a strategic level
- **Set broad strategic climate risk management objectives** to inform the group's risk appetite over the short, medium and long term
- **Endorse processes and methodologies** developed by the climate technical committee
- **Build these processes** into the group's overall **risk management processes and governance structures**
- **Approve public climate disclosure** including disclosures aligned with TCFD recommendations

The **technical climate committee (TCC)** is a specialist subcommittee of the CSC that identifies and assesses climate-related risks and opportunities. Specifically, the TCC is responsible for scenario analysis and stress testing and provides input into risk management and governance. There are several working groups within the TCC, including taxonomy, risk analysis, scenario analysis, measurement and disclosure.

RISK MANAGEMENT

Climate change risks do not necessarily represent an exclusively new risk category, but can rather be an amplifying factor for other risk types

Climate change presents a complex set of interconnected outcomes, with financial and operational risks emanating from two primary channels: **physical risks** and **transitional risks**.

PHYSICAL RISK

Over the long term, climate change will result in both acute events (e.g. increased severity and frequency of extreme weather phenomena) and chronic environmental changes (e.g. sustained higher temperatures). Resultant risks may manifest as:

- **operational risk** (e.g. fines and penalties due to non-compliance) resulting in one-off losses or broader sustainability challenges (e.g. workforce absenteeism and illness due to extreme weather events) for the group or for clients; or
- **credit risk** for the group due to damage to physical property and infrastructure resulting in productivity losses or supply chain disruptions which impact customers' cash flows and ability to service existing debt.

SHORT-TERM TRANSITION RISKS

In the short term, changes in client behaviour and investor preferences for less carbon-intensive assets and products may result in market, reputational or legal risks for the group. The market risk arises from changes in asset prices and market spreads given investor capital allocation changes. Reputational or legal risks may arise if clients or funders perceive the group's operational and financing activities to be aggravating climate change.

LONGER-TERM TRANSITION RISKS

In the long term, transitioning to a less carbon-intensive economy will likely entail significant legal, technology and policy changes, which may be disruptive to established business models. If appropriate climate adoption interventions are not implemented, this could result in unexpected financial losses for the group and clients.

FirstRand addresses these broader climate change risks through its existing environmental, social and climate risk management framework. The identification, monitoring, management and mitigation of environmental risks are fully integrated as part of the enterprise risk management (ERM) function.

AS PART OF THE DEVELOPMENT OF A COMPREHENSIVE GROUP CLIMATE RISK MANAGEMENT PROGRAMME, **THE FOLLOWING PRINCIPLES ARE CONSIDERED:**

INITIAL VISION SETTING:
Leadership supports an enhanced focus on climate-related opportunities and is therefore building the appropriate climate risk capacity in the group.

RISK-BASED PRIORITISATION:
Resource allocation is prioritised for areas with the highest potential impacts. Capacity has been built in areas such as risk, credit, capital, funding and across all business segments.

OBJECTIVES CONSIDERED IN **CLIMATE RISK ASSESSMENT**

1. **Protect** the group's **balance sheet** and capital
2. **Include a climate filter** in the credit risk management process
3. **Transparently disclose** the group's **climate exposure** vulnerabilities and opportunities
4. **Actively seek green and climate financing opportunities** to support clients' climate resilience

LENDING TO ENERGY AND FOSSIL FUEL SECTORS

The table below unpacks RMB's net advances by energy sector. This current balance sheet mix mainly reflects the respective energy development needs of the core markets where FirstRand operates, particularly South Africa, Nigeria and Mozambique.

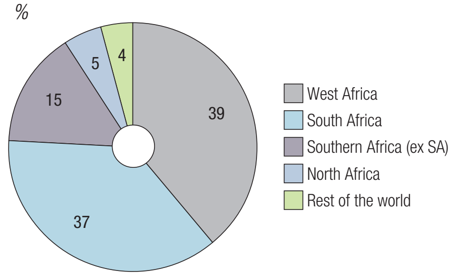
FirstRand's policy on energy financing considers the current energy mix of each country as well as the economic development and social upliftment needs of each jurisdiction. The group has placed limits on the financing of new coal-fired power stations and new coal mines.

South Africa has had a historically high dependence on thermal coal for its energy needs, and lending to thermal coal mines and electrical utilities has been the underlying driver of advances in the past. Nigeria's energy mix is still dominated by oil and is a key determinant of the country's economic growth, and the majority of the upstream oil advances below reflects this. Mozambique is in the process of addressing its energy needs through an extensive offshore gas programme and RMB's participation in this programme is reflected in the growth of gas assets over the past year.

The group's origination focus for fossil fuels has shifted to a greater emphasis on natural gas, which is seen to be a more environmentally friendly fossil fuel. RMB has also been active in the facilitation of mergers and acquisitions of oil and gas companies as the market consolidates in response to changes in the global energy landscape. Renewable energy remains a focus for the group, and RMB is actively looking for opportunities in this space, both in South Africa and other African markets.

FOSSIL FUEL EXPOSURE PER REGION

%



	2020		2019	
R million	**Drawn exposure**	**% of total group loans**	Drawn exposure	% of total group loans
Upstream oil and gas*	**6 703**	**0.5%**	4 579	0.4%
Downstream oil and gas	**8 482**	**0.6%**	6 156	0.5%
Thermal coal mines	**1 435**	**0.1%**	488	0.0%
Fossil fuels excluding natural gas	**16 620**	**1.3%**	11 223	0.9%
Natural gas	**3 093**	**0.2%**	1 334	0.1%
Total fossil fuels	**19 713**	**1.5%**	12 557	1.0%
Solar	**9 540**	**0.7%**	9 448	0.8%
Wind	**4 913**	**0.4%**	2 410	0.2%
Hydro	**166**	**0.0%**	169	0.0%
Other renewable energy	**3 240**	**0.2%**	2 458	0.2%
Total renewable energy	**17 859**	**1.4%**	14 484	1.2%
Electric utilities	**8 723**	**0.7%**	8 395	0.7%

* *Total committed direct facilities to the upstream oil and gas sector amounted to R8.6 billion ($497 million) of which R6.7 billion ($386 million) had been drawn as at 30 June 2020. There has been a year-on-year increase as a result of increased drawdowns and the depreciation of the rand.*

CLIMATE CHANGE PROGRAMME ROADMAP

FirstRand's climate change disclosures will evolve over time as the availability of sufficiently reliable and relevant data permits. FirstRand is a signatory to the TCFD's recommendations and is aware of increasing investor interest in climate-related disclosure practices. The group has every intention of incrementally increasing its disclosure going forward.

FirstRand's roadmap for the development of a complete framework for managing climate change, together with the requirements of TCFD, will inform the group's disclosure going forward.

	PHASE 1	PHASE 2	PHASE 3	PHASE 4
	High-level design and analysis	**Analysis of portfolio exposure and risk prioritisation**	**Ongoing scenario analysis, measurement and incremental analysis of all portfolio exposures**	**Ongoing reinforcement and long-term strategy development**
	FY 2020	**FY 2021**	**FY 2022 – 2023**	**FY 2024 – 2025**
Governance	• Established climate change specialist committees. • Integration of climate risk into existing board governance structures. • Ongoing board training on relevant climate-related risks and opportunities.	• Cascade climate change considerations (risk and opportunity management) into segment committees. • Develop strategies for climate change adaptation and mitigation specific to segments. • Define roles, responsibilities and mandates. • Ongoing policy development.	• Measure progress. • Internal audit of climate change management processes. • Ongoing board and management oversight.	• External assurance of climate-related finance disclosure in the annual financial statements.
Strategy	• Elevate climate change as a strategic risk and opportunity, and a long-term driver of financial and non-financial risk. • Stakeholder engagement and establishment of the relevant technical partnerships, e.g. UNEP-FI* and PCAF**. • Benchmarking – global and local peer gap analysis, emerging green taxonomies from different regulators, climate disclosure and sustainable finance. • The group's strategy includes supporting climate resilience and transition to a lower-carbon economy.	• Define strategic climate objectives and risk appetite. • Develop climate change policy. • Assess climate risk within agriculture and commercial property portfolios. • Further embed climate change considerations – incorporating externalities – into the pricing of financial resources and performance measurement. • Build capacity and train risk professionals on climate change. • Integrate group climate change strategy into investment and insurance activities.	• Define climate metrics and targets. • Align origination strategies with the group's understanding of climate change considerations. • Ensure that performance measurement and remuneration promote and reward sustainable value creation. Integrate climate targets and/or goals into remuneration models. • Build capacity and train risk professionals on climate change. • Board-level agreement through Stratco that the level of climate-related disclosure is proportionate to the materiality of climate-related risks and opportunities and complies with mandatory reporting requirements. • Consideration of mandatory climate-related reporting in other jurisdictions in which FirstRand operates.	• Ongoing assessment of the group's climate strategy and alignment with desired climate outcomes.

* *The United Nations Environment Programme Finance Initiative.*

** *Partnership for Carbon Accounting Financials.*

	PHASE 1	PHASE 2	PHASE 3	PHASE 4
	High-level design and analysis	**Analysis of portfolio exposure and risk prioritisation**	**Ongoing scenario analysis, measurement and incremental analysis of all portfolio exposures**	**Ongoing reinforcement and long-term strategy development**
	FY 2020	**FY 2021**	**FY 2022 – 2023**	**FY 2024 – 2025**
Risk management	• Clarify climate terminology, incorporate climate change with other enterprise risk types. • Identify processes to determine which climate risks and opportunities could have a material financial impact on the group. • Identify climate scenarios to inform the group's assessment of climate change materiality. • Start development of transition and physical risk impact measurement methodology.	• Describe relevant short-, medium-, and long-term time horizons, considering the useful life of the group's assets and infrastructure. • Define and embed the process for identifying, prioritising and managing climate-related risks. • Incorporate climate risk into the group's environmental and social risk assessment (ESRA) due diligence process, materiality assessment and credit modelling. • Risk prioritisation and heat mapping (geographical location, sector-specific vulnerability assessment).	• Continue to improve data systems and reporting. • Understand and prepare for future prudential or regulatory reporting requirements. • Review and improve climate assessment within ESRA due diligence process. • Develop integrated assessment models, portfolio carbon accounting, stress testing, sector analysis and internal capital adequacy assessment processes to model the impact of the transition to a low-carbon economy on the group's lending, investment and insurance portfolios.	• Continue to improve data systems and reporting. • Effectively embed climate considerations into relevant business processes, including risk management, monitoring and reporting. • Ongoing awareness and capacity building.
Risk metrics and targets	• Publication of a thermal coal financing policy. • Set a science-based emissions reduction target for group's own operations scope (1 and 2). • Disclose group's operational carbon footprint.	• Publication of energy financing policy. • Initial assessment of carbon emissions in the group's portfolio. • Define metrics to assess the impact of (transition and physical) climate-related risks on the group's lending and other financial intermediary business activities in the short, medium, and long term.	• Ongoing policy review. • Ongoing assessment of carbon emissions in the group's portfolio.	• Sectoral metrics and targets. • Set a science-based emissions reduction target for the group's financed emissions. • Consider appropriate decarbonisation targets.
Climate finance/ innovation	• Raise awareness about sustainable development opportunities (including climate mitigation and adaptation). • Work with investors and funding partners to develop and support sustainable finance.	• Develop a group climate change taxonomy (including green, brown and blue asset definitions) for incorporation into ESRA and origination process. • Develop a sustainable finance debt issuance framework, with a focus on innovation for climate adaptation and mitigation. • Consumer engagement.	• Measure social and environmental impact of climate financing activities. • Identify investors with climate finance objectives and align to opportunities. • Refine assessment, approval and data management processes for climate finance.	• Define climate finance targets. • Ongoing measurement of success. • Ongoing stakeholder engagement.

CLIMATE RESILIENCE IN THE GROUP'S OWN OPERATIONS

The management and monitoring of the group's operational carbon emissions are important to reduce the group's environmental impact and build climate resilience, and comply with climate-related legislation (e.g. the National Greenhouse Gas Emissions (GHG) Reporting Regulations and the Carbon Tax Act).

Operation performance metrics – carbon emissions

Metric tonnes of CO_2 equivalents	2020	2019	% change
Scope 1 emissions			
Fuel use in generators	2 634	1 680	57%
Business fleet travel	5 102	6 110	(17%)
Refrigerants	565	988	(43%)
Scope 1 TOTAL	**8 301**	**8 778**	**(5%)**
Scope 2 emissions			
Electricity – buildings	163 371	175 068	(7%)
Electricity – ATMs	7 690	8 371	(8%)
Scope 2 TOTAL	**171 061**	**183 439**	**(7%)**
Scope 3 emissions			
Paper use	1 348	1 856	(27%)
Business road travel	4 114	5 493	(25%)
Business air travel	9 231	11 790	(22%)
Fuel well to tank emissions	1 885	1 908	(1%)
Electricity transmission losses	3 228	3 461	(7%)
Scope 3 TOTAL	**19 806**	**24 508**	**(19%)**
Total carbon emissions South African operations	**199 168**	**216 725**	**(8%)**

Note: Overall reduction benefited from lower activity due to lockdown.

There is an **8%** year-on-year **decrease** in emissions for South African operations.

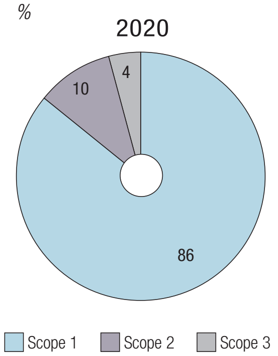
GHG emissions from electricity consumption accounts for **86% of the total emissions** from the group's South African operations.

There was a **7% reduction in emissions** from electricity consumption from the previous financial year. This was achieved through ongoing energy efficiencies and utilisation of renewable energy from solar PV projects at several office buildings.

GHG emissions from scope 3 sources account for **10% of the carbon footprint** for South African operations.

A significant reduction in air travel, car rental and paper consumption in the second half of the financial year due to restrictions associated with South Africa's COVID-19 lockdown contributed to the **19% reduction in these scope 3 emissions** from the previous reporting year.

FIRSTRAND* CARBON FOOTPRINT
%



* *South African operations only.*

Operational emission reduction targets

FirstRand has set science-based targets for scope 1 and 2 emissions for the group's South African operations. These targets:

- are aligned with the Paris Agreement goals (i.e. aligned with the decarbonisation level required to keep the global temperature increase below 2°C compared to pre-industrial levels);
- are set using an absolute emissions contraction methodology; and
- resulted in a 75% emissions reduction target for scope 1 and 2 emissions for South African operations by the year 2050, against a 2015 emissions baseline, with short- and medium-interim targets set to track progress.

The group's South African operations are on track to achieve this 75% emission reduction by the year 2050.

Shadow carbon pricing

FirstRand has set an internal shadow carbon price that will be used to consider carbon costs during the evaluation of new projects and infrastructure for the group's operations. This will help incentivise and prioritise low-carbon projects and support emission reductions.

cfo's *report*

> "The group has been prudent in its provisioning and continues to focus on further strengthening and appropriately tilting its balance sheet to the macro outlook."
>
> *Harry Kellan | CFO*

The year to June 2020 was extremely challenging for FirstRand, particularly the last quarter. The company's net asset value per share increased 6% to 2 453.1c per share as the group continues to accrete capital, despite the 38% decline in normalised earnings and the drop in the return on equity to 12.9%. From an economic profit generation perspective, this is the first time since the global financial crisis that the group has produced an ROE below the cost of equity (14.0%), resulting in an economic loss (negative NIACC).

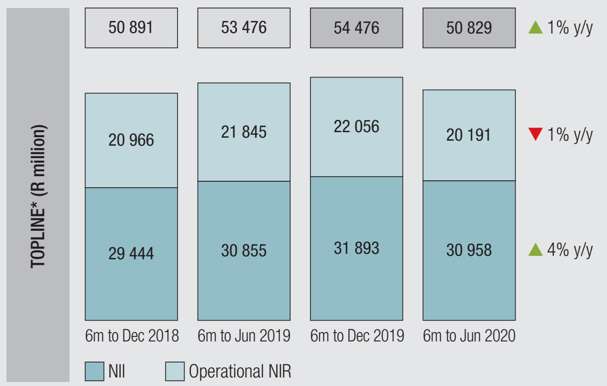
Total revenue increased marginally for the year as gross net interest income (NII) remained resilient, benefiting from growth in deposits and advances. This was offset by a reduction in non-interest revenue, which was impacted significantly by the effects of the COVID-19-related lockdowns.

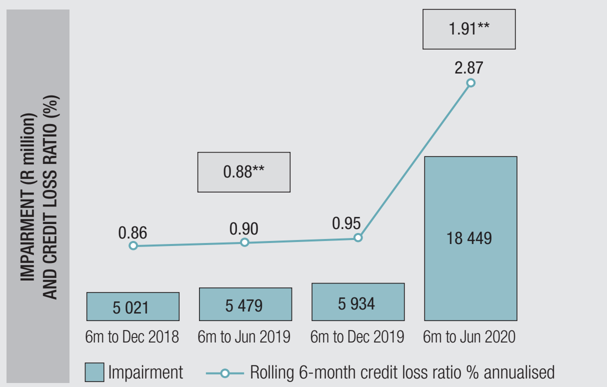
The impacts of COVID-19 resulted in the group raising higher provisions for bad debts as it adjusted its forward-looking macroeconomic assumptions. This resulted in a substantial increase in the credit impairment charge. Affordability in all segments deteriorated sharply, evidenced by lower levels of underlying transactional and credit turnover and in the amount of debt relief requested by customers. Arrears and non-performing loans (NPLs) both showed material increases.

The net result was an increase in the credit loss ratio from 88 basis points (bps) to 191 bps, which exceeds the levels reached during the global financial crisis. The significant increase in the credit impairment charge was the greatest driver of the decline in normalised earnings.

NORMALISED EARNINGS

R million	2020	2019	% change
Net interest income	**62 851**	60 299	▲ 4
Operational non-interest revenue	**42 247**	42 811	▼ 1
Share of associate income	**207**	1 257	▼ 84
Total revenue	**105 305**	104 367	▲ 1
Operating expenses	**(55 656)**	(53 899)	▲ 3
Indirect tax	**(1 348)**	(1 280)	▲ 5
Pre-provision operating profit	**48 301**	49 188	▼ 2
Impairment charge	**(24 383)**	(10 500)	▲ >100
Income tax expense	**(4 874)**	(9 152)	▼ 47
Profit after tax	**19 044**	29 536	▼ 36
Other equity and non-controlling interest	**(1 779)**	(1 642)	▲ 8
Normalised earnings	**17 265**	27 894	▼ 38





* *Topline total includes share of associate income.*

** *12-month credit loss ratio to June.*

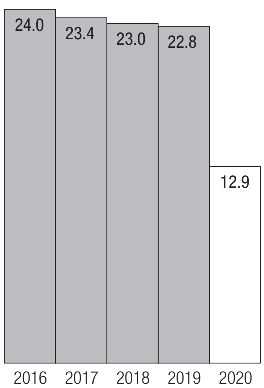
Pre-provision operating profit showed a decrease of 2%, which points to a resilient operating performance, despite margin pressure, subdued non-interest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination.

Costs were well contained, increasing just 3%, reflecting focus on cost management and lower variable staff expenditure given the current year performance. The level of cost containment was offset by the degree of pressure on topline, increasing the group's cost-to-income ratio to 52.9%.

The group's capital position remained strong, with a CET1 ratio of 11.5%. Despite this healthy position, the board did not declare a final dividend given the PA's guidance to preserve capital. There is surplus capital to support ongoing regulatory changes, the group's growth initiatives, and the IFRS 9 transition.

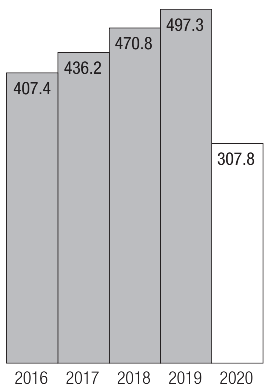
KEY PERFORMANCE METRICS

ROE
%



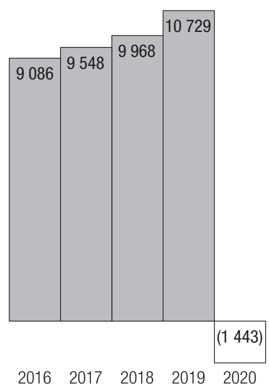
When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range remains at 18% to 22% for normal economic cycles.

DILUTED NORMALISED EPS
cents



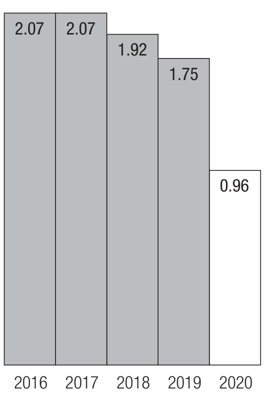
The group targets earnings growth of nominal GDP growth (defined as real GDP growth plus CPI) plus >0% to 3% for normal economic cycles.

NIACC
R million



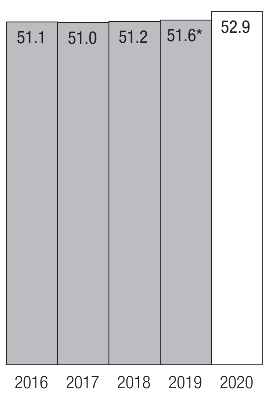
NIACC is the group's internal benchmark for assessing performance.

ROA
%



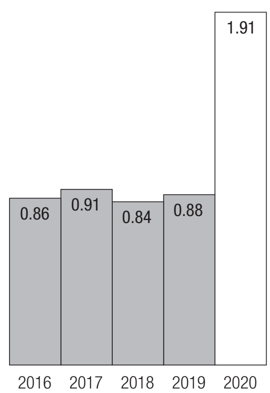
Maximising ROA is a key objective in creating shareholder returns.

COST-TO-INCOME RATIO
%



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

CREDIT LOSS RATIO
%



The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range (excluding Aldermore) of 100 to 110 bps. The current year credit loss ratio of 191 bps is a consequence of the COVID-19 economic crisis.

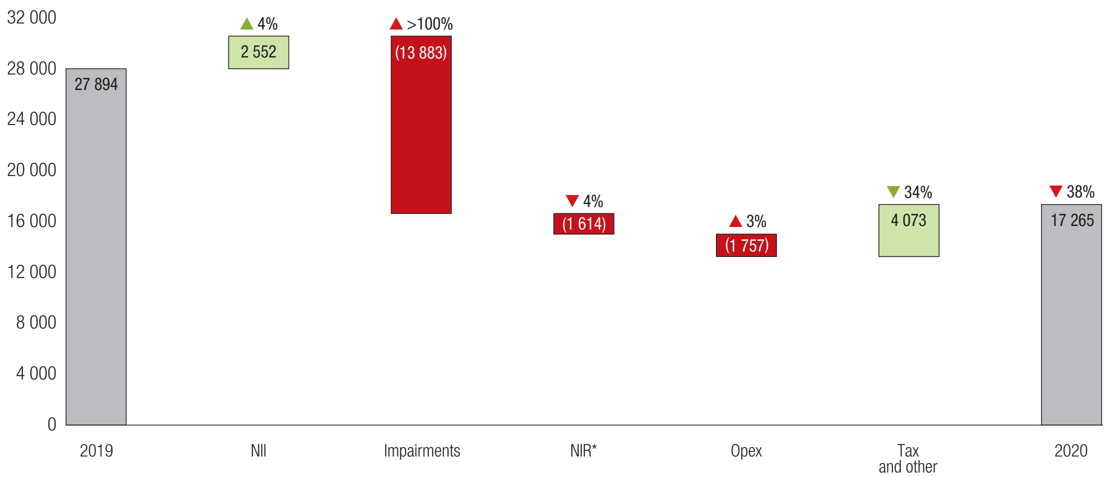
* *Reclassification of R240 million relating to operating expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense.*

STRESS ACROSS THE INCOME STATEMENT

The chart below shows a high-level breakdown of movements in the income statement lines for the year under review, with the impairment charge contributing the bulk of the decline in normalised earnings.

NORMALISED EARNINGS

R million



* *Including income from associates and joint ventures.*

REVENUE RESILIENT

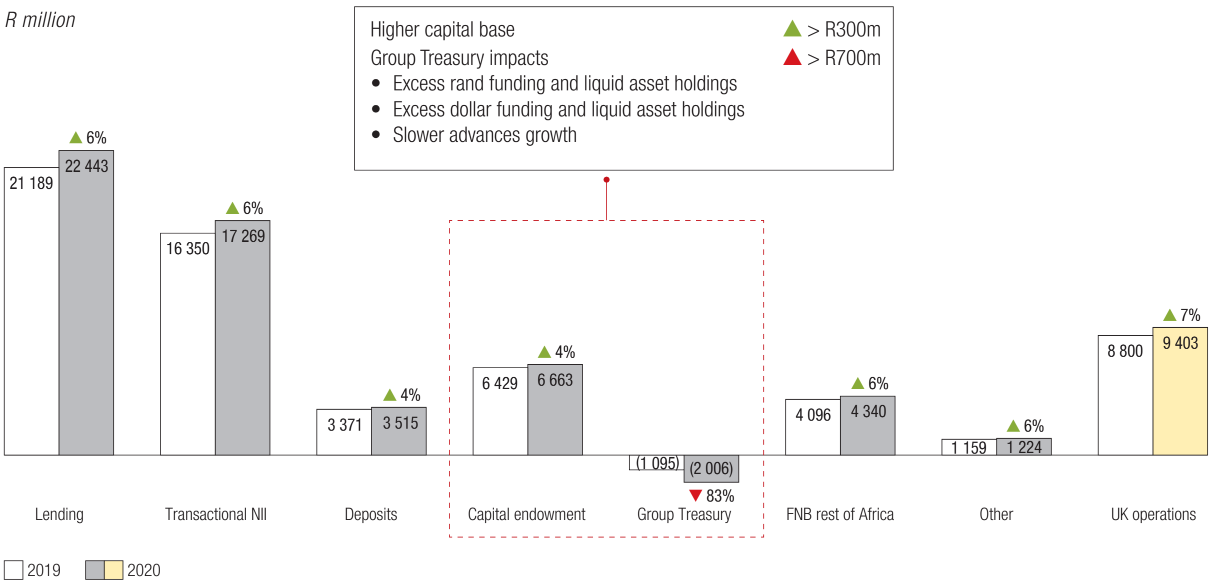
NII increased 4% to R62.9 billion.

Lending income grew 6%, in line with overall growth in advances and matched growth in transactional NII, despite margin pressure across the portfolio.

Capital endowment benefited from a higher capital base, partly offset by lower interest rates. NII was further negatively affected by excess funding and liquid asset holdings (in both rand and dollar) at Group Treasury. The following chart provides a further breakdown of the group's NII.

NET INTEREST INCOME

R million



MARGIN REFLECTS ENDOWMENT AND LIQUIDITY DRAG

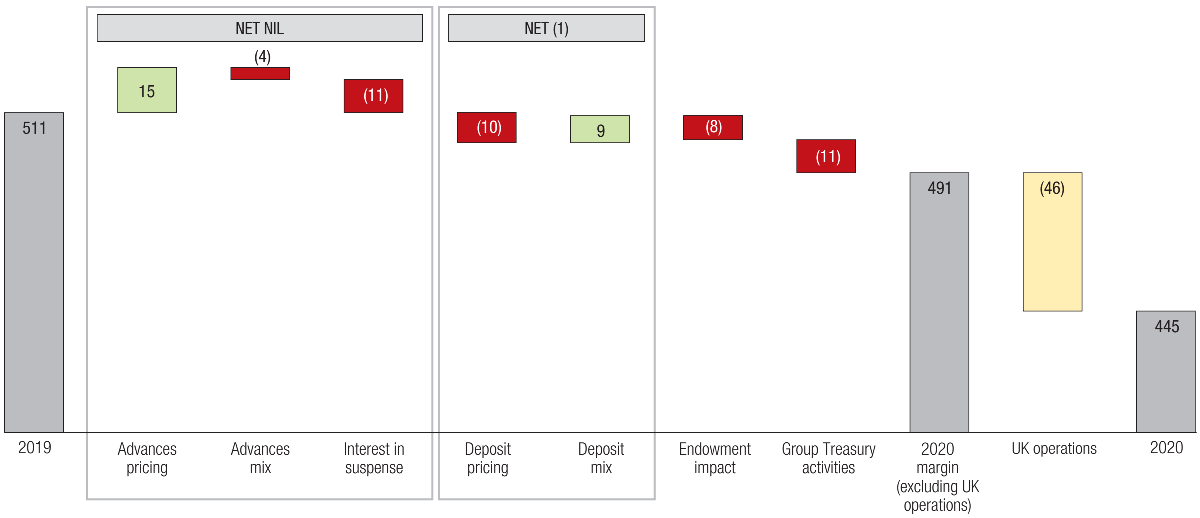
Overall, margins decreased 30 bps to 445 bps. There was a net benefit to the lending margin due to product repricing, but this was offset by a slight shift in mix away from unsecured lending and the impact of interest in suspense due to higher NPLs.

Despite healthy growth in deposits over the year, including during the lockdown period, there was a net reduction of one basis point in deposit margins due to competitive pressures and a change in mix to lower-margin products.

The group entered the COVID-19 crisis in a strong liquidity position as it had increased both local and foreign liquid asset holdings to proactively manage its liquidity coverage ratio (LCR) requirements (particularly in rand) during the first quarter of the calendar year. This, together with the group's strong deposit growth, allowed Group Treasury to successfully navigate tightening liquidity conditions following the onset of the COVID-19 crisis. The negative endowment impact and treasury activities reduced margins by 19 bps.

NORMALISED MARGIN

Bps



DEPOSITS BENEFITED FROM FOCUS ON CUSTOMER ACQUISITION AND PRODUCT OFFERINGS

The benefit of the group's longer-term strategy to gather deposits on the back of growing its strong transactional franchise was clear over the lockdown period, with digital channels leveraged appropriately, whilst maintaining competitive pricing and products.

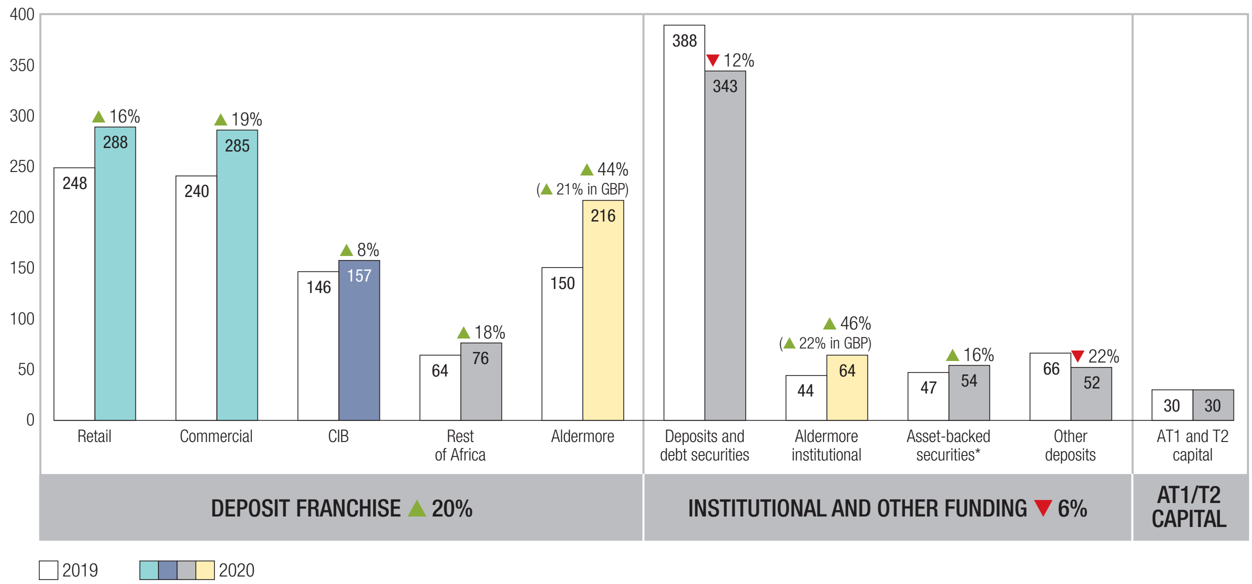
Early in lockdown there were significant drawdowns on irrevocable facilities, coupled with an increase in deposits at RMB. This was expected, given the level of uncertainty, and corporates have been conservatively managing cash flows by holding excess liquidity.

Commercial deposits increased 19%, driven by proactive client engagement, digitisation and innovative deposit solutions. The COVID-19 crisis also led to growth during the second half of the financial year as clients increased bank deposits.

Retail deposits grew 16%, supported by ongoing customer acquisition and simplified product offerings to support savings outcomes. Reduced spending and lower withdrawals from notice products during lockdown contributed and growth in the second half of the financial year. FNB held the largest market share in household deposits in South Africa as at June 2020.

LIABILITIES

R billion



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

Note: Percentage growth is based on actual, not rounded numbers shown in bar graphs.

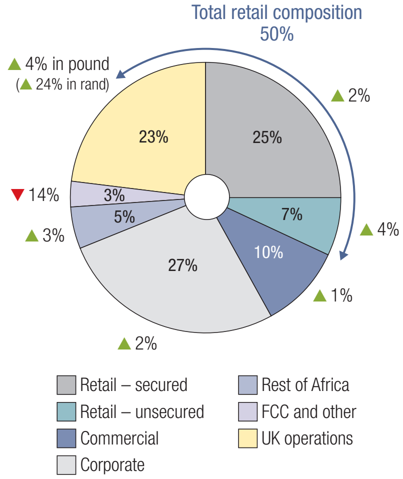
Group Treasury's excess liquidity, combined with the strong deposit growth mentioned above, resulted in a 6% decline in overall institutional funding. Institutional funding represented c. 32% of total funding at 30 June 2020 – the lowest level in over a decade.

MUTED ADVANCES GROWTH

Overall advances grew 6% to R1 311 billion (1% excluding the currency depreciation benefit on RMB's cross-border book and the UK operations' advances).

The following chart provides a breakdown of total advances.

ADVANCES BREAKDOWN
%



Advances growth of 3% in FNB occurred mainly in the premium and commercial segments, with the consumer segment sharply down, reflecting the lack of capacity in lower-income households to take on credit.

Total residential mortgages increased 3%, driven by growth of 9% in premium mortgages due to customer growth and successful cross- and up-sell initiatives. Affordable housing advances declined 36% as a result of lower demand.

Card advances growth of 7% was slower than previous years, reflecting reduced risk appetite given risk cuts, together with significant lower spending during the lockdown period.

Personal loans (excluding the impact of relief loans) were flat after several years of strong growth, reflecting risk cuts on the weaker macro environment pre-pandemic and the impact of the pandemic on customers.

DirectAxis advances grew 1% due to slowing demand and reduced risk appetite.

Advances in the subsidiaries in the rest of Africa grew 3% as Botswana's total advances gained 4% and the group purchased GHL Bank in Ghana, which added R1.6 billion in advances. This was partly offset by a 0.3% decline in Namibia's advances, and the decision to exit Tanzania, which resulted in R435 million in net advances being reclassified to assets held for sale.

At FNB commercial, advances growth of 3% was driven by targeted new client acquisition in the business segment, resulting in 4% growth in core lending, 3% in agriculture, 6% in commercial property finance, and 8% in asset-based finance, offset by a 5% decline in specialised finance.

RMB corporate and investment banking (CIB) core advances growth was 8%, led by the cross-border book, which grew 12% in dollar terms and reflected new credit extension. The SA core advances book grew 3% due to higher working capital facility utilisation.

At WesBank, the 2% decline in advances reflects the material drop in applications during the first two months of lockdown in the SA retail vehicle asset finance (VAF) business, where new business contracted 12%. This added to the lengthening of vehicle replacement cycles, further risk cuts, increased competitive pressures and the challenging economic environment prior to COVID-19.

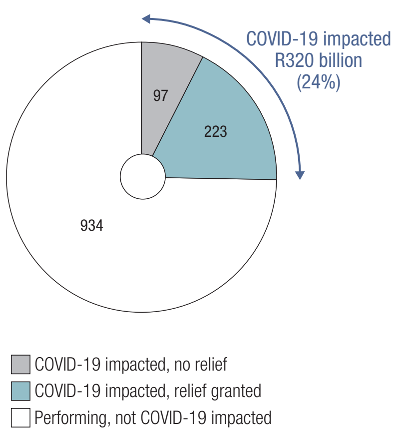
The UK operations produced advances growth of 4% in pound terms. Prior to the lockdown, there was strong new business origination in owner-occupied mortgages and targeted invoice and asset finance origination at Aldermore. New business volumes at MotoNovo benefited from more competitive funding rates from the Aldermore funding platform and relatively benign forward-funding rates given Brexit uncertainty.

DEBT RELIEF

As mentioned in the *CEO’s report*, the unprecedented economic stress created by the pandemic required the group to offer payment relief solutions for customers. The group provided debt relief on 18% of performing (stage 1 and stage 2) advances, approximately 70% of the COVID-19 impacted advances (representing 24% of total book) as illustrated in the chart below.

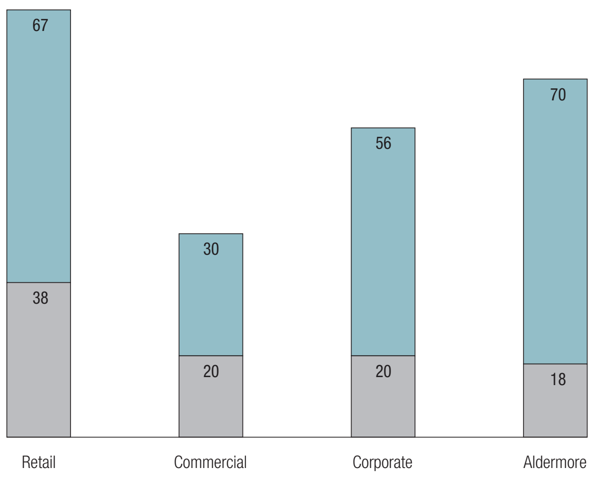
TOTAL GROUP (PERFORMING BOOK)

R billion



COVID-19 IMPACTED PERFORMING ADVANCES PER SEGMENT

R billion



The debt relief provided also impacted the staging of advances, provisioning and the overall credit impairment charge.

CREDIT PERFORMANCE REFLECTS PRUDENT PROVISIONING

FirstRand has revised its macroeconomic outlook for 2020/21, with material downward revisions to key economic variables affecting the group's activities, including a sharp contraction in real GDP of 8%, a significant increase in unemployment and weakness in property markets. These revisions have been incorporated into the group's credit provision models in line with IFRS 9 requirements, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments.

This, together with arrears (up 42%), resulted in performing provisions increasing R9 billion, mainly driven by conservative coverage ratios. Group NPLs increased 39% to 4.37% of advances (2019: 3.33%). This required further provision of R6.2 billion, however, coverage has been largely maintained.

All of this combined resulted in a R15.2 billion (45%) increase in provisions (2019: R5.1 billion increase) held against loans and advances across all stages, products and portfolios. The following table unpacks these movements and operational credit losses, and explains the group's materially higher credit impairment charge of R24.4 billion, and the credit loss ratio increase to 191 bps (2019: 88 bps).

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**9 040**	945	
NPL provision	**6 178**	4 152	
Credit provision increase	**15 218**	5 097	>100
Modification	**1 007**	633	59
Write-off and other	**10 532**	7 318	44
Post write-off recoveries	**(2 374)**	(2 548)	(7)
Total impairment charge	**24 383**	10 500	>100

All provisions raised reflect the group's best estimates against available data and scenario analysis (see pages 225 to 230 for detailed macro forecasts) and are considered appropriately prudent given the prevailing risk in the system. In addition, the group has conservatively provided for a sharp increase in credit life retrenchment claims, taking account of the latest economic outlook together with write-downs on non-private equity investments – these are reflected under NIR.

Retail NPLs as a percentage of advances increased to 8.44% from 6.33% in the comparative period, driven by:

- increases in NPL balances across all retail portfolios, mainly due to the impact of COVID-19, despite relief granted; and
- the pronounced absolute increase in residential mortgage NPLs where NPL formation has historically been benign.

Other factors included new business strain from strong unsecured book growth in previous years, which had resulted in risk cutbacks in the second and third quarters of the financial year. Certain operational issues already disclosed in the first half, mainly relating to scorecards and collections in the unsecured portfolios, continued to impact NPLs in the second half.

Commercial NPLs as a percentage of advances increased to 6.51% from 4.33% in the prior year, also driven by COVID-19, the residual impact of the drought in previous years in the agriculture portfolio, and strong book growth in prior years, especially in overdraft advances. RMB corporate and investment banking (CIB) NPLs as a percentage of advances increased to 0.87% from 0.82%.

In the UK operations, NPLs as a percentage of advances increased to 2.18% from 1.38%, mainly driven by the impact of lockdown and normalisation of the book following strong advances growth in prior periods.

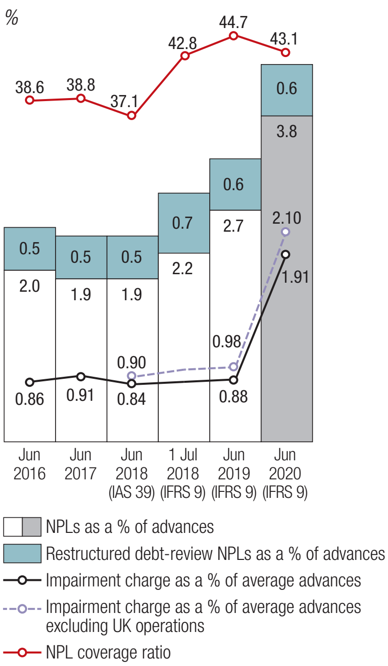
The table below unpacks all movements in NPLs.

TOTAL GROUP NPLs

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	10 393	39	25
Loans under COVID-19 relief	1 910	–	5
Restructured debt review	280	8	1
Definition of rehabilitation (technical cures)	(622)	(15)	(2)
Lengthening of write-off period	696	19	2
NPLs (excluding UK operations)	**12 657**	**33**	**31**
UK operations	3 275	96	8
Total group NPLs	**15 932**	**39**	**39**

The increase in balance sheet provisions coupled with R10.5 billion (excluding modification) in write-offs and other charges – mainly in the unsecured book – offset by bad debts recovered, resulted in a R24.4 billion credit impairment charge on the income statement. This was 2.3 times higher than the previous year and resulted in a credit loss ratio of 191 basis points, as illustrated in the chart below. The table beside the chart provides a breakdown of the impairment charge and credit loss ratio by product.

NPL AND IMPAIRMENT HISTORY



IMPAIRMENT CHARGE AND CREDIT LOSS RATIO

	Impairment charge (R million)		Credit loss ratio (%)	
	2020	2019	**2020**	2019
Retail – secured	**4 185**	2 135	**1.28**	0.67
Residential mortgages	**1 411**	232	**0.64**	0.11
WesBank VAF	**2 774**	1 903	**2.64**	1.80
Retail – unsecured	**8 562**	4 904	**9.83**	6.28
FNB card	**1 997**	937	**6.85**	3.68
Personal loans	**4 899**	2 682	**12.06**	7.50
– FNB	**2 447**	1 296	**10.46**	6.39
– DirectAxis loans	**2 068**	1 386	**12.87**	8.94
– COVID-19 relief	**384**	–	**32.99**	–
Retail other	**1 666**	1 285	**9.62**	7.60
Total retail	**12 747**	7 039	**3.09**	1.78
Commercial	**3 198**	832	**2.39**	0.64
Corporate	**3 293**	400	**0.95**	0.12
Rest of Africa	**1 630**	890	**2.49**	1.41
FCC (including GTSY)	**114**	156	**0.28**	0.37
Total excluding UK operations	**20 982**	9 317	**2.10**	0.98
UK operations	**3 401**	1 183	**1.23**	0.50
Total including UK operations	**24 383**	10 500	**1.91**	0.88

Coverage appropriate given portfolio mix and book growth

In WesBank, portfolio coverage was impacted by increased arrears in stage 2 and higher provisions held before the pandemic given prior stress in the book, which necessitated risk cutbacks.

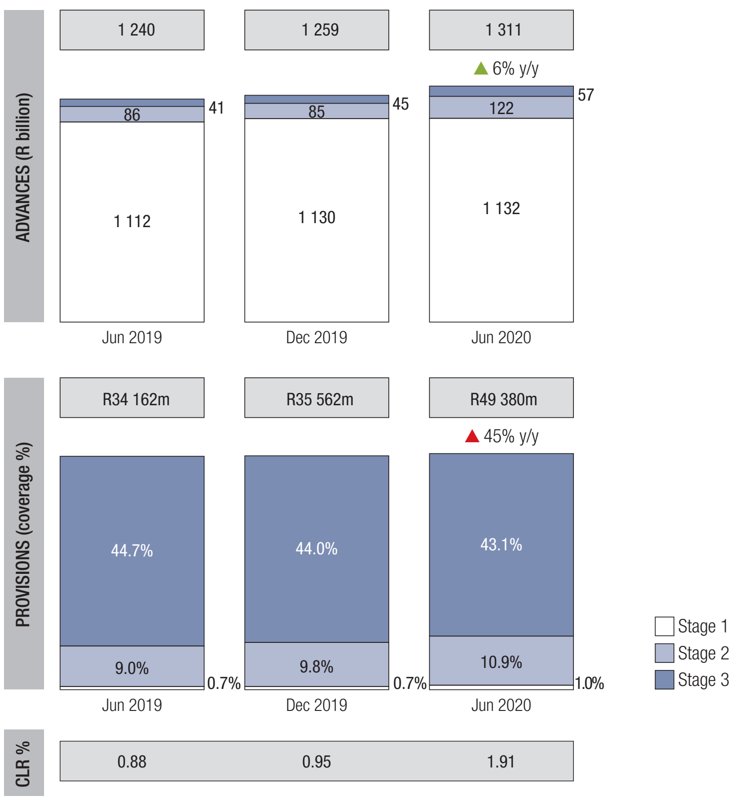
FNB card portfolio coverage increased marginally in line with higher arrears.

Personal loan stage 1 coverage increased due to FLI assumptions, while stage 2 coverage decreased given previous overlays held in the portfolio.

In CIB, a significant portion of performing advances were classified to stage 2 to reflect the higher risk of certain vulnerable sectors, thereby increasing coverage. Commercial had a similar experience, with FLI provisions leading to higher portfolio coverage.

Altogether, both specific and portfolio balance sheet provisions increased 45%, or R15.2 billion, to R49.4 billion year-on-year.

The following graphic provides a breakdown of total advances and provisions, as well as the credit loss ratio.



OPERATIONAL NIR RESILIENT

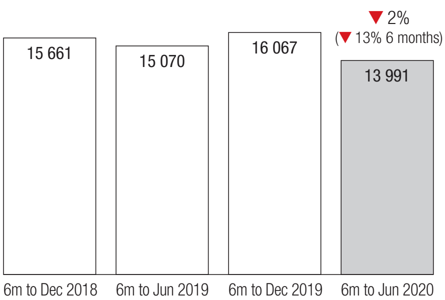
NIR has been fairly resilient. Fee and commission income declined 2%, affected by lower volumes experienced throughout the lockdown, together with R561 million in concessions granted to clients.

The 5% decline in insurance income was driven by increased credit life and death claims and forward-looking claims provisions. Pleasingly, in-force annual premium equivalent (APE) grew 7% (non-credit life APE increased 14%). The number of new policies declined 2%, notwithstanding strong growth in underwritten life products.

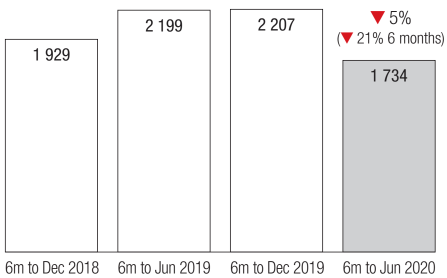
Despite the tough operating environment, markets and client activities delivered a strong performance, mainly due to foreign exchange activities which were bolstered by a robust performance in Nigeria and a recovery in domestic flow activities following increased market activity on the back of COVID-19.

Investment income was negatively affected by around R1 billion in impairments and write-downs against non-private equity investments. This was a result of the performance of certain investee companies specifically impacted by lockdown. This offset a modest uptick in realisation and annuity income. The quality and diversification of the private equity portfolio are reflected in its unrealised value of R3.3 billion (2019: R3.5 billion). The business remains in an investment cycle and additional investments of R1.8 billion were made by June 2020.

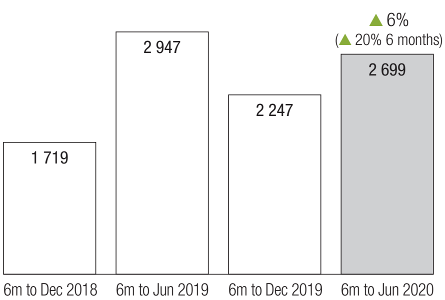
FEE AND COMMISSION INCOME



INSURANCE INCOME

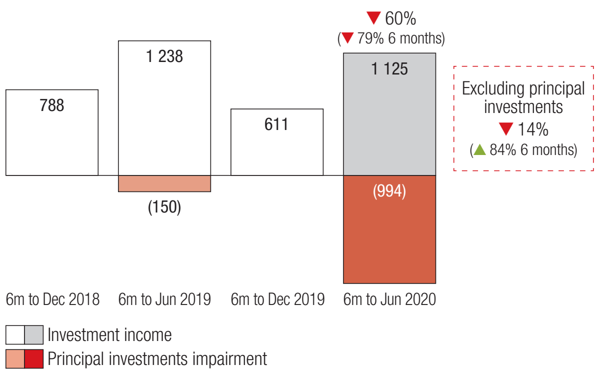


MARKETS, CLIENT AND OTHER FAIR VALUE*



* *Excluding Aldermore fair value hedge.*

INVESTMENT INCOME



OPERATING COSTS CONTAINED AS GROUP CONTINUES INVESTING FOR GROWTH

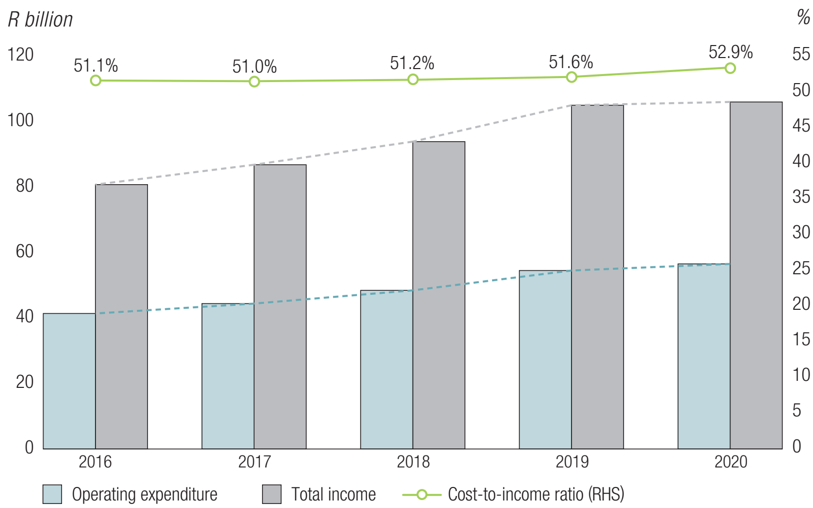
Cost growth was contained at just 3%, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in:

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

Additional costs incurred were associated with managing employee and customer wellbeing on premises and in branches, and the rapid facilitation of remote working for a significant proportion of staff when lockdown commenced.

Despite the level of cost containment, given the degree of pressure on the topline, the cost-to-income ratio deteriorated to 52.9%.

COST-TO-INCOME RATIO



Staff costs represent approximately 59% of the group's cost base. Direct staff costs increased 10%, incorporating the employee union increase of 7% in the prior year and staff headcount growth, including the acquisition of GHL Bank. Overall staff costs were up 1%, benefiting from the reduction in variable remuneration, along with the cost benefit due to the non-vesting of the 2017 long-term incentives.

The group expenses the majority of its technology and platform spend, which contributed to the 11% increase in overall IT costs.

Many costs are structurally sticky, but the group continues to make progress in extracting efficiencies.

THE GROUP CONTINUES TO PROTECT AND STRENGTHEN ITS BALANCE SHEET

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

Group internal capital targets have not been adjusted for the COVID-19 temporary relief measures and are aligned to the minimum requirements, including a fully phased-in Pillar 2A requirement. The group's CET1 ratio remained strong at 11.5% (2019: 12.1%), which is within its internal target range of 11.0% to 12.0%. The year-on-year decrease in the CET1 ratio was largely a function of:

- the COVID-19 impact on earnings;
- an increase in risk weighted assets (RWA) mainly from credit, counterparty credit and market risk driven by rand depreciation; and
- the transitional impact of IFRS 9 on 1 July 2019.

The overall decrease in the CET1 ratio was partly offset by the increase in the foreign currency translation reserve (net of goodwill and intangibles) and the successful financial resource optimisation strategies mentioned above.

The group manages liquidity risk by optimising its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The group entered the COVID-19 crisis in a strong liquidity position, well in excess of the regulatory minimum LCR of 80%, which the PA has reduced from 100% for this stress period. The net stable funding ratio of 117% exceeded the regulatory minimum of 100%.

FirstRand remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets.

CONCLUSION

From an economic profit generation perspective, this is the first time since the global financial crisis that the group has produced an ROE below the cost of equity, resulting in negative NIACC, which represents an economic loss. However, FirstRand still delivered normalised earnings of R17.3 billion and grew shareholder NAV, so the business is in resilient shape despite the challenging environment.

The group has also been prudent in its provisioning and continues to focus on further strengthening and appropriately tilting the balance sheet to the macro outlook to enable FirstRand to effectively weather the prevailing environment, and emerge in a position to fully capitalise on the recovery.

HARRY KELLAN
CFO

REVIEW OF OPERATIONS

FNB

Jacques Celliers | CEO | FNB

Normalised earnings
↓31%
R12.3 billion

FNB's results were materially affected by the COVID-19 pandemic and resultant lockdown

ROE
25.8%

Significant slowdown in key growth drivers

Deterioration in customer income and affordability levels

Significant debt relief requested across all segments

Low transactional activity and credit turnover in customer accounts

The balance sheet grew, particularly deposits

Deposits

RETAIL
↑16%

COMMERCIAL
↑19%

Advances

RETAIL
↑4%

COMMERCIAL
↑3%

SA customer numbers remained stable:
- Ongoing migration from consumer to premium segment
- Commercial customers increased 6%

Operating expenses well contained at ⇧4%

Despite ongoing investment in:

- Digitisation
- Platform
- Insurance and wealth management strategies

APP TRANSACTIONAL VOLUMES

⇧28%

eWallet transacting base

⇧39%

Interest rate cuts

Negative endowment impact and margin pressure

Subdued NIR growth

Lower absolute volumes during lockdown

FNB's DIGITAL STRATEGY and PLATFORM FULFILMENT enabled the successful provision of cash flow relief during lockdown

Impairment charge doubled year-on-year

- **Impact of IFRS 9 forward-looking information due to COVID-19**
- **Higher NPLs**
- **Increased stress in debt counselling portfolios**

INSURANCE

Higher actual and expected insurance claims

- Retrenchments
- Loss of income

New business insurance volumes impacted

- Slowdown in credit advances
- Reduced appetite

Growth in underwritten life insurance policies

⇧32%

- Fulfilment on digital channels

FNB represents FirstRand's activities in the retail and commercial segments in South Africa and the broader African continent.

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

- a main-banked client strategy anchored to growing and retaining client relationships using core transactional accounts as a key lever;
- a digital platform providing market-leading digital interfaces to deliver contextual, cost-effective and innovative propositions to its customers on an assisted and unassisted basis;
- using its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products, including insurance and investments;
- utilising eBucks generosity to reward customers, driving platform adoption and cross-sell;
- applying disciplined origination strategies;
- providing innovative savings products to grow its retail deposit franchise;
- leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide telecommunication services to its customers;
- creating right-sized physical points of presence that drive assisted customer engagements, whilst achieving cost efficiencies; and
- ultimately broadening its financial service offerings.

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share (Namibia, Botswana and Eswatini), and smaller businesses in Mozambique, Zambia, Lesotho and Ghana.

Effective 5 May 2020, First National Bank Ghana acquired a 100% interest in GHL Bank plc in Ghana, for effectively R510 million.

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

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

During the year under review, FNB decided to commence a process to exit Tanzania. The subsidiary's business model could not appropriately scale given the structure of the market.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**12 271**	17 745	(31)
Normalised profit before tax	**17 858**	25 528	(30)
– South Africa	**16 712**	23 847	(30)
– Rest of Africa	**1 146**	1 681	(32)
Total assets	**487 213**	476 634	2
Total liabilities	**475 096**	459 371	3
Stage 3/NPLs as a % of advances	**7.59**	5.89	
Credit loss ratio (%)	**3.08**	1.52	
ROE (%)	**25.8**	41.5	
ROA (%)	**2.51**	3.80	
Cost-to-income ratio (%)	**51.6**	50.6	
Advances margin (%)	**4.27**	4.34	

SEGMENT RESULTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised PBT			
Retail	**9 389**	14 939	(37)
Commercial	**7 323**	8 908	(18)
Rest of Africa	**1 146**	1 681	(32)
Total FNB	**17 858**	25 528	(30)

KEY RATIOS FOR SOUTH AFRICA vs REST OF AFRICA

%	**FNB SA**	**Rest of Africa**
PBT growth	**(30)**	**(32)**
Cost increase	**4**	**5**
Advances growth	**3**	**1**
Deposit growth	**17**	**19**
Stage 3/NPLs as a % of advances	**7.60**	**7.51**
Credit loss ratio	**3.12**	**2.83**
Cost-to-income ratio	**49.6**	**65.8**
Operating jaws	**(2.3)**	**0.5**

FNB's results were materially affected by the COVID-19 pandemic and the resultant lockdowns in South Africa and in many of the rest of Africa jurisdictions where it operates. Total FNB normalised earnings declined 31% and the ROE reduced to 25.8%.

FNB experienced a significant slowdown in all its key growth drivers in the last quarter of the year. Since the beginning of lockdown in March 2020, underlying customer income and affordability in FNB's retail, SME and commercial segments deteriorated sharply, particularly in those sectors most affected by the lockdown restrictions. This is evident in lower levels of underlying transactional activity and credit turnover through customers' accounts and in the amount of debt relief requested across all segments during the last quarter.

FNB also experienced the negative endowment impact and related margin pressure from interest rate cuts, subdued NIR growth due to lower absolute volumes during the lockdown period, higher actual and expected insurance claims driven by retrenchments or loss of income, and depressed new business origination.

Growth in operating expenses was well contained at 4% despite the continued investment in digitisation, platform, insurance, and WIM strategies. Given the pressure on revenue, operating jaws were negative, and the cost-to-income ratio increased to 51.6% compared to 50.6% in the prior year.

For most of the year, growth in transactional volumes across most channels was trending in line with expectations and above inflation, on the back of customer growth and cross-sell in FNB's premium and commercial segments. During the last three months of the year, when lockdown was implemented with the resultant drop in activity levels, certain channel volumes declined markedly, however, app volumes remained resilient, with overall transactional volumes 28% higher than the prior year.

CHANNEL VOLUMES

Thousands of transactions	Year ended 30 June		% change
	2020	2019	
ATM/ADT	**224 141**	245 433	(9)
Internet banking	**176 280**	197 957	(11)
Banking app	**303 503**	237 873	28
Mobile (excluding prepaid)	**41 260**	42 050	(2)
Point-of-sale merchants	**587 152**	578 634	1
Card swipes	**837 769**	872 989	(4)

FNB's digital strategy and platform fulfilment meant the business was particularly successful in enabling the provision of cash flow relief propositions and in attracting liabilities even during April and May.

Robust deposit growth also reflects retail customer balances increasing both pre- and during lockdown. Advances growth year-on-year was muted, with a significant pullback from the consumer segment, given limited credit capacity in lower-income households. The following table unpacks the growth in advances and deposits on a segment basis.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**16**	**39 451**	**4**	**10 664**
– Consumer*	**9**	**7 941**	**(26)**	**(10 775)**
– Premium*	**19**	**31 510**	**9**	**21 317**
– DirectAxis	**–**	**–**	**1**	**122**
Commercial	**19**	**45 224**	**3**	**2 785**
Rest of Africa	**19**	**7 824**	**1**	**768**
Total FNB	**17**	**92 499**	**3**	**14 217**

* *R8.9 billion of advances balances migrated from consumer to premium as part of a platform migration in residential mortgages.*

South African customer numbers remained stable year-on-year, as shown in the table below.

CUSTOMERS

Millions	Number of customers at 30 June		% change
	2020	2019	
Retail	**7.20**	7.23	–
– Consumer	**5.74**	5.88	(2)
– Premium	**1.46**	1.34	9
Commercial	**1.03**	0.97	6
Total SA customer base	**8.23**	8.20	–
eWallet transacting base*	**3.27**	2.35	39

* *Transacting base refers to a wallet that has received funds and been accessed at least twice in a six-month period.*

FNB's ongoing strategy of providing retail customers with the right service offering resulted in ongoing migration from the consumer segment to the premium segment. Consumer customer numbers were affected by a pullback in credit appetite, which resulted in further attrition in transactional accounts. Commercial continued to attract new customers.

ANALYSIS OF IMPAIRMENT CHARGE

R million	2020	2019	% change
Performing book provision	**4 120**	758	
NPL provision	**3 920**	4 154	
Credit provision increase	**8 040**	4 912	64
Modification	**779**	484	61
Write-off and other	**7 489**	3 398	>100
Post write-off recoveries	**(1 817)**	(2 030)	(10)
Total impairment charge	**14 491**	6 764	>100

FNB's credit impairment charge increased to R14.5 billion, with the credit loss ratio increasing to 308 bps (2019: 152 bps). This was driven primarily by the increased impact of IFRS 9 forward-looking information (FLI) adjustments, following the sharp downward revisions to the group's macroeconomic assumptions, as well as increased impairments to cater for the embedded credit strain of FNB's debt relief portfolios. These resulted in credit provisions increasing by R8.0 billion with performing coverage (stage 1 and 2) increasing to 2.80% (2019: 1.89%).

FNB's NPLs increased 33% year-on-year, driven primarily by:

- higher commercial NPLs due to the residual impact of South Africa's drought in the agricultural book, as well as increased transactional NPLs given previous client and book growth, and property-related advances;
- higher NPLs across both retail secured and unsecured advances, especially in the last quarter; and
- an increase in distressed restructures in debt counselling portfolios due to the impact of COVID-19 on these customers.

New business insurance volumes were impacted by the slowdown in credit advances, reduced appetite as a result of the COVID-19 economic impact and lockdown restrictions.

There was pleasing growth in underwritten life insurance policies, driven by growth from digital channels.

NEW BUSINESS APE

	Year ended 30 June		
R million	2020	2019	% change
Funeral	**662**	721	(8)
Core life	**232**	255	(9)
Underwritten	**383**	281	36
Commercial	**47**	27	74
Standalone products	**1 324**	1 284	3
Credit life	**546**	782	(30)
Total	**1 870**	2 066	(9)

OPERATING FOOTPRINT

	FNB SA			FNB rest of Africa		
	2020	2019	% change	2020	2019	% change
Representation points (branches, agencies)	**604**	612	(1%)	**161**	169	(5%)
ATMs	**3 746**	3 870	(3%)	**746**	774	(4%)
ADTs	**1 876**	1 874	0%	**230**	216	6%
Total ATMs and ADTs	**5 622**	5 744	(2%)	**976**	990	(1%)

Putting value at the forefront of everything we do.

It's been a tough year, where we've all had to learn to adapt quickly and we thank you, our customers, for your valued partnership. Through continually striving to improve and better service your needs, we've gotten through this time together, coming out even stronger on the other side.

Thanks to the trust our customers have put in us, we were awarded the Most Valuable Brand in South Africa in the 2020 BrandZ™ measurement. Our digital platform has also earned us the accolade of Best Digital Bank for the fifth consecutive year in the InSites Consulting SITEisfaction® report. This has given us the ability to continue delivering on the help our fellow South Africans and businesses have needed to get through this trying time. This is some of the value that we've added to our customers' lives in the past year and we remain committed to helping give you the value you deserve.

Helping you manage your debt and cash flow

R232m business loans facilitated

For the South African Future Trust through our digital platforms

606.6k cash flow relief facilities offered with free credit life cover

580.8k Retail

25.8k Commercial

R1bn SME loans approved

For government-guaranteed loan scheme

R10bn paid in early supplier payments

Helping you bank easier

39% growth in eWallets

3.27m users

29% of ATM withdrawals by eWallet users

Send Money value up by 10%

R12.95bn paid out in UIF relief claims

Through our digital platforms for the COVID-19 Temporary Employer/Employee Relief Scheme

498TB free data provided

Through FNB Connect (1GB per customer)

R2.2bn earned by customers in eBucks to date

28% growth in App usage

Average of 3.5m users

Monthly logins +23%

Giving back to our communities

R12.5m donated towards underserved and rural communities

In donations toward the SPIRE fund

R5.1m contributed by FNB staff

R1.1m towards 3,765 food parcels delivered to Early Childhood Development centres

R2.9m in donations towards the Solidarity Fund

R539k donated by customers through eBucks

R1.2m in brokerage revenue donated in partnership with the JSE

Other help provided to communities

R524k worth of cloth masks supplied by FNB Maskathon

7,000 families fed for a month through the Food Bucket campaign

More than R1m volunteer donations for food, hygiene, PPE & animal welfare

Hygiene supplies & masks provided to over 10k elderly people in need

R12m SASSA beneficiary payments facilitated

Helping you with a reprieve of fees

0% headline fee increase for 2021

R119m worth of fees waived during the lockdown period

On SASwitch fees, speedpoint rentals and merchant services for our business customers

Free retrenchment benefits added to more than 400k existing insurance policies

We'd like to give a special thanks to all FNB employees for helping us serve as essential service providers on the frontline. Thanks for your agility and adapting to a new way of working – with your help, we can help so many more.

RMB

James Formby | CEO | RMB

Normalised earnings
↓17%
to R5.8 billion

RMB's performance reflects the current macro environment but was bolstered by solid annuity income growth, disciplined balance sheet deployment and strong results from markets and structuring

ROE
16%

Investment banking and advisory

PBT ↓11%

- Prolonged business downswing
- Sovereign rating downgrades
- Steep decline in oil price
- COVID-19 impact

R1.3 billion credit impairments

Solid fee generation driven by structuring, arranging and capital market mandates

Corporate and transactional banking

PBT ↓8%

- Decline in domestic transactional volumes in lockdown
- Global foreign exchange business dampened due to decline in volumes

R0.6 billion COVID-19 credit impairments

- Increased utilisation of working capital facilities
- Higher average deposit balances
- Transactional volumes in rest of Africa grew

Markets and structuring

PBT ↑21%

- Foreign exchange bolstered by performance in Nigeria
- Domestic market recovery in the second half of the year
- Credit trading portfolio delivered good growth

STRONG PERFORMANCE

Investing

PBT ↓>100%

- Credit impairments raised on certain private equity advances/loans
- Write-downs on non-private investments

- Quality and diversification of portfolio reflected in unrealised value of R3.3 billion
- R1.8 billion additional investments made
- Investment in group's market infrastructure platform

Rest of Africa > **Key to RMB's growth strategy**

Pre-tax profits R2.1 bn ↑9%

Contributing **25%** to overall pre-tax profits

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

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**5 819**	6 975	(17)
Normalised profit before tax	**8 315**	9 859	(16)
– South Africa	**6 220**	7 943	(22)
– Rest of Africa*	**2 095**	1 916	9
Total assets	**632 755**	523 976	21
Total liabilities	**622 289**	512 341	21
Stage 3/NPLs as a % of advances	**0.87**	0.82	
Credit loss ratio (%)	**0.94**	0.12	
ROE (%)	**16.0**	21.0	
ROA (%)	**0.98**	1.40	
Cost-to-income ratio (%)	**42.5**	46.8	

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

RMB's performance reflects the current macro environment, with pre-tax profits decreasing 16% to R8.3 billion, significantly impacted by additional COVID-19 credit impairments amounting to R2.3 billion, as well as impairments raised against non-private equity exposures of R1 billion.

The business continues to be conservatively provisioned with the performing book (stage 1 and 2) coverage ratio increasing from 108 bps to 187 bps. The additional credit impairments raised in the current year resulted in the credit loss ratio increasing to 94 bps.

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**2 893**	248	
NPL provision	**(236)**	(468)	
Credit provision increase	**2 657**	(220)	>100
Modification	**–**	–	
Write-off and other	**727**	640	18
Post write-off recoveries	**(30)**	(8)	>100
Total impairment charge	**3 354**	412	>100

RMB benefited from an excellent markets and structuring performance and solid annuity income growth underpinned by disciplined balance sheet deployment with core advances and deposits increasing 8% (4% in dollar constant currency terms) and 7%, respectively.

The cost reduction of 4% was due to lower variable costs linked to performance and fixed cost containment initiatives whilst maintaining investment in core platform modernisation. RMB continues to execute on its client-led strategy with more than R40 billion of support provided to clients.

The rest of Africa portfolio remains key to RMB's growth strategy. The portfolio produced pre-tax profits of R2.1 billion, up 9% on the prior year, contributing 25% of RMB's overall pre-tax profits. The performance was, however, impacted by COVID-19 credit impairments raised across the various jurisdictions where RMB operates.

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY

	Year ended 30 June		
R million	**2020**	2019	% change
Investment banking and advisory	**4 593**	5 156	(11)
Corporate and transactional banking	**1 856**	2 008	(8)
Markets and structuring	**2 413**	2 001	21
Investing	**(296)**	1 161	(>100)
Investment management	**69**	53	30
Other	**(320)**	(520)	(38)
Total RMB	**8 315**	9 859	(16)

Investment banking and advisory's performance declined 11%, due to the prolonged business cycle downswing and sovereign rating downgrades. These constraints, the impact of COVID-19, as well as the steep decline in the oil price, resulted in R1.3 billion of additional credit impairments raised. Advisory activities remained muted given low levels of investor confidence. Prior year balance sheet growth resulted in a healthy increase in NII and the business benefited from solid fee generation driven by structuring, arranging and capital market mandates.

Corporate and transactional banking's performance declined 8%. The distress in the corporate lending sector necessitated additional COVID-19 credit impairments of R0.6 billion, whilst domestic transactional volumes were under pressure given the sustained lockdown, further impacting earnings. There was, however, some benefit from increased utilisation of working capital facilities and higher average deposit balances coupled with increased transactional volumes in the rest of Africa. In contrast, the global foreign exchange business was dampened by a decline in volumes.

Markets and structuring delivered a strong performance, up 21% year-on-year. Foreign exchange activities were bolstered by a robust performance in Nigeria which leveraged off the flows in the London-Africa corridor. Domestic flow activities have shown a recovery in the second half of the year following increased market activity on the back of COVID-19. The credit trading portfolio continued to deliver good growth.

Despite a modest uptick in realisation and annuity income, the investing activities performance was negatively impacted by c. R1 billion of credit impairments raised on certain private equity positions, as well as c. R1 billion of credit impairments and write-downs against debt and equity positions outside private equity. This was a result of the performance of certain investee companies specifically impacted by lockdown. The quality and diversification of the portfolio are reflected in its unrealised value of R3.3 billion (2019: R3.5 billion). The business remains in an investment cycle and additional investments of R1.8 billion were made by June 2020.

Other activities reflect the investment into the group's markets infrastructure platform.

SOLUTIONS NEED US ALL

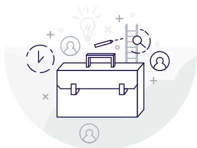
RMB
A division of FirstRand Bank Limited
Traditional values. Innovative ideas.

At RMB we believe in the power of partnerships. By working closely with government, the business community, and society we have been involved in numerous initiatives to help make a meaningful contribution to society and address the immediate and future impact of COVID-19.

Partnering with our clients

- COVID-19 relief offered on 21% of our total book with 16% take up
- R11bn additional liquidity facilities/ new money granted COVID-19 related support
- Over R3.5bn payment holidays granted
- Loan covenants relaxed on R25bn of funding

RMB citizens in action



- Supported clients through digital enablement
- Over 150 RMB employees dedicated their time and skills to support SPIRE
- RMB employees donated over R2.5m to SPIRE and the Solidarity Fund
- Encouraged employee well-being through daily mindfulness sessions and targeted interventions

Supporting our communities

- Over R250 000 donated to arts and music, supporting the creative economy
- Donated full trading and clearing fees over two days to the Solidarity Fund
- Banking, working capital solutions and services provided to the Solidarity Fund
- Supported B4SA with resources to inform government consultation
- R12.5m donated to the SPIRE fund
- Managed the sourcing of essential items for 166 care homes across the country

Unlocking our networks

- Over R650 million paid in early supplier payments
- Designed and implemented a procure-to-pay system for the Solidarity Fund, enabling procurement of over R100m PPE purchases
- Unlocked our client networks to catalyse meaningful contributions and impact through SPIRE
- Developed and shared advanced epidemiological models focused on containing the spread of the disease and ensure optimal allocation of resources
- RMBers assisted the the B4SA health work stream to build their procurement platform

We want to thank our valued clients and stakeholders for their partnership in our efforts to unite against COVID-19 and its impact on our economy and society.

At RMB we are proud of our diverse talent who continue to do good business for a better world.

*SPIRE – South Africa Pandemic Intervention Relief Effort

WesBank

Chris de Kock | CEO | WesBank

Normalised earnings

↓ 53%

R0.8 billion

WesBank's results were materially impacted by the COVID-19 pandemic and resultant lockdown

ROE

8%

ROA

0.6%

Pre-credit provision operating profit

⟷

R5.0 billion

Advances

↓ 2%

- Total shutdown of dealers in April resulted in a 98% reduction in new business for the month
- Started to recover in May and June

Percentage of new business originated in FNB and RMB customer base:

Retail VAF

51%

Corporate and commercial

78%

Debt relief measures

Retail VAF = three-month payment relief and term extension

Corporate = payment moratoriums

NPLs were declining pre-pandemic due to focus on disciplined origination

A 52% increase in bad debt provisions due to COVID-19 and IFRS 9 forward-looking information

Credit loss ratio increased 82 bps reflecting strain in retail, SME and corporate segments

% of origination	**Low risk**	**Medium risk**	**High risk**
2019	60	33	7
2020	70	25	5

Costs:
Business-as-usual costs
↓2%

WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa. WesBank's strategy is focused on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. This gives WesBank a market-leading point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**843**	1 808	(53)
Normalised profit before tax	**1 226**	2 580	(52)
Total assets	**133 372**	138 254	(4)
Total liabilities	**131 323**	135 146	(3)
Stage 3/NPLs as a % of advances	**8.49**	5.72	
Credit loss ratio (%)	**2.28**	1.46	
ROE (%)	**8.0**	17.8	
ROA (%)	**0.60**	1.24	
Cost-to-income ratio (%)	**50.0**	47.4	
Net interest margin (%)	**3.45**	3.32	

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised PBT			
Retail VAF*	**979**	2 113	(54)
Corporate and commercial	**247**	467	(47)
Total WesBank	**1 226**	2 580	(52)

* *Includes MotoVantage.*

WesBank's normalised profit before tax decreased 52% to R1.2 billion. This performance reflects the impact of COVID-19 resulting in an increase of 52% in bad debt provisions from R1 985 million to R3 023 million. Pre-pandemic, WesBank's NPLs were declining due to its focus on disciplined origination in low-risk buckets.

The month of April saw a total shutdown of dealer floors as the government sought to contain the spread of COVID-19 through a hard lockdown. This resulted in a record 98% drop in production in retail VAF, although production recovered in May and June as lockdown restrictions were eased. The economic impact of the pandemic weighed on consumers, resulting in significant increases in arrears and ultimately NPLs.

In response to the economic impact of the COVID-19 lockdown, several debt relief measures were introduced over the last quarter of the financial year in both retail and corporate. Retail VAF debt relief was in the form of three-month payment relief and term extensions. For FNB-banked customers with more than one product, WesBank payment relief formed part of the retail emergency facility. Corporate clients were offered payment moratoriums.

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**10**	2	
NPL provision	**1 663**	244	
Credit provision increase	**1 673**	246	>100
Modification	**(3)**	140	(>100)
Write-off and other	**1 695**	1 963	(14)
Post write-off recoveries	**(342)**	(364)	(6)
Total impairment charge	**3 023**	1 985	52

The increase in impairments was due to significant migrations in arrears recorded in both retail VAF and corporate spanning across exposures to private individuals, self-employed clients and SMEs. All this culminated in an overall increase of 82 bps (R1 038 million) and an increase in the credit loss ratio from 1.46% to 2.28%.

The average monthly income statement impairment charge for the three months from April to June materially increased to R518 million from R203 million recorded in the preceding three-month period, and R143 million for the six months to December 2019. Stage 3 arrears were affected on two fronts: firstly a significant number of accounts rolled into stage 3, whilst at the other end there were delays in write-offs and debt-review inflow due to court closures during lockdown. Significant deteriorations were also noted in normal arrears where clients adopted a wait-and-see attitude as the COVID-19 economic impact unfolded. This included customers who qualified for relief, applied and were approved but did not utilise the payment relief.

WesBank continues to control operational expenditure and invest in digital process improvements and its growing FML fleet.

Whilst the cost-to-income ratio has deteriorated due to topline pressure, overall cost growth was contained at 4%.

Deeply invested in South Africa.

The past six months have had an unprecedented effect that needs no introduction.

As a leading stakeholder in the motoring industry, WesBank has taken that responsibility particularly during this time. From helping customers whose income was affected by the lockdown to supporting our partners in the automotive industry to being part of the fight against COVID-19, we have demonstrated our deep involvement in every sphere we touch.

We have assisted our customers with payment relief on a massive scale, helping tens of thousands of people to avoid falling into arrears. WesBank appealed to the Minister of Trade and Industry to allow the motor industry to reopen with the rest of level 4, with the result that the automotive sector was able to begin recovery sooner than expected. We have also used our resources to assist communities and small businesses in keeping afloat during this difficult time.

Helping our customers manage their payments

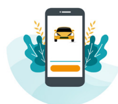
70K customers have been assisted with payment relief.

Relief provided to 19% of our advances exposure (R25 billion)
- **Retail customers:** R16.7 billion
- **Corporate & Commercial customers:** R8 billion

390 balloon payments (R39 million) extended during the COVID-19 window

Industry-specific solutions included Taxi relief amounting to R117 million *.

*As at 31 August 2020



Supporting the automotive industry

Championed the re-opening of the motor industry with level 4

77% of dealer floorplan exposures were granted relief

Newly implemented bespoke end-to-end system solution from OEM to the dealer floors

Customised finance solutions (96 month loans, balloon payment extensions, etc.)

Giving back to our communities

Early payments (totalling R251 million*) to suppliers to assist their cash flow

*As at 16 September 2020

Donated essential food and hygiene hampers to community-based centres in desperate need during the lockdown.

Provided support to medical structures and resources through FirstRand's SPIRE initiative

Focused SME management education providing tips to help small business owners meet the challenges brought by COVID-19

Championing gender diversity - proud winner of the Women on Boards category at the Gender Mainstreaming Awards 2020

Thank you to all our partners, suppliers and employees for your involvement in our efforts to support our customers and communities and help our industry to keep going.

Aldermore

Phillip Monks | CEO | Aldermore

Normalised earnings
↓65% (£)

The performance of the UK operations (including Aldermore and MotoNovo) was materially impacted by COVID-19, particularly the increase in impairments

ROE
3.9%

Resilient operational performance

Advances ↑4%
£14.3 billion

Driven by mortgages and VAF

NIM flat year-on-year: competitive pricing pressure

Lower COST OF FUNDING due to rate cuts

Customer growth
↑7%

Customer deposits
↑21%
£10.9 billion

Retail and commercial customers were supported through COVID-19 payment holidays particularly in April and May. Forbearance peaked at £3.5 billion (17% of total customers)

Majority of forbearance granted to the buy-to-let, mortgage, asset finance and vehicle finance portfolios

Credit loss ratio increased 75 bps to 124 bps reflecting higher provisions

Operating expenses increased: ongoing investments in platform and process enhancements

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. It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and by phone.

UK OPERATIONS FINANCIAL HIGHLIGHTS

	Year ended 30 June		
£ million	**2020**	2019	% change
Normalised earnings	**44**	126	(65)
Normalised profit before tax	**74**	179	(59)
Total assets	**17 008**	15 570	9
Total liabilities	**15 941**	14 254	12
Stage 3/NPLs as a % of advances	**2.18**	1.38	
Credit loss ratio (%)	**1.24**	0.49	
ROE (%)	**3.9**	11.8	
ROA (%)	**0.26**	0.81	
Cost-to-income ratio (%)	**50.7**	49.8	

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
£ million	**2020**	2019	% change
Normalised PBT			
Asset finance	**17.2**	50.4	(66)
Invoice finance	**15.7**	14.5	8
SME commercial mortgages	**30.6**	38.0	(19)
Buy-to-let mortgages	**107.6**	125.3	(14)
Residential mortgages	**39.7**	33.8	17
Central functions*	**(120.9)**	(129.0)	(6)
Aldermore operational PBT	**89.9**	133.0	(32)
Fair value hedge portfolio	**(8.1)**	3.8	(>100)
Aldermore PBT	**81.8**	136.8	(40)
MotoNovo PBT	**(8.1)**	42.5	(>100)
Total UK operations PBT	**73.7**	179.3	(59)

* *Adjusted for the fair value hedge portfolio loss of £8.1 million in June 2020 and £3.8 million profit in June 2019.*

The performance of the UK operations, which includes Aldermore and total MotoNovo, was materially impacted by COVID-19, particularly the increase in impairments.

ANALYSIS OF IMPAIRMENT CHARGE

£ million	**2020**	2019	% change
Performing book provisions	**85.4**	(2.8)	
NPL provision	**31.3**	9.4	
Credit provision increase	**116.7**	6.6	>100
Modification	**11.8**	–	–
Write-off and other	**50.7**	61.0	(17)
Post write-off recoveries	**(5.8)**	(3.2)	81
Total impairment charge	**173.4**	64.4	>100

Normalised earnings decreased 65% in pound terms and 62% in rand terms to R865 million. The operational performance remained resilient, demonstrated by the key metrics unpacked below (presented in pound terms).

- Advances growth of 4% to £14.3 billion was driven mainly by residential mortgages and VAF. NII was flat year-on-year, in part due to competitive pricing pressures.
- Customer deposits grew 21% to £10.9 billion, to support growth in VAF, as well as due to increased savings levels in the UK given the economic uncertainty.
- Cost of funding was lower due to rate cuts.
- Overall customer growth of 7% was driven mainly by liability gathering.

Aldermore's core customer segments, retail and commercial, were supported through COVID-19 payment holidays, particularly in the months of April and May when forbearance peaked at £3.5 billion, representing 17% of total customers. The majority of the forbearance was granted in the buy-to-let, mortgage, asset finance and vehicle finance portfolios.

The pound credit loss ratio increased 75 bps to 124 bps, reflecting higher pound provisions given the worsening macro environment informing forward-looking assumptions under IFRS 9 and increasing arrears and NPLs.

Operating expenses increased given the ongoing investments in platform and process enhancements. However, these factors were partially offset by the decline in variable pay.

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited (FRB) – SA banking

- First National Bank[1]
- Rand Merchant Bank[1]
- WesBank[1]
- FirstRand Bank India[2]
- FirstRand Bank London[2]
- FirstRand Bank Guernsey[2,*]
- FirstRand Bank Kenya[3]
- FirstRand Bank Angola[3]
- FirstRand Bank Shanghai[3]

100% FirstRand EMA Holdings (Pty) Ltd (FREMA) – Rest of Africa

- **58%** FirstRand Namibia
- **70%** FNB Botswana
- **100%** FNB Eswatini
- **95%** FNB Mozambique
- **100%** FNB Zambia
- **100%** FNB Lesotho
- **100%** FNB Tanzania
- **100%** First National Bank Ghana**
- **100%** RMB Nigeria

100% FirstRand International Limited (Guernsey) (FRI) – UK banking and hard currency platform

- **100%** Aldermore Group plc
- **100%** MotoNovo Finance[#]
- **100%** RMB International Mauritius

100% FirstRand Insurance Holdings (Pty) Ltd – Insurance

- **100%** FirstRand Life Assurance
- **100%** FirstRand Short-Term Insurance Ltd
- **100%** FirstRand Insurance Services Company (FRISCOL)

100% FirstRand Investment Management Holdings Limited – Investment management

- **100%** Ashburton Fund Managers
- **100%** Ashburton Management Company (RF)
- **100%** Ashburton Investments International Holdings
- **100%** FNB Investor Services
- **100%** FNB CIS Management Company (RF)
- **100%** Various general partners[†]

100% FirstRand Investment Holdings (Pty) Ltd (FRIHL) – Other activities

- **98%** RMB Private Equity Holdings
- **97%** RMB Private Equity
- **100%** RMB Securities
- **50%** RMB Morgan Stanley
- **100%** RMB Investments and Advisory
- **100%** RMB Australia Holdings
- **100%** FNB Stockbroking and Portfolio Management
- **81%** MotoVantage
- **100%** FirstRand Securities
- **100%** Hyphen Technology
- **100%** FNB Fiduciary

1. Division

2. Branch

3. Representative office

DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*

** *The merger of First National Bank Ghana and GHL Bank has been concluded. The merged entity is known as First National Bank Ghana.*

Wholly-owned subsidiary of Aldermore Group plc.

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

Structure shows effective consolidated shareholding

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

Five-year review – normalised

R million	2016	2017	2018	2019	**2020**	Compound growth %
Statement of financial position						
Total assets	1 149 326	1 217 745	1 527 592*	1 669 039	**1 926 616**	14
Gross advances before impairments	867 982	910 066	1 142 476*	1 239 914	**1 311 095**	11
Total impairments	16 577	16 960	29 078*	34 162	**49 380**	31
Advances (net of credit impairments)	851 405	893 106	1 113 398*	1 205 752	**1 261 715**	10
Stage 3/NPLs	21 282	21 905	33 514*	41 349	**57 281**	28
Deposits**	920 074	983 529	1 268 244*	1 393 104	**1 535 015**	14
Capital and reserves attributable to ordinary equityholders of the group	99 794	108 922	115 561*	129 650	**137 606**	8
Income statement						
Net interest income before impairment of advances	43 730	46 626	51 254	60 299	**62 851**	9
Impairment charge	(7 159)	(8 054)	(8 567)	(10 500)	**(24 383)**	36
Operational non-interest revenue	34 989	38 227	41 012	42 811#	**42 247**	5
Share of profit of associates and joint ventures after tax	1 453	1 041	914	1 257	**207**	(39)
Operating expenses	(40 942)	(43 773)	(47 664)	(53 899)#	**(55 656)**	8
Earnings attributable to ordinary equityholders of the group	22 855	24 471	26 411	27 894	**17 265**	(7)
Key ratios						
ROE (%)	24.0	23.4	23.0	22.8	**12.9**	
ROA (%)	2.07	2.07	1.92	1.75	**0.96**	
Cost-to-income ratio (%)	51.1	51.0	51.2	51.6#	**52.9**	
Credit loss ratio (%)	0.86	0.91	0.84	0.88	**1.91**	
Stage 3/NPLs as a % of advances	2.45	2.41	2.93*	3.33	**4.37**	
Diversity ratio (%)	45.5	45.7	45.0	42.2#	**40.3**	
Share statistics						
Price earnings ratio (times)	11.0	10.8	13.6	13.8	**12.4**	
Price-to-book ratio (times)	2.5	2.4	3.1*	3.0	**1.6**	
Market capitalisation	251 529	264 487	358 390	384 530	**213 497**	(4)
Closing share price (cents)	4 484	4 715	6 389	6 855	**3 806**	(4)

* *1 July 2018 IFRS 9.*

** *Reclassification of 2016 deposit numbers.*

Restated following the adoption of IAS 12 and reclassification of customer loyalty expenses from operating expenses to fee and commission expense.

Note: 2016 to 2018 figures were prepared on an IAS 39 basis (unless specified as 1 July 2018 IFRS 9) and 2019 to 2020 figures on an IFRS 9 basis.

Five-year review – normalised continued

	2016	2017	2018	2019	2020	Compound growth %
Exchange rates						
$/R						
– Closing	14.66	13.10	13.80	14.13	**17.36**	
– Average	14.51	13.58	12.82	14.17	**15.51**	
£/R						
– Closing	19.67	17.00	18.18	17.98	**21.43**	
– Average	21.47	17.21	17.27	18.33	**19.57**	
Statement of financial position ($ million)*						
Total assets	78 399	92 958	110 695**	118 120	**110 980**	9
Gross advances before impairments	59 208	69 471	82 788**	87 750	**75 524**	6
Total impairments	1 131	1 295	2 107**	2 418	**2 844**	26
Advances (net of credit impairments)	58 077	68 176	80 681**	85 333	**72 679**	6
Stage 3/NPLs	1 452	1 672	2 429**	2 926	**3 300**	23
Deposits#	62 761	75 079	91 902**	98 592	**88 423**	9
Capital and reserves attributable to ordinary equityholders of the group	6 807	8 315	8 374**	9 176	**7 927**	4
Income statement ($ million)†						
Net interest income before impairment of advances	3 014	3 433	3 998	4 255	**4 052**	8
Impairment charge	(493)	(593)	(668)	(741)	**(1 572)**	34
Operational non-interest revenue	2 411	2 815	3 199	3 021‡	**2 724**	3
Share of profit of associates and joint ventures after tax	100	77	71	89	**13**	(40)
Operating expenses	(2 822)	(3 223)	(3 718)	(3 804)‡	**(3 588)**	6
Earnings attributable to ordinary equityholders of the group	1 575	1 802	2 060	1 969	**1 113**	(8)
Statement of financial position (£ million)*						
Total assets	58 430	71 632	84 026**	92 828	**89 903**	11
Gross advances before impairments	44 127	53 533	62 842**	68 961	**61 180**	9
Total impairments	843	998	1 599**	1 900	**2 304**	29
Advances (net of impairments)	43 284	52 536	61 243**	67 061	**58 876**	8
Stage 3/NPLs	1 082	1 289	1 843**	2 300	**2 673**	25
Deposits#	46 775	57 855	69 760**	77 481	**71 629**	11
Capital and reserves attributable to ordinary equityholders of the group	5 073	6 407	6 356**	7 211	**6 421**	6
Income statement (£ million)†						
Net interest income before impairment of advances	2 037	2 709	2 968	3 290	**3 212**	12
Impairment charge	(333)	(468)	(496)	(573)	**(1 246)**	39
Operational non-interest revenue	1 630	2 221	2 375	2 336‡	**2 159**	7
Share of profit of associates and joint ventures after tax	68	60	53	69	**11**	(37)
Operating expenses	(1 907)	(2 543)	(2 760)	(2 940)‡	**(2 844)**	11
Earnings attributable to ordinary equityholders of the group	1 065	1 422	1 529	1 522	**882**	(5)

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

** *1 July 2018 IFRS 9.*

\# *Reclassification of 2016 deposit numbers.*

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

‡ *Restated following the reclassification of customer loyalty expenses from operating expenses to fee and commission expense.*

Note: 2016 to 2018 figures were prepared on an IAS 39 basis (unless specified as 1 July 2018 IFRS 9) and 2019 to 2020 figures on an IFRS 9 basis.

CORPORATE GOVERNANCE

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corporate governance

FirstRand's overarching governance objective is to ensure that an **adequate and effective process of corporate governance is established and maintained**, that is consistent with the nature, size, complexity and risk inherent to the group and responds to changes in the group's environment and conditions.

The board implements the highest standards of corporate governance across all operations. It understands and values long-term and ethical client relationships, and has well established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of stakeholders.

FirstRand endorses the holistic approach to corporate governance and the mindful application of the principles contained in King IV, as well as the corporate governance principles for banks by the Basel Committee on Banking Supervision (BCBS).

The board has satisfied itself that FirstRand has complied with these principles in all material respects throughout the year.

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

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

governance outcomes

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

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

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

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

INTEGRATED GOVERNANCE FRAMEWORK

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

BOARD OVERSIGHT

STRATEGY, POLICIES AND FRAMEWORKS:	FIRST LINE CONTROLS:	SECOND LINE CONTROLS:	THIRD LINE CONTROLS:
Business unit strategies and governance processes are aligned with group strategy, financial and non-financial risk tolerances and strategic value drivers	Business units ensure that financial and non-financial performance is measured in line with mandates approved by the board	Specialised risk and governance committees provide independent reports on financial and non-financial performance for board oversight	End-to-end independent assurance

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

ethical foundation and culture

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

The board oversees the code of ethics and promotes ethical behaviour. The board is supported by the group ethics office, which has representatives across the group, and which acts as a formal custodian of the group code of ethics.

The code of ethics reflects the group's commitment to integrity and good governance in all business dealings and informs its approach to combating bribery and corruption. The group has zero tolerance for wilful and deliberate non-compliance.

Employees' ethical conduct and adherence to the FirstRand philosophy are evaluated as part of their performance reviews. Employees are required to attest to the code of ethics and complete ethics training regularly. Directors hold each other accountable for decision-making and acting in a way that is consistent with the group's code of ethics, the FirstRand director competency framework and board evaluation assessment and this is monitored by the chairman.

governance structure

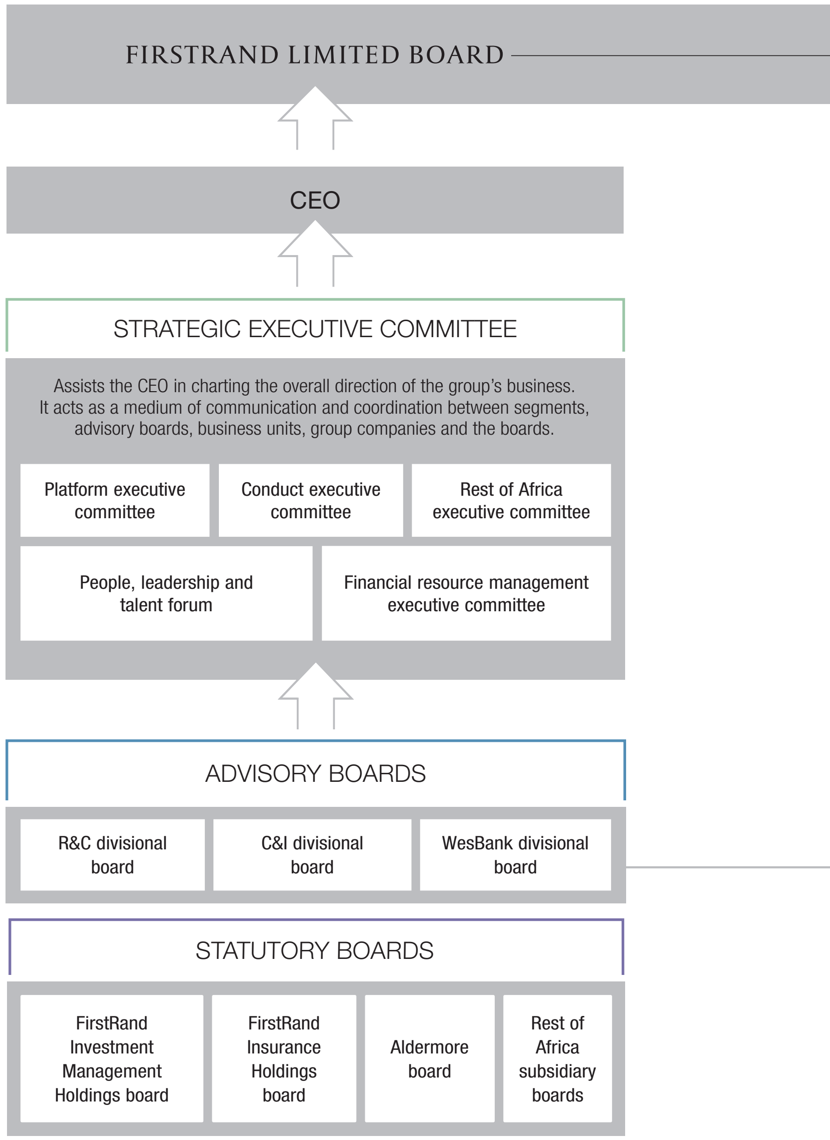
The board has overall responsibility for the group, including approving and overseeing management's implementation of strategic objectives, the governance framework and corporate culture.

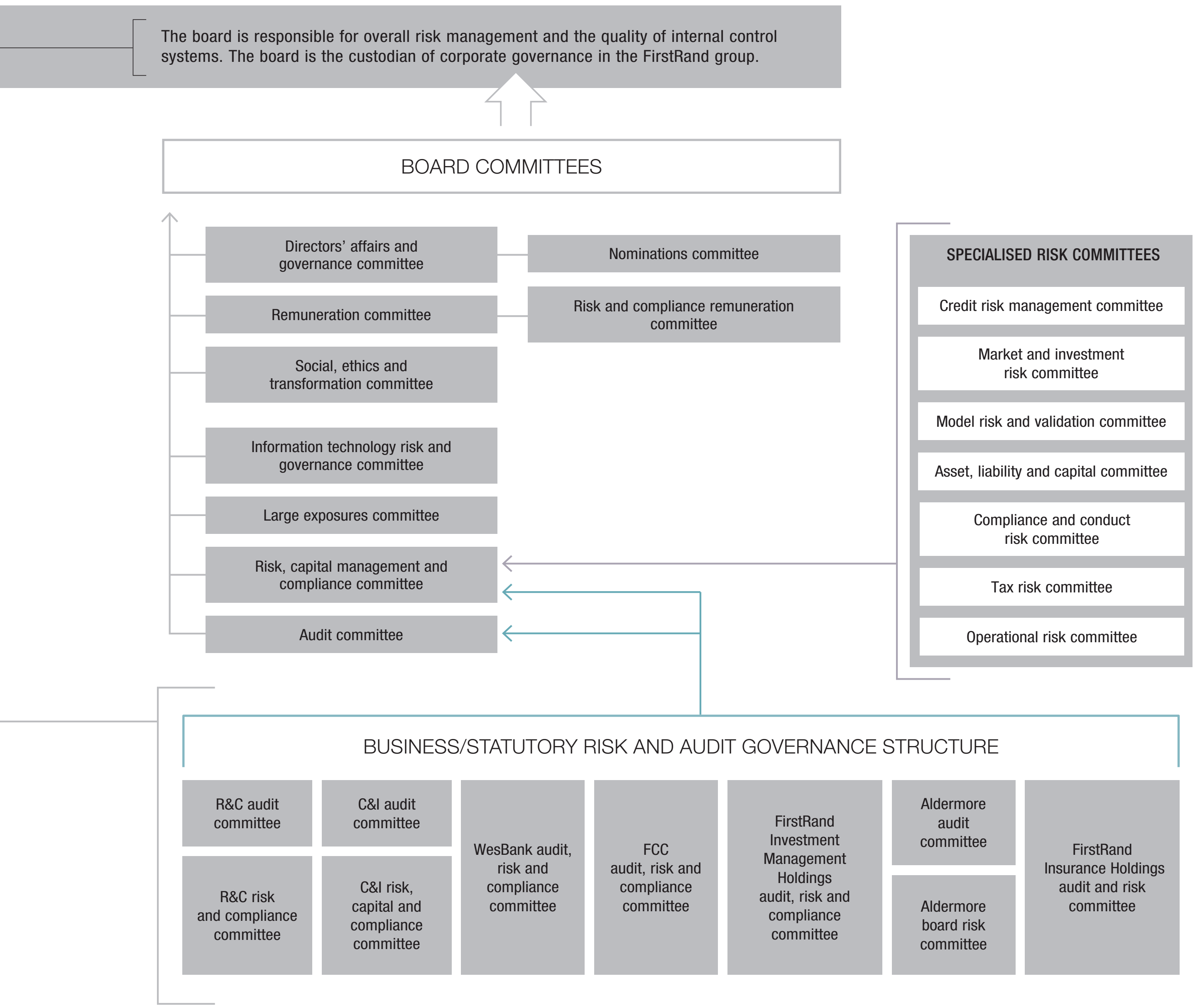
The board performs its duties and responsibilities in terms of a board charter that is reviewed annually. In discharging its responsibilities, the board is empowered to delegate its responsibilities to committees and management. As such, the board is supported by board committees, senior management and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

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

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

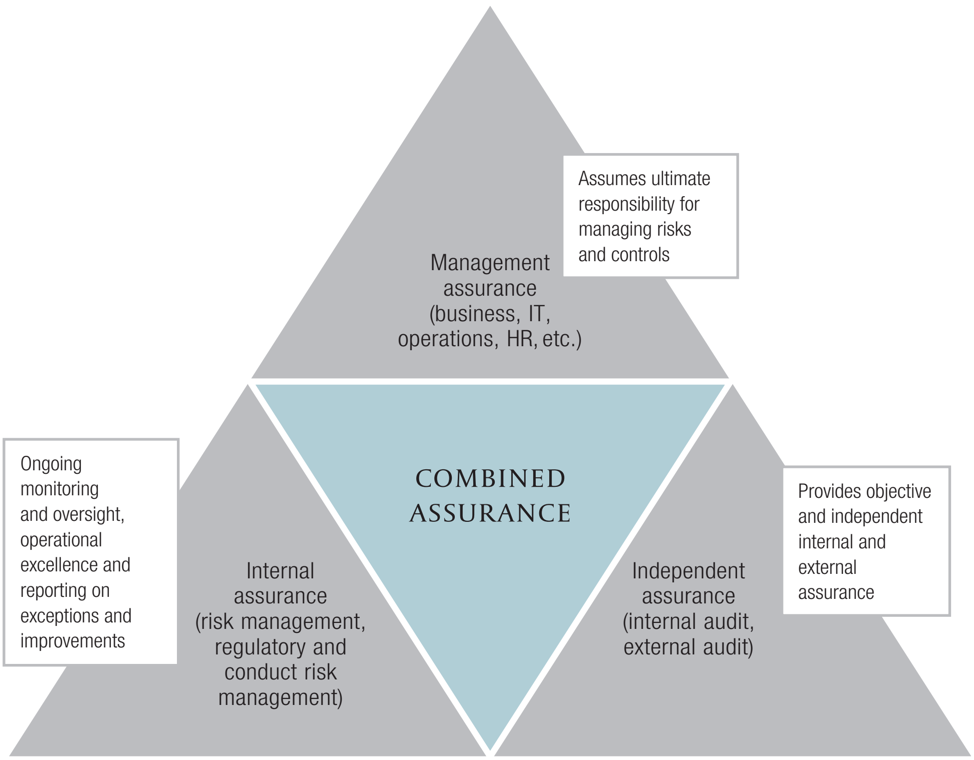
The board committees are **satisfied that they have fulfilled their responsibilities** in accordance with their respective terms of reference. The board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.




The board is responsible for overall risk management and the quality of internal control systems. The board is the custodian of corporate governance in the FirstRand group.
BOARD COMMITTEES
Directors' affairs and governance committee
Nominations committee
Remuneration committee
Risk and compliance remuneration committee
Social, ethics and transformation committee
Information technology risk and governance committee
Large exposures committee
Risk, capital management and compliance committee
Audit committee
SPECIALISED RISK COMMITTEES
Credit risk management committee
Market and investment risk committee
Model risk and validation committee
Asset, liability and capital committee
Compliance and conduct risk committee
Tax risk committee
Operational risk committee
BUSINESS/STATUTORY RISK AND AUDIT GOVERNANCE STRUCTURE
R&C audit committee
R&C risk and compliance committee
C&I audit committee
C&I risk, capital and compliance committee
WesBank audit, risk and compliance committee
FCC audit, risk and compliance committee
FirstRand Investment Management Holdings audit, risk and compliance committee
Aldermore audit committee
Aldermore board risk committee
FirstRand Insurance Holdings audit and risk committee

FIRSTRAND COMBINED ASSURANCE FRAMEWORK

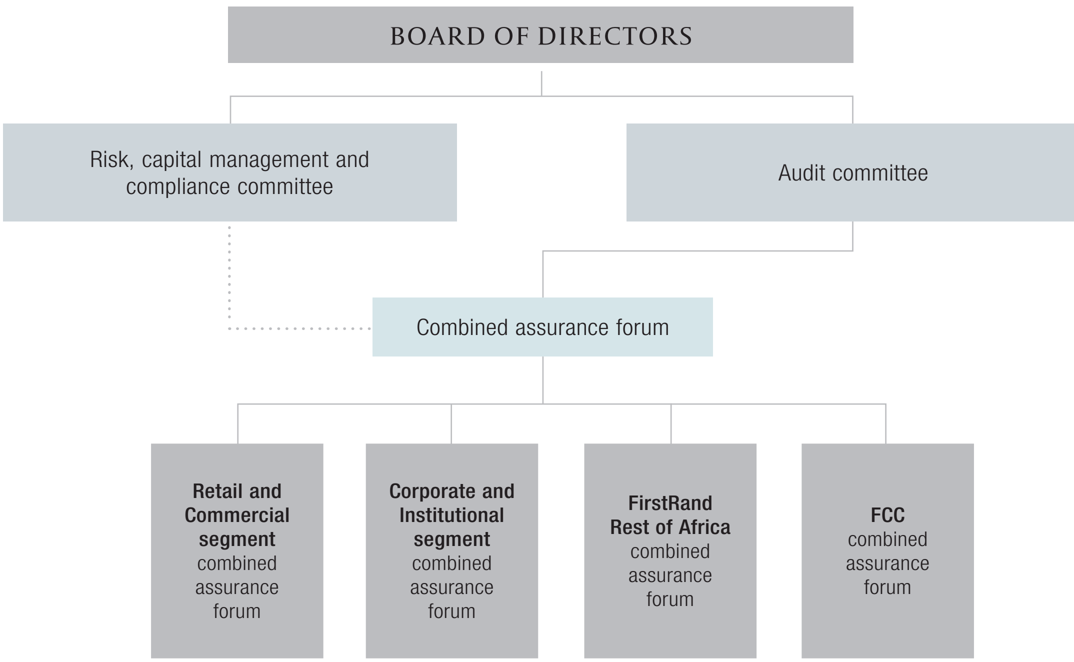
The primary objective of combined assurance is to facilitate the integration, coordination and alignment of risk management and assurance activities within the organisation to optimise the level of risk, governance and control oversight on the organisation's risk landscape. FirstRand's established combined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



Combined assurance forum

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

FLOW OF COMBINED ASSURANCE OUTPUTS



Internal audit

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

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

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

The risk-based audit plans are presented at the various segment audit committees and to the group audit committee for approval. During the year, the audit plan is reviewed and adjusted as necessary, in response to changes in the bank's business, risks, operations, programmes, systems and controls, for example responding to changes introduced by the COVID-19 pandemic. Progress against the plan, as well as changes to the plan, are approved on a quarterly basis by the relevant audit committee.

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

The heads of audit of subsidiary entities and branches have a functional reporting line to the group CAE and adhere to specific in-country governance reporting requirements. Support is provided by a head office team based in South Africa. This approach supplements the in-country skills to perform specific technical and entity-wide reviews and facilitates effective knowledge sharing.

Where requisite skills are not available internally, GIA co-sources these from external experts. GIA has an embedded quality assurance and improvement programme (QAIP) which ensures audit file quality conforms with the group's audit methodology and with the International Professional Practices Framework of Internal Auditing. Independent assessments of the GIA function are also undertaken every five years to test conformance with the Institute of Internal Audit (IIA) standards.

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

CHIEF EXECUTIVE OFFICER

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

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

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

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

COMPANY SECRETARY

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

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

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

An **assessment of the performance** of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed the company secretary:

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

GOVERNANCE OUTCOME | Adequate and effective board

board of directors

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

This broad leadership role includes:

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

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

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

CHAIRMAN

WILLIAM RODGER (ROGER) JARDINE | 54

Independent non-executive chairman
Appointed: July 2010
Appointed chairman: April 2018

BSc, MSc

EXECUTIVE DIRECTORS

ALAN PATRICK PULLINGER | 54

Chief executive officer
Appointed: October 2015
Appointed chief executive officer: April 2018

MCom, CA(SA), CFA

HETASH SURENDRAKUMAR (HARRY) KELLAN | 48

Financial director
Appointed: January 2014

BCom (Hons), CA(SA)

MARY VILAKAZI | 43

Chief operating officer
Appointed: July 2018

BCom (Hons), CA(SA)

INDEPENDENT NON-EXECUTIVE DIRECTORS

MARY SINA BOMELA | 47

Independent non-executive director
Appointed: September 2011

BCom (Hons), CA(SA), MBA

GRANT GLENN GELINK | 70

Independent non-executive director
Appointed: January 2013

BCom (Hons), BCompt (Hons), CA(SA)

RUSSELL MARK LOUBSER | 70

Independent non-executive director
Appointed: September 2014

BCom (Hons), MCom, CA(SA)

THANDIE SYLVIA MASHEGO | 42

Independent non-executive director
Appointed: January 2017

BCom (Hons), CA(SA), MBL

INDEPENDENT NON-EXECUTIVE DIRECTORS

AMANDA TANDIWE (TANDI) NZIMANDE | 50

Independent non-executive director

Appointed: February 2008

CTA, CA(SA), HDip Co Law

ZELDA ROSCHERR | 53

Independent non-executive director

Appointed: April 2020

BSc, BCom (Hons)

LOUIS LEON VON ZEUNER | 59

Independent non-executive director

Appointed: February 2019

BEcon, Chartered Director (SA)

THOMAS (TOM) WINTERBOER | 64

Independent non-executive director

Appointed: April 2018

BCom (Hons), CA(SA), AEP

NON-EXECUTIVE DIRECTORS

FRANCOIS (FAFFA) KNOETZE | 57

Non-executive director

Appointed: April 2016

BCom (Hons), FASSA, FIA

JOHAN PETRUS BURGER | 61

Non-executive director

Appointed: January 2009

Appointed non-executive director: September 2018

BCom (Hons), CA(SA)

RESIGNED DIRECTORS

PABALLO JOEL MAKOSHOLO | 41

Independent non-executive director

Resigned: 30 June 2020

MCom, IEDP, CA(SA)

HERMANUS LAMBERTUS (HERMAN) BOSMAN | 51

Non-executive director

Resigned: 30 June 2020

BCom, LLB, LLM, CFA

As at 30 June 2020, FirstRand had a unitary board of 16 members; 13 of the directors are non-executive, and 10 of them are classified as independent non-executive directors to facilitate effective oversight in terms of King IV.

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

In response to the COVID-19 social distancing restrictions, board and committee meetings were conducted virtually. Due to the group's sound and deeply embedded governance frameworks, principles and practices, the switch to remote meetings did not impact the effectiveness of board and committee oversight. The board and management collaborated effectively, ensuring continuity in effective governance and decision-making.

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

RECORD OF ATTENDANCE

Name	Board	Bilateral	Strategic conference	Directors' training
Number of meetings	4	1	1	1
Independent non-executive directors				
WR Jardine	4/4	1/1	1/1	1/1
MS Bomela	3/4	0/1	1/1	0/1
GG Gelink	4/4	1/1	0/1	0/1
NN Gwagwa*	2/2	1/1	1/1	0/0
RM Loubser	4/4	1/1	1/1	1/1
PJ Makosholo**	4/4	1/1	1/1	1/1
TS Mashego	4/4	1/1	1/1	1/1
EG Matenge-Sebesho*	2/2	1/1	1/1	0/0
AT Nzimande	3/4	1/1	1/1	0/1
Z Roscherr#	1/1	0/0	0/0	0/0
LL von Zeuner	4/4	1/1	1/1	1/1
T Winterboer	4/4	1/1	1/1	1/1
Non-executive directors				
HL Bosman**	4/4	1/1	1/1	1/1
JP Burger	4/4	1/1	1/1	1/1
F Knoetze	4/4	1/1	1/1	1/1
Executive directors				
AP Pullinger	4/4	1/1	1/1	1/1
HS Kellan	4/4	1/1	1/1	1/1
M Vilakazi	4/4	1/1	1/1	1/1
Alternate to non-executive director				
JJ Durand†	0/0	0/0	0/0	0/0

* *Retired 28 November 2019.*

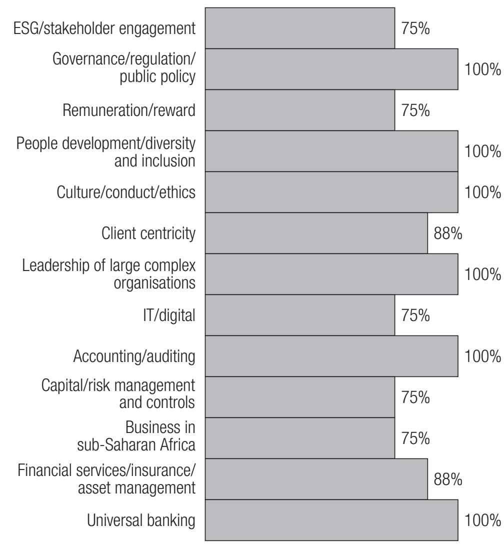
** *Resigned 30 June 2020.*

\# *Appointed 1 April 2020.*

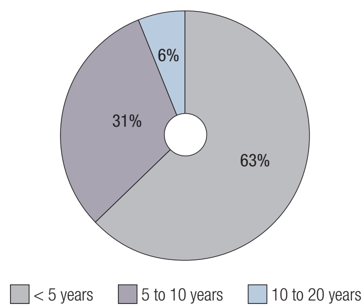
† *Alternate to JP Burger. Attended no meetings during the year as JP Burger was present at all meetings. Resigned 28 November 2019.*

AVERAGE AGE OF BOARD MEMBERS: 54 YEARS

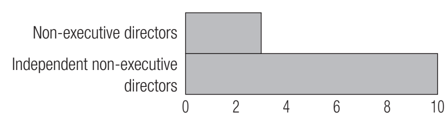
BOARD SKILLS AND EXPERIENCE



BOARD TENURE



BOARD INDEPENDENCE



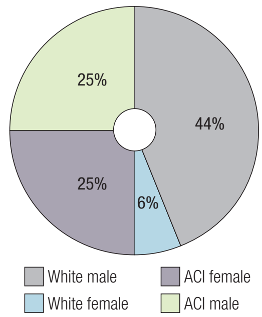
Board changes

The following changes to the board of directors took place during the 2020 financial year.

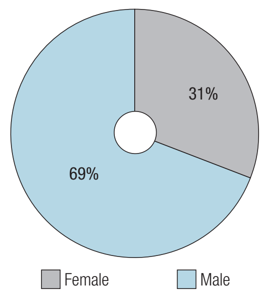
		EFFECTIVE DATE
RESIGNATIONS		
JJ Durand	Alternate non-executive director	28 November 2019
PJ Makosholo	Independent non-executive director	30 June 2020
HL Bosman	Non-executive director	30 June 2020
RETIREMENTS		
NN Gwagwa	Independent non-executive director	28 November 2019
EG Matenge-Sebesho	Independent non-executive director	28 November 2019
APPOINTMENT		
Z Roscherr	Independent non-executive director	1 April 2020

BOARD DEMOGRAPHICS

16 board members



GENDER DIVERSITY



Appointments to the board

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

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

The board considered the proposals by the nominations committee for re-election and appointment to the board in respect of the following directors at the upcoming annual general meeting.

Russell Mark Loubser

Russell has received many awards, including honorary life membership from the South African Institute of Chartered Accountants (SAICA) and acquired recognition by way of a special award from the Investment Analysts Society of South Africa.

He has more than 15 years' board experience, having served as a member of the King Committee and Securities Regulation Panel for SA. He was also a board member for the World Federation of Exchanges (WFE) for approximately 13 years.

Russell started his career as an executive director of financial markets at Rand Merchant Bank and is a seasoned banker with international experience. He spent the greater part of his career as the CEO of the Johannesburg Stock Exchange (JSE), and during his tenure, he conceptualised the demutualisation of the JSE. He is currently self-employed and serves as a non-executive director. Russell has widespread experience in governance, public policy and regulations.

Thandie Sylvia Mashego

Thandie qualified as a chartered accountant in 2003 and has a master's in business leadership from the University of South Africa.

She has over 18 years' experience in corporate finance, investment management and risk management. Thandie has robust business and leadership skills.

She started her career at KPMG and Transnet Group Limited. Thereafter, she spent a significant part of her career at the Industrial Development Corporation (IDC), where she led a number of debt and equity transactions and other key projects, including the management of the IDC's private equity portfolio in diverse sectors. She later pursued a career as group CFO of Vantage Capital Group where she had oversight of finance, human resources and compliance functions. She is currently the CFO of WDB Investment Holdings and is responsible for the overall financial management activities of the group, including reporting, budgeting, balance sheet management and risk management.

Zelda Roscherr

Zelda is internationally certified as a John Maxwell leadership trainer and executive coach and is currently completing her MSc in global finance at the University of London.

She is a seasoned banker with more than 25 years' experience in financial services. Specific skills include financial markets, balance sheet management, investment risk and leadership.

Zelda started her banking career at Deloitte Financial Institutions Group and later served in various executive positions in RMB Global Markets and FirstRand Group Treasury. She has worked both locally and internationally, coaching senior executives and mentoring females in leadership positions, and senior executives in transition. She has a passion for preparing the next generation of leaders and contributes positively towards social responsibility.

Board chairman

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

In addition, Tandi Nzimande, an independent non-executive director and the chair of the directors' affairs and governance committee, is accountable for ensuring that there is no conflict of interest on the part of the chairman in the performance of his duties. Tandi also ensures that the independent members of the board demonstrate impartiality and leadership.

Succession plan

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's non-statutory subsidiary boards are used as a platform for mentoring potential future executive and non-executive directors and developing their knowledge of the group. The group continues to apply specific focus on succession planning at board level. The board is comfortable that its composition, and that of its committees, is appropriately constituted with the correct mix of skill and expertise.

Non-executive directors

The retirement age of non-executive directors (other than the chair) is set at age 70 and the director shall be eligible for re-election. Such director shall vacate their office at the close of the annual general meeting after turning 70, unless the board resolves to extend that age for an additional one year in each instance, should their specialised skills be required, and the board unanimously supports their nomination.

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

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

GOVERNANCE OUTCOME | Effectiveness and performance

INDUCTION AND ONGOING BOARD DEVELOPMENT PROGRAMME

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

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

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

ANNUAL ASSESSMENT

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

The board is satisfied that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision-making in the best interests of the group. A key consideration when selecting directors is the group's competency framework. The financial services sector is complex and suitably qualified directors with the requisite skills and business experience are rare.

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

During the year the following major training topics were covered:

- financial crime prevention board training (including anti-money laundering);
- climate risk;
- liquidity risk;
- Islamic finance; and
- data strategy.

During the year the following areas were assessed:

- board and board committee governance, performance and effectiveness;
- performance and effectiveness of the board chairman;
- performance and effectiveness of individual non-executive directors; and
- performance and effectiveness of the company secretary.

CONFLICTS OF INTEREST

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

board committees

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

A summary of the board committees' composition and responsibilities is provided below. The full reports from the remuneration committee, audit committee and the social, ethics and transformation committee are provided on pages 103 to 188.

Large exposures committee

SUMMARY OF RESPONSIBILITIES

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

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

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

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

COMPOSITION	
RM Loubser (chairman)	Independent non-executive director
LL von Zeuner	Independent non-executive director
TS Mashego	Independent non-executive director
JP Burger	Non-executive director
Specialist consultants and mandatory attendees	
JJH Bester	Specialist consultant
CEO	
COO	
Financial director	
Chief risk officer	
Head of wholesale credit	
Enterprise risk management executive	

During the financial year ended 30 June 2020, 13 meetings were held. Meetings are convened monthly; however, additional meetings can be convened on an *ad hoc* basis as and when required in terms of section 73 of the Banks Act. The committee meets as often as it deems necessary for the purpose of discharging its duties and responsibilities in terms of its charter, but not fewer than six times per annum.

Directors' affairs and governance committee

SUMMARY OF RESPONSIBILITIES

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

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

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

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

		RECORD OF ATTENDANCE	
COMPOSITION		DAG	NC*
AT Nzimande (chair)	Independent non-executive director	3/4	3/4
WR Jardine	Independent non-executive chairman	4/4	4/4
MS Bomela	Independent non-executive director	3/4	
JP Burger	Non-executive director	4/4	4/4
LL von Zeuner	Independent non-executive director	4/4	
T Winterboer	Independent non-executive director	4/4	
GG Gelink	Independent non-executive director	4/4	
F Knoetze	Non-executive director	4/4	
RM Loubser	Independent non-executive director	4/4	
TS Mashego	Independent non-executive director	4/4	
Z Roscherr (appointed 1 April 2020)	Independent non-executive director	1/1	
HL Bosman (resigned 30 June 2020)	Non-executive director	4/4	4/4
PJ Makosholo (resigned 30 June 2020)	Independent non-executive director	4/4	
EG Matenge-Sebesho (retired 28 November 2019)	Independent non-executive director	2/2	
NN Gwagwa (retired 28 November 2019)	Independent non-executive director	2/2	2/2

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

FUNCTION	AREAS OF FOCUS
Governance and board effectiveness	
• reviews and evaluates the adequacy, efficiency and appropriateness of the corporate governance structures and practices through performance evaluations and assessments; • establishes new committees as required, and approves committee mandates and charters; • establishes, maintains and monitors the FirstRand corporate governance objective and plan, ensuring that it complies with all laws, regulations, and codes of conduct and practices; and • oversees the board induction training and development programme.	• approved the 2020 group corporate governance objective and plan; • oversaw the board and committee evaluation assessment process, including the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments; • received feedback from the board chairman on his shareholder roadshow; • received feedback from the board chairman on his meeting with the Prudential Authority; • reviewed and approved the revised nominations committee charter inclusive of the gender, race and diversity policy; • reviewed and approved the updated FirstRand board charter; • reviewed and approved the director's dealing policy and the director's due diligence review process; • considered and approved the annual review of non-executive directors' fees; • oversaw the director development training programme; and • conducted board evaluations in accordance with King IV to review: – performance and effectiveness of the board and board committees; – performance of the board chairman, individual non-executive directors and the company secretary; and – independence of independent non-executive directors who have served continuously for nine years or more.
Board continuity	
• oversees the development and maintenance of a board directorship continuity and succession plan.	• considered and approved the non-executive director succession plan as presented annually for review; • specific focus on board continuity and non-executive director succession planning, as it relates to the PA's directive; • considered and opined on board nominations, board committee changes, appointments and retirements; • considered the appointment of a lead independent director; • considered and approved the definition of prescribed officer; and • reviewed and considered the annual corporate governance and sustainability assessment 2020.
Executive succession planning	
• assists the board in the nomination of successors to key positions in FirstRand.	• considered and approved the executive succession plan as presented annually for review; and • considered and opined on group nominations, group committee changes and appointments and retirements.

FUTURE FOCUS AREAS

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

Risk, capital management and compliance committee

SUMMARY OF RESPONSIBILITIES

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

The Basel Pillar 3 report, published on the FirstRand website, sets out the specific risk and compliance management actions undertaken during the year.

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

COMPOSITION		RECORD OF ATTENDANCE*
RM Loubser (chairman)	Independent non-executive director	4/4
GG Gelink	Independent non-executive director	4/4
MS Bomela	Independent non-executive director	4/4
F Knoetze	Non-executive director	4/4
T Winterboer	Independent non-executive director	4/4
JP Burger	Non-executive director	3/4
LL von Zeuner	Independent non-executive director	4/4
Z Roscherr (appointed 1 April 2020)	Independent non-executive director	1/1

Specialist consultant members

JJH Bester

L Crouse

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

* *In addition, two RCC framework approval committee meetings were held during the year.*

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

OVERALL FUNCTION	AREAS OF FOCUS
• approves risk and compliance management policies, frameworks, strategies and processes; • monitors containment of risk exposures within the risk appetite framework; • reports assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board; • monitors implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management; • initiates and monitors corrective action where appropriate; • monitors that the group takes appropriate action to manage its regulatory, tax and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group in being an ethical and good corporate citizen;	• reviewed and approved the committee's charter; • received and reviewed the overall group risk profile report, including the CRO, tax and portfolio risk reports, and escalated material issues to the board where appropriate; • reviewed and approved changes to board limits and risk appetite; • approved assumptions underlying the group's ICAAP and stress testing process, including review of management plans to address additional risks arising from risk scenarios and further refinements of the ICAAP which were implemented; • reviewed and approved the group recovery plan as recommended by the asset, liability and capital committee; • reviewed and approved the board risk assessment; • considered global and local macroeconomic developments and how these are expected to impact the different portfolios in the group, and considered the impact of a further ratings downgrade on the group; • considered and approved the IFRS 9 macroeconomic forecast, scenario and stress testing; • reviewed the macroeconomic house view and the COVID-19 house view; • considered reports and presentations from group businesses and operational risk on the impact of COVID-19 and specific management actions taken to manage the additional risk, including tax risk, regulatory engagements and actions; • approved the credit risk capital models; • received an update on the unsecured prudential limit framework; • reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee and RCC subcommittees to ensure there is adequate knowledge, skills and experience for effective risk management; • reviewed and approved credit risk profile and credit risk appetite parameters as recommended by the credit risk management committee; • reviewed and approved operational risk appetite parameters and governance methodology as recommended by the operational risk committee; • reviewed updates on segment/operating business IT risk profiles and group IT governance by the business chief information officers; • received detailed feedback on the PA's on-site visit for IT and IT risk; • received presentations and tracked the progress made with the Basel Committee on Banking Supervision's (BCBS's) principles for effective risk data aggregation and risk reporting (BCBS 239) project, including integration with the group data strategy; • considered presentations by management as mandated by subcommittees for escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments;

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

FUTURE FOCUS AREAS

Continued focus on:

- cybersecurity;
- micro and macro operating environments and markets;
- the implementation of BCBS 239 and monitoring the impact of IFRS 9;
- the impact of COVID-19 on the group's portfolios and business operations;
- debt relief offered to clients as a result of COVID-19; and
- regulatory changes emanating from COVID-19.

Assessing:

- local and international risk trends and their interconnectedness;
- geopolitical risks; and
- the growing influence of digital disruption on business.

Information technology risk and governance committee

SUMMARY OF RESPONSIBILITIES

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

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

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

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

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

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

FUNCTION continued	AREAS OF FOCUS continued
• monitors business resilience and that adequate corrective actions have been implemented, and reports such incidents and process breakdowns to the board; and • monitors the quality of IT risk processes, including but not limited to audits of implementation of the ITGF and BCBS 239 (principles for effective risk data aggregation and risk reporting).	• received feedback on the IT risk metrics (key risk indicators, losses and audit findings) and data limitations associated with these; • monitored all new IT risk acceptances approved on a quarterly basis and reviewed list of all open risk acceptances on an annual basis; • agreed quarterly IT risk report to be tabled at the FirstRand board meeting; • received feedback on the annual IT risk and governance committee effectiveness survey results and actions developed to address concerns/gaps raised through the survey; • obtained a view of the IT risk management resource adequacy across the group together with defined actions to address identified gaps; • received feedback the top IT systems projects across the group; and • agreed on the reporting expectations for data governance specific to IT.

FUTURE AREAS OF FOCUS

Continued focus on:

- the group's IT, cloud, data and digitisation strategies;
- the embedding of the BCBS 239 programme for IT risk;
- the group's cybersecurity incident management and breach readiness;
- proactive monitoring of intelligence to identify, avoid and respond to incidents (including cyber attacks);
- enhancing risk and governance over the use of digital tools (e.g. robotics and artificial intelligence); and
- the IT control environment given emerging risks identified in the COVID-19 environment.

Remuneration committee

SUMMARY OF RESPONSIBILITIES

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

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

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

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

COMPOSITION		MEETING ATTENDANCE
GG Gelink (chairman until 2 September 2020)	Independent non-executive director	5/5
RM Loubser	Independent non-executive director	5/5
AT Nzimande	Independent non-executive director	5/5
WR Jardine	Independent non-executive director	5/5
LL von Zeuner (with effect from 1 March 2020, chairman with effect 2 September 2020)	Independent non-executive director	2/2
JP Burger	Non-executive director	5/5
HL Bosman (resigned 30 June 2020)	Non-executive director	5/5

Management invitees
CEO
COO
Financial director
Group organisational development and human capital executive

COMPOSITION AND MEMBERSHIP

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

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

Background statement from the chairman of the remuneration committee

Introduction

The group's remuneration philosophy supports FirstRand in executing on strategy and delivering on the promises made to stakeholders. It is aligned to the group's performance management and risk management frameworks and promotes fairness of remuneration by ensuring that the principle of equal pay for work of equal value is applied. This principle encompasses market-related pay and internal parity.

OPERATING ENVIRONMENT

The operating environment for the second half of FirstRand's financial year to 30 June 2020 is now considered to be the worst global economic crisis since the Second World War. The COVID-19 pandemic and associated economic crisis resulted in three simultaneous and profound shocks: to global trade; to global confidence, causing financial conditions to tighten significantly and abruptly; and to economic activity following the lockdown policies adopted by most of the world's major economies. This translated into a once in a generation economic stress event. South Africa's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown, with limited fiscal space to support the economy. The rest of Africa portfolio also came under pressure as many of the SACU economies rely heavily on activity in South Africa. Without exception, the real economies in these countries are extremely weak and face increased fiscal risk. The UK entered the crisis with historically low levels of unemployment and fairly resilient household consumption activity and this, combined with the fiscal and monetary policy stimulus that is being applied, has provided some support to the real economy. However, despite these supportive factors, the UK suffered one of the deepest economic contractions globally in the second quarter of 2020.

FINANCIAL PERFORMANCE

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%. Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9. In addition, post the beginning of lockdown in March 2020, underlying customer income and affordability in all segments deteriorated sharply, as evidenced by lower levels of underlying transactional and credit turnover and the increase in non-performing loans.

Given the scale of the economic crisis, which FirstRand expects to influence the operating environment for the next 18 to 24 months, the group has anchored business to certain FRM principles, adherence to which will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders. These FRM principles include:

- Carefully price for financial resources.
- Appropriately provide against lending portfolios.
- Apply strict cost management.
- Further strengthen and appropriately tilt the balance sheet to the macro outlook.
- Accrete capital and NAV – deployment of capital to reflect the increased cost of equity.
- Emerge from COVID-19 with limited vulnerabilities, with capital for growth.

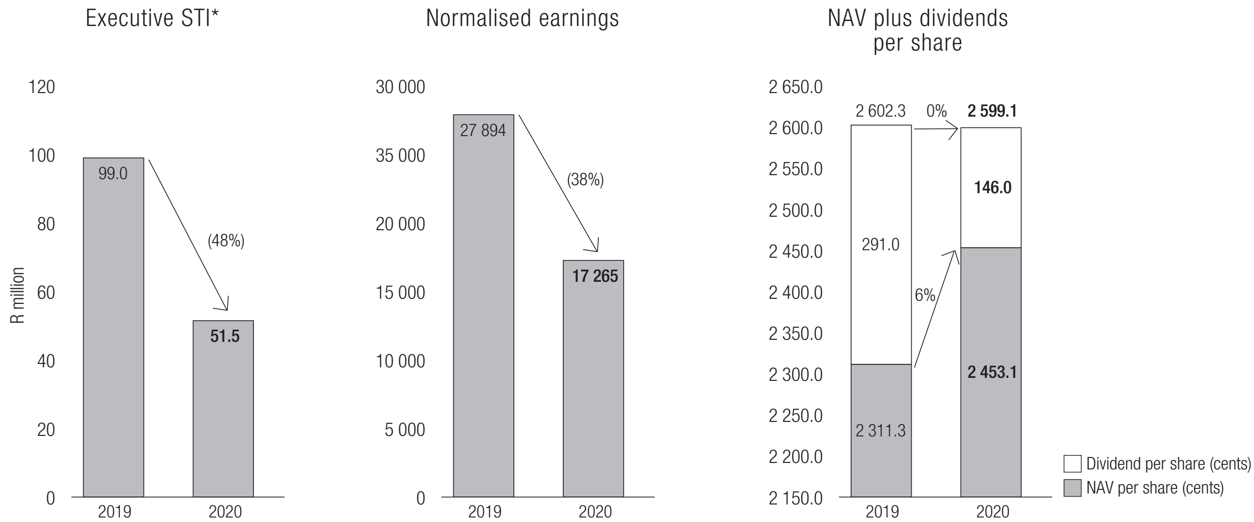
The adoption of these principles shifted the group's focus from earnings growth and return to measures that protect both the franchise and the balance sheet. The board considered this shift to be strategically appropriate for the year under review, and therefore Remco partly recalibrated the remuneration performance measures to support these outcomes. This recalibration will remain in place for the duration of the crisis.

As a result, earnings growth and NIACC were not the only performance measures considered when awarding short-term incentive awards for the year under review and for target setting for 2021. Remco also took the view that management should be recognised for navigating a severe operational challenge which, whilst not fully reflected in NIACC and earnings over the short term, will be key to the future sustainability of the business. However, to ensure appropriate shareholder alignment (a long-standing remuneration principle) given the financial performance, Remco determined that the short-term incentive (STI) pool should reduce by a greater percentage than the decline in earnings.

Given the financial performance remuneration was impacted as follows:

- No salary increases on senior management in the ensuing year, except to the extent related to the remuneration mix alignment implemented in RMB, with the reduction of STIs in favour of higher long-term incentives (LTIs) and a more appropriate guaranteed pay.
- The largest impact on earnings was the creation of provisions due to the forward-looking assumptions required by IFRS 9. This does not represent lost earnings but conservative front-loading. Given the absolute decline in earnings, the STI pool reduced 43%, compared to the 38% decline in normalised earnings. These reductions, and the fact that the other components of total return to shareholders, namely dividend and NAV, were flat demonstrate adherence to the key principle that management should not do better than shareholders.
- The decline in executive STIs was greater than the reduction in normalised earnings (-38%) and the decline in the total STI pool (-43%). Executive directors and prescribed officer STIs reduced 48%, with the CEO's STI reducing 57%.

EXECUTIVE STI OUTCOME AND GROUP PERFORMANCE MEASURES APPLIED



* *STI includes the STI of P Monks translated from pounds to rands using the average exchange rate for each financial year.*

- The performance conditions for the 2017 LTI were not met and the instrument failed. The rules of the 2017 LTI allowed Remco to apply judgement in assessing the performance conditions, but Remco elected not to adjust the vesting outcome and all the awards have subsequently lapsed.
- The objectives of the performance conditions for the 2020 LTI are to protect and further strengthen the balance sheet, protect the value of the group's client franchise and within three years restore both earnings and returns to previous levels. These targets will align employees with appropriate shareholder outcomes over the period and only vest above 100% when the group exceeds the 30 June 2019 earnings and ROE returns to within the group's targeted range of 18% – 22% for June 2023.

- The reduction in earnings in the current year could impact all outstanding LTIs (i.e. the 2018 and 2019 LTI awards) which presents a potential talent retention risk. Remco considered the risk of failed multiple year awards and therefore implemented a specific retention scheme (COVID-19 instrument) for certain senior and top management, as follows:
  - For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only time-based vesting and no performance conditions.
  - This retention instrument was awarded in September 2020. The value will be converted to a FirstRand LTI on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022 and 2023).
  - 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 a retention period of up to four years.
  - The instrument will not additionally benefit an employee. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the COVID-19 vesting tranche or the outstanding LTI awards will vest (not both).
- Aligned with the SARB Guidance Note 4 of 2020, Remco decided that no cash bonuses will be paid to executive officers and material risk takers (MRTs) in 2020, with deferral of the STI cash component to June 2021. In addition, further deferral or forfeiture of the 2020 STI can take place should Remco deem it appropriate. This is a change from prior years, where STI cash deferral occurred in three tranches paid in August, December and June.
- Non-executive director fees will not be increased for 2021.
- In response to the COVID-19 pandemic, the executive directors and prescribed officers waived 30% of their salaries over a three-month period. Certain non-executive directors also waived a portion of their quarterly fees and a number of employees also contributed through remuneration sacrifice or direct donations. The group opted to allocate these amounts to the FirstRand SPIRE fund for the purchase of personal protective equipment and essential supplies.

KEY TAKE-OUTS

- normalised earnings declined 38%, and NAV and dividends were flat;
- the total STI pool reduced 43% and the executive STI pool reduced 48%;
- 2017 LTIs did not vest;
- focus on stabilising and retaining talent;
- material shift in mix from STI to LTI for RMB to ensure long-term thinking and outcomes;
- new COVID-19 instrument structured to incentivise senior management appropriately and effectively provides four years of retention at no additional cost to shareholders; and
- 2020 LTI vesting conditions align to restoring both earnings and returns to previous levels over three years.

Remco has set the metrics and targets for the 2021 annual assessment for each executive. These metrics include targets set using budgets and other relevant measures linked to the aspect of delivery. Given the sensitive nature of these forward-looking metrics, these are not disclosed.

SUMMARY OF 2020 FOCUS AREAS AND POLICY CHANGES IMPLEMENTED

Shareholder engagement

In line with King IV and the JSE Listings Requirements, the 2019 remuneration policy and implementation report were tabled at the annual general meeting for separate non-binding advisory votes by shareholders. The group's remuneration policy and report received an endorsement of 90.17% and 80.5% respectively, meeting the requirement of 75%. The group continued to engage with shareholders and two issues highlighted have been addressed this year, namely:

- scorecard refinement – pay for performance transparency; and
- concerns relating to the mix of STI and LTI at RMB with the perception that short-term performance is favoured.

Scorecard refinement – pay for performance transparency

Aligned with Remco's commitments made in the 2019 remuneration report, the executive director and prescribed officer scorecards were further refined to improve transparency and better demonstrate the link between performance and the STI. The scorecards which are published on pages 127 to 155 have been calibrated against group strategy, with assigned weightings, metrics and targets.

Remuneration mix review

Remco conducted an in-depth review of the remuneration mix in RMB and where appropriate, upwardly adjusted guaranteed packages and LTIs with a corresponding reduction in STIs. This was implemented and aligns to market practice whilst maintaining the pay for performance culture that has served the business well in the past.

Retail and Commercial segment remuneration alignment

As discussed in the *CEO's report* last year, the group's business model was refined to create two core customer segments in South Africa, Retail and Commercial (R&C) and Corporate and Institutional (C&I). During the year a combined R&C reward philosophy and policy was adopted which incorporates WesBank, FNB and DirectAxis. R&C also enhanced its executive scorecards to give greater prominence to conduct risk and to address the balance between financial and non-financial measures, including measures of customer satisfaction and ethical conduct.

FUTURE AREAS OF FOCUS

- continue to engage with stakeholders on remuneration issues;
- continue to improve remuneration disclosure, one area for 2021 being the disclosure of ESG KPIs;
- continued research and evaluation of remuneration best practices;
- review the mix of STI and LTI across all staff levels;
- evaluate behavioural impact of the LTI changes introduced; and
- consider adjusting the application of performance conditions for awards to non-senior LTI participants.

LL VON ZEUNER
Chairman, remuneration committee

GG GELINK
Former chairman, remuneration committee

7 October 2020

Remuneration philosophy and policy

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

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

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

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

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

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

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

Scope

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

Remuneration regulation

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

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

Remuneration governance

Application of a risk and conduct lens in the assessment of remuneration

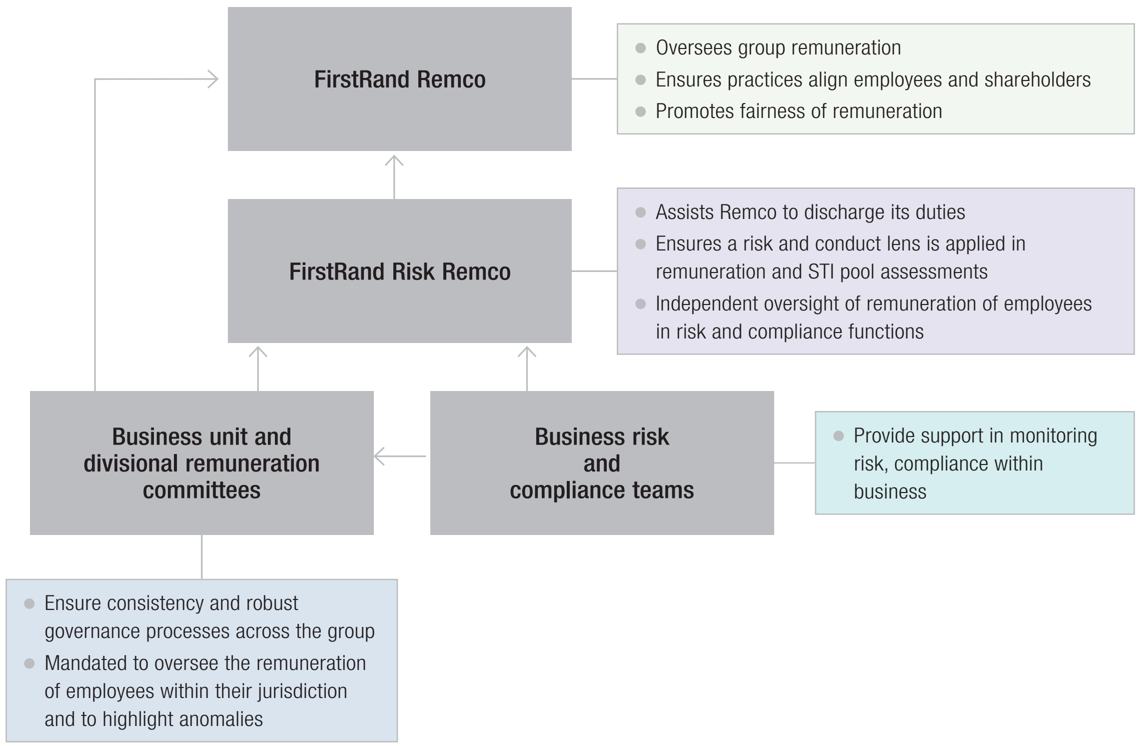
The Financial Stability Board Principles and Standards for sound compensation practices were introduced to reduce incentives towards excessive risk-taking that may arise from the structure of compensation schemes. It is also aimed to ensure that compensation frameworks are supported by sound governance and risk management practices.

FirstRand is committed to these sound compensation principles and they are embedded within governance processes. The risk remuneration committee (Risk Remco) plays a key role in this governance process.

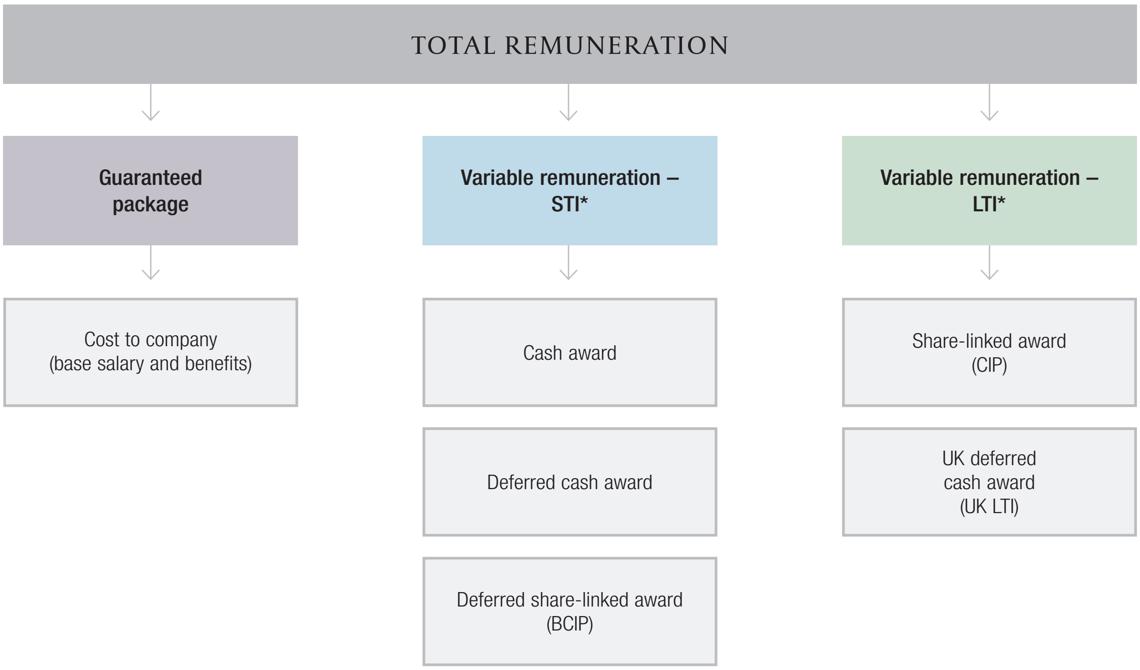
The Risk Remco is chaired by the risk, capital management and compliance committee chairman and members include the group executive directors and corporate governance and risk heads. The objective of Risk Remco is to ensure that a risk and conduct lens is applied in assessing remuneration and that STI pools are suitably adjusted downwards for risk and conduct events that have transpired. It is expected that the business is appropriately managed without material risk and conduct events.

The group applies a formal framework for considering risk input to the Remco process. The assessment is performed at a business unit level, and reviewed by business unit risk, group risk and Risk Remco, and underpinned by the necessary monitoring and assurance processes.

REMUNERATION GOVERNANCE



REMUNERATION STRUCTURE



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

Guaranteed package

Cash package (based on cost to company)

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

Retirement contribution

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

Medical aid and life/disability cover contribution

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

Variable remuneration

METHODOLOGY TO DETERMINE STI POOLS

FINANCIAL

To qualify for an STI pool

Operating businesses

ROE hurdle rates need to be met and NIACC is evaluated (ROE must at least exceed COE). Considered over the year and business cycle.

These hurdle rates are also set for each operating business whilst considering the underlying activities and sources of earnings.

Enablement areas

A top-down approach is applied based on individual and overall group performance as well as industry benchmarks.

New business initiatives

A bottom-up approach is applied along with measurement of progress of business strategy and execution against targets.

Remco establishes an appropriate STI pool calculation range for each operating business.

The proportion of pre-incentive profits allocated to the STI pools is based on:

- nature and complexity of the business
- activities and revenue streams
- industry reward practices

Complex, diversified and knowledge-based businesses are rewarded with **higher STIs than monoline businesses.**

An appropriate STI pool calculation range is established using qualitative factors such as:

- quality of earnings
- risk management performance
- operational losses
- employee satisfaction
- market conduct

A significant risk management failure/issue will result in a **penalty on the pool.**

An **improvement** in quality of earnings compared to the prior year could result in a higher rate but will remain within this range.

= STI % rate x pre-incentive pre-tax profit

Growth in STI pools is compared to **growth rates in PBT and positive NIACC for the year under review,** as well as over a cumulative six-year period (the length of a normal business cycle).

NON-FINANCIAL

Remco considers non-financial measures in the determination of STI pools.

Deductions may be made from a business's calculated STI pool for **poor performance** against these non-financial measures.

These include but are not limited to:

- risk management considerations
- diversification and quality of earnings
- sustainability
- progress against strategic objectives
- progress on transformation
- organisational culture/behaviour

The final number is tested again against the top-down calculation and further adjusted if necessary.

Short-term incentives: individual determination

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

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

Performance measures include:

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

There are no guaranteed STIs for senior positions.

Further detail on the risk input into the STI pool process:

- Group remuneration is anchored in the multi-year budget process, which considers strategy, risk appetite and financial resource allocation.
- Core to the remuneration assessment is specific qualitative and quantitative targets.
  - Quantitative targets include growth and ROE targets at segment level as well as an assessment of NIACC .
  - Appropriate risk and conduct is always expected and STI pools are adjusted downwards for material events. The following are assessed: control environment, internal and external audit results, compliance with risk policies and processes, platform maturity and conduct – employee, client, business and financial markets, as well as regulatory compliance.
- Remco considers formal submissions from the main businesses, which includes a financial overview as well as detailed risk, conduct and other qualitative considerations as prepared by the risk and finance teams.
- In addition, the group CRO, head of enterprise risk management and head of regulatory risk management prepare a formal report to Remco on the independent assessment on risk, control and platform maturity and progress made during the year. This risk input provides the inherent risk profile of each business.
- The STI pools are adjusted downwards for sanctions and penalties as a result of risk or regulatory events, or an undesirable risk profile in an area.
- This is complemented by an individual line-by-line assessment of employees whose total remuneration is above R6 million, with specific adjustments made where there were risk or conduct breaches.
- The incentive structure is aligned to prudent risk-taking, both in terms of the way the bonus structure works as well as share incentives.
- The STI has a one-year deferral for the cash component and up to three years for the share-linked component (BCIP). The STI is subject to *malus* and clawback.

Risk and compliance employees

Remuneration of employees in the risk and compliance functions is based on the achievement of risk management objectives and conduct outcomes and is reviewed and benchmarked annually. The group CRO and heads of group enterprise risk management and group regulatory risk management provide input into the compensation levels of risk managers across the group, with Risk Remco providing independent oversight.

Delivery of STI

In terms of good remuneration practice, STI above a minimum level is deferred, split between a deferred cash award and a deferred share-linked award (BCIP). The latter is deferred over two years for management and three years for executive officers.

For 2020, in line with the guidance received from the PA, all senior management and material risk takers' cash awards were fully deferred until June 2021.

STI deferral

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

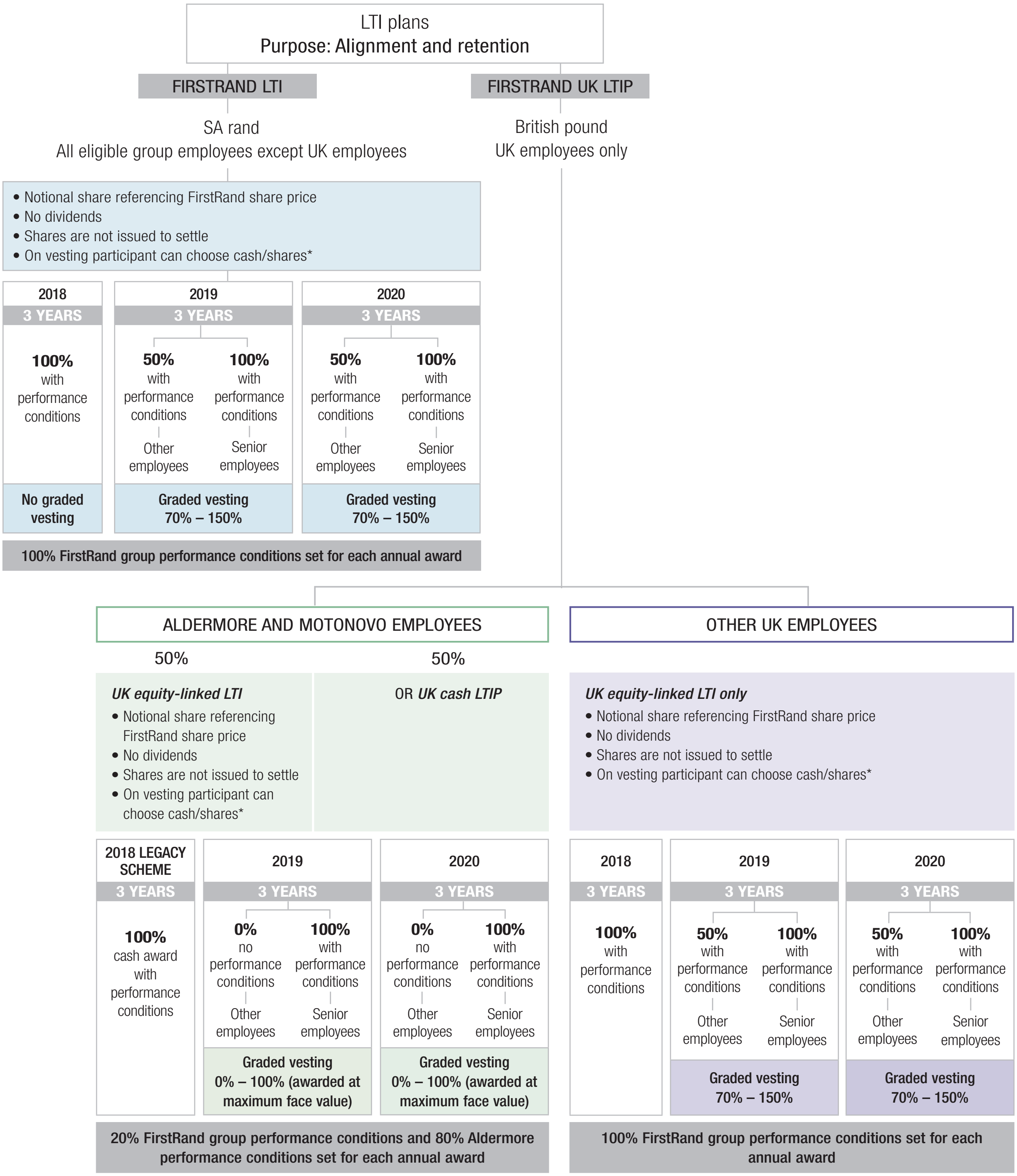
			ANNUAL CASH STI		DEFERRED CASH STI	DEFERRED SHARE-LINKED (BCIP)	
		Settlement	Immediate	Deferral: 6 months	1 year	2 years	3 years
Variable pay: STI	Up to R2 million	Up to first R650k	Up to R650k				
		Balance up to R2 million (cash equally over 3 tranches)	Max R450k	Max R450k plus interest	Max R450k plus interest		
		First R2 million	R1 100k	R450k plus interest	R450k plus interest		
	Portion above R2 million	50%* Cash equally over 3 tranches	1/3	1/3 plus interest	1/3 plus interest		
		50%* Deferred indexed to the FirstRand share price (elect cash or share settlement)				1/2 plus interest	1/2 plus interest

* *For executive directors and prescribed officers, 50% of STI greater than R2 million is paid in three equal tranches within the next 12 months. The other 50% is deferred as share-linked awards (BCIP) vesting over three years. For other management the share-linked deferral threshold is 30%, and the deferral period is two years. In response to the SARB Guidance Note 4 of 2020, the full STI cash component for all executive officers and material risk takers is deferred for 12 months.*

Long-term incentives

Long-term incentives seek to ensure employees are aligned to shareholder requirements of sustainability, quality earnings growth, superior returns and the creation of long-term franchise value, as well as a resilient balance sheet and disciplined financial resource management. LTIs also support the long-term retention of critical management level employees. To ensure alignment FirstRand LTIs, regardless of jurisdiction, are linked to the performance of the FirstRand share price and include FirstRand performance conditions linked to group outcomes. There are two long-term incentive plans, the FirstRand CIP which is denominated in South African rands and linked to the FirstRand share price, and the UK LTI denominated in British pounds which can be awarded as the UK equity-linked LTI or UK cash LTI. The majority of eligible group employees are awarded the FirstRand CIP and UK-based employees receive the UK long-term incentive plan (LTIP). For all employees except Aldermore and MotoNovo, 100% of the award has the FirstRand share price as the underlying. For Aldermore and MotoNovo it is 50% of the award.

FirstRand protects shareholders from dilution as it does not issue shares to settle awards. When shares are required to settle a participant on vesting, these shares are acquired in the market at the prevailing price. It also protects shareholders against future volatility in the share price and the potential for higher cost through a higher share price at vesting by hedging the outstanding awards. The hedge costs are taken through earnings and all performance criteria are net of these costs.



* *Shares are purchased in the market for settlement in shares.*

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

The FirstRand performance conditions for the LTI plans include targets for ROE and earnings growth and are embedded in the performance culture of the group. For the 2020 award, Remco included additional conditions to drive alignment to current FRM focus areas, as set out in the Remco chair's introduction. The group does not assign weightings to each separate performance condition, e.g. the return and earnings growth conditions, as it believes this practice creates two separate instruments which could drive behaviour where the one condition is favoured at the cost of the other. The group requires both return and growth conditions to be met. Where a minimum ROE requirement has been set, it has to be achieved before the growth metric is assessed. The earnings growth target is measured on a cumulative basis over a three-year rolling period.

The return target is generally measured as the average ROE over the three-year vesting period. For the 2020 award this is measured in 2023. The ROE is based on net asset value and not on tangible net asset value, and as such includes goodwill. Remco considers a number of factors, including:

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

Participants in the LTI conditional incentive plans are exposed to fluctuations in the group's share price and the value of the award will increase or decrease with the share price over the vesting period, supporting the alignment between shareholders and employees.

FirstRand LTI

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

There are currently three open LTI schemes under the CIP, these being the 2018, 2019 and 2020 awards.

LTI AWARDS ISSUED PRE-2019

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

- Factors outside management's control:
  - unusual political and other factors contributing to the deterioration of the macro and business environment, including consumer and business confidence;
  - levels of volatility of macroeconomic variables and forecasting ability; and
  - relative performance of peers.
- Factors within management's control:
  - balance between ROE and growth and delivery of the result in favour of ROE;
  - adjustments to risk appetite given the prevailing conditions;
  - continued investment for future growth in systems, new business ventures and operational improvement where the costs might be recognised in the vesting period but the expected payoff only in future years; and
  - materiality of the earnings delivery miss relative to the targets set.
- Qualitative factors:
  - Retention of talent, particularly in business units that outperformed.

2017 LTI AWARDED

The 2017 LTIs did not vest as the performance conditions were not achieved. Remco made a final decision not to apply its judgement as per the rules of the scheme for final vesting, consequently the 2017 award lapsed in September 2020.

2018 LTI AWARDED

The 2018 LTI did not include graded vesting and all awards (100%) are subject to performance conditions. Remco has the right, in exceptional circumstances, to apply judgement if the performance conditions are not met. Awards vest on the vesting date or are forfeited.

The following table sets out the performance conditions for the 2018 awards, measured over the period 1 July 2018 to 30 June 2021.

AWARD YEAR	VESTING YEAR	PERFORMANCE CONDITIONS	
		RETURN AND NIACC	EARNINGS GROWTH
2018	2021	ROE ≥18%	Normalised earnings per share growth to exceed the higher of the three years cumulative growth of annual real GDP plus CPI or CPI (in the event of negative real growth). Base year normalised earnings per share of 470.8 cents.

2019 LTI AWARDED

Graded vesting is applied to the 2019 LTI. The LTI for certain employees has time-based vesting applied to 50% of the award. The remaining 50% as well as 100% of the award for senior employees are linked to performance conditions. The performance conditions for 2019 include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. The minimum ROE and earnings growth conditions apply for vesting at 70%. If these conditions are not met the award lapses. Further conditions, including both ROE and growth, are set for 100%, 120% and 150% vesting, with the conditions set progressively harder up to the maximum level of 150%.

The performance conditions were set after careful consideration of the following:

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

Remco retains the ability to adjust the vesting level downwards from the level determined by the ROE and growth outcomes as it deems appropriate. For awards issued from 2019 onwards, Remco cannot apply upward vesting judgement if performance criteria are not met.

The 2019 performance conditions and relevant vesting levels are described below, measured over the period 1 July 2019 to 30 June 2022.

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

Linear vesting applies between each of the levels above, relative to the growth delivered.

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

2020 LTI AWARDED

Given that the impact of the COVID-19 crisis is expected to influence the operating environment for the next 18 – 24 months, Remco wanted to incorporate this scenario when considering the performance conditions for the 2020 LTI. At the time, the forecasts for earnings and ROE and the macroeconomic variables and the cost of equity were extremely fluid.

Remco determined that the 2020 LTI conditions should therefore align to the deliverables asked of management, namely:

- to strengthen and protect the balance sheet and franchise to enable the group to effectively weather the prevailing environment, and emerge from the current crisis with limited vulnerabilities, well positioned to capitalise on the recovery;
- to restore both earnings and returns to previous levels by June 2023.

The metrics Remco will therefore consider for minimum vesting are: liquidity and capital ratios, earnings and ROE. The growth requirements are not set relative to economic variables as is usually the practice. Remco emphasised that vesting above 100% would only be possible once the group exceeded the 30 June 2019 earnings level and ROE was back within or above the group's targeted range of 18% – 22% at June 2023. To achieve minimum vesting of 70%, the group must exceed the liquidity and capital targets set by the board at 31 March 2023. If the conditions set for 70% vesting are not met, the award lapses. It further included an adjustment mechanism which will allow Remco to adjust the vesting outcome down by up to 20%. This would be exercised if material negative outcomes for the business occur that are within management control. Examples would include:

- issues that materially damaged the group's franchise, 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.

If performance criteria are not met Remco cannot adjust the vesting outcome upwards.

The conditions for each vesting level are unpacked in detail in the table below.

VESTING LEVEL*	PERFORMANCE CONDITIONS	
	MINIMUM ROE REQUIREMENT AT 30 JUNE 2023**	NORMALISED EARNINGS PER SHARE GROWTH TARGET (3-YEAR COMPOUND ANNUAL GROWTH RATE)
Between 70.1% and 99.9%	For grading above 95%, ROE must be more than COE as at issue date of award, i.e. NIACC positive	Grading based on minimum compound annual growth rate of 4.3% up to <13.4%
100%	ROE must be more than COE 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)
Between 100.1% and 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120% vesting	ROE of at least 20%	Minimum compound annual growth rate of 22%
Between 120.1% and 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, the required growth condition will not be considered.*

FirstRand UK LTI

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

For eligible Aldermore and MotoNovo employees, 50% of the award value is indexed to the FirstRand share price over the vesting period. The balance of the award is a deferred cash award. The awards vest three years from the award date if the performance and employment conditions have been met. At the date of vesting the employee will receive the vesting value, based on the share price at the time, in cash or shares. In line with regulatory requirements in the UK, Aldermore and MotoNovo Exco members have mandatory equity settlement of the equity-linked award.

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

For employees based in the UK and not employed by Aldermore group, 100% of their performance conditions is based on the FirstRand LTI conditions and 100% of the award is linked to the FirstRand share price over the vesting period.

These awards are also included in the group's hedging.

Other LTI considerations

Treatment of unvested LTIs on termination

The treatment of unvested awards on termination of employment form part of the LTI rules of the scheme. Remco has discretion in certain circumstances.

TERMINATION CATEGORIES

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

Change of control

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

Malus and clawback

Malus and clawback can be invoked upon the occurrence of trigger events and be applied as follows:

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

The committee has the discretion to claw back the pre-tax proceeds of any variable remuneration (STI and LTI) received by employees in the event of a trigger event as detailed below. The clawback applies for three years after the variable remuneration is made, or in the case of share schemes (both LTIs and deferred STIs), three years after the awards have vested.

A trigger event may include, *inter alia:*

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

Minimum shareholding

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

Sign-on awards

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

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

Sign-on awards can be made in cash or LTIs. LTI awards are subject to the relevant performance conditions applicable to the vesting date and can be settled in cash or shares at the election of the participant.

Non-binding advisory vote

The 2020 remuneration policy and implementation report will be tabled for a separate non-binding advisory vote by shareholders at the AGM. Remco commits to engage with shareholders in the event that either the remuneration policy or the implementation report, or both, are voted against by shareholders exercising 25% or more of the votes exercised. If this is the case, Remco will invite dissenting shareholders to engage, the manner and timing of such engagement will be announced accordingly.

Terms of employment for executive directors and prescribed officers

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

Benchmarking of total remuneration

The remuneration policy promotes fairness of remuneration by ensuring that the principle of equal pay for work of equal value is applied. This principle encompasses two main aspects:

- market-related pay; and
- internal parity, including race and gender.

External market benchmarking

FirstRand consults with independent providers, as detailed below, to benchmark market data pertaining to guaranteed remuneration.

Where there is a specific request, a bespoke survey may be commissioned. Local and international peer comparisons are also performed for executive directors and prescribed officers.

During the annual salary review, the surveyed information is used to ensure appropriate pay levels. Remco uses this information to ensure that the prescribed officers and executive director total remuneration is aligned with the market.

PwC Remchannel

PwC Remchannel performs a comprehensive remuneration survey of guaranteed pay in South Africa. It currently has 546 participating companies nationally across all industries ranging from SMEs to large corporates, including all the JSE top 40-listed companies. It further provides comparator circles to ensure that benchmarking is done against industry peers at the correct level.

Mercer

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

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

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

The Mercer survey covers all elements of guaranteed pay, payments in respect of short-term incentive schemes as well as the expected value of long-term incentives. It also provides a pay mix analysis across these three elements for executive remuneration.

AON McLagan Investment Banking Survey

In addition to PwC Remchannel and Mercer, RMB subscribes to the AON McLagan Investment Banking Survey, in which the major investment banking firms participate. The participants in the South African remuneration survey include the international banks in South Africa and the large local banks. Their library of roles is appropriately aligned with RMB's business, especially front office roles.

Ad hoc surveys

In circumstances where it appears that pay for certain skills has fluctuated rapidly owing to factors such as scarcity of skills, a bespoke survey may be commissioned. Such surveys are conducted using a reputable and independent consultancy. The results of these ad hoc surveys serve to either validate existing data or provide intelligence for the business to make decisions.

Internal remuneration benchmarking (income differentials)

Income differentials are defined as the degree of uneven distribution of income between employees that can be grouped together as similar. The remuneration committee has taken deliberate steps to ensure that it understands internal pay gaps within the group.

In a performance-based company culture, supported by robust performance evaluation, it is inevitable that pay gaps will emerge. In fact, it is important that employees know that outperformance can and will be compensated.

What can, however, never be justified is inequalities of pay that are not defendable or are based on arbitrary grounds. The group has robust processes aimed to identify and correct any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base, such as performance, skills and experience. The rigour of the group's process is validated through an annual review which identifies and assesses cases of potential income differentials. The 2020 review identified unjustifiable income differential cases representing only 0.8% (2019:1%) of the total workforce. These were adjusted as part of the annual salary review and the cost of aligning the affected individuals' guaranteed packages was immaterial at R5 million (2019: R11 million). During 2018, the group's income differential statistical model was reviewed by PwC and found to be acceptable and in keeping with leading market practice.

Unionised employees

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

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

Almost 20 outcomes-based remuneration schemes are in place across the group, affecting around 9 100 employees. These schemes give lower-earning employees the opportunity to earn variable pay for performance and have significantly assisted the group in narrowing internal pay gaps, while further entrenching a culture of pay for performance.

FirstRand Staff Assistance Trust

The FirstRand Staff Assistance Trust's mandate is to assist black employees earning a CTC salary below a certain level (currently R400 000), as well as their immediate families, with their educational, healthcare and other needs. The trust offers bursaries to assist employees' children from grades R to 12, and qualifying expenses include school fees, transport, books and uniforms.

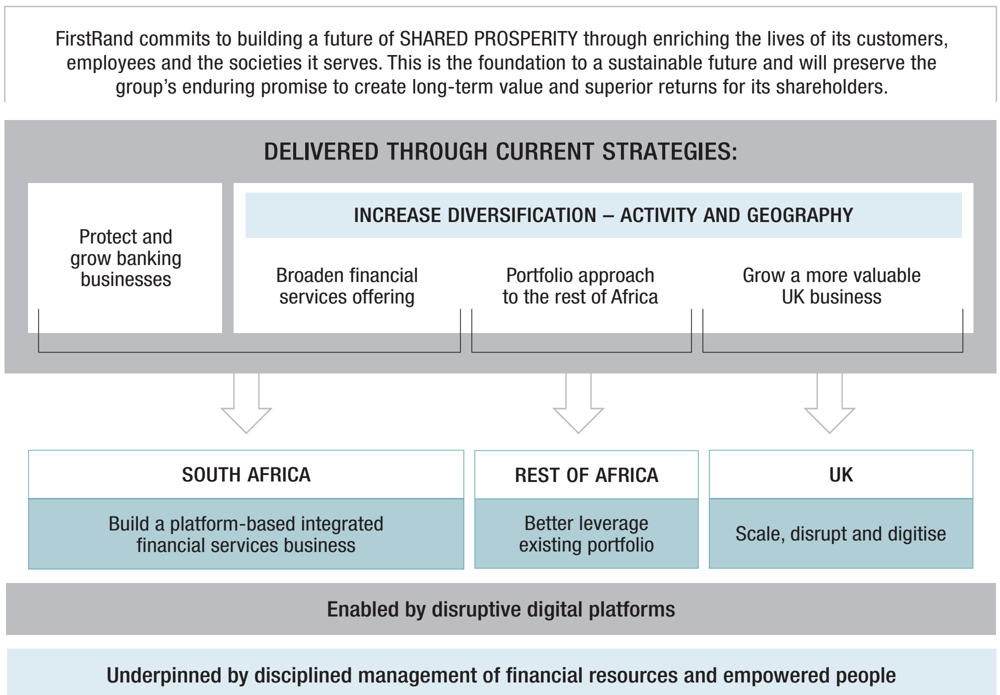
For the 2020 school cycle the trust assisted 7 213 employees with their children's school expenses, to the value of R56 million. This represents a fulfilment rate of 93% of total staff applications.

EXECUTIVE DIRECTOR AND PRESCRIBED OFFICER STI PERFORMANCE SCORECARDS

STI performance scorecards

A new scorecard was introduced in 2019/20 to enhance a fair and transparent approach to assessing executive performance against group strategy. The group's strategic framework was used to set the key objectives in the scorecards and the weightings are aligned to each individual's portfolio of responsibility.

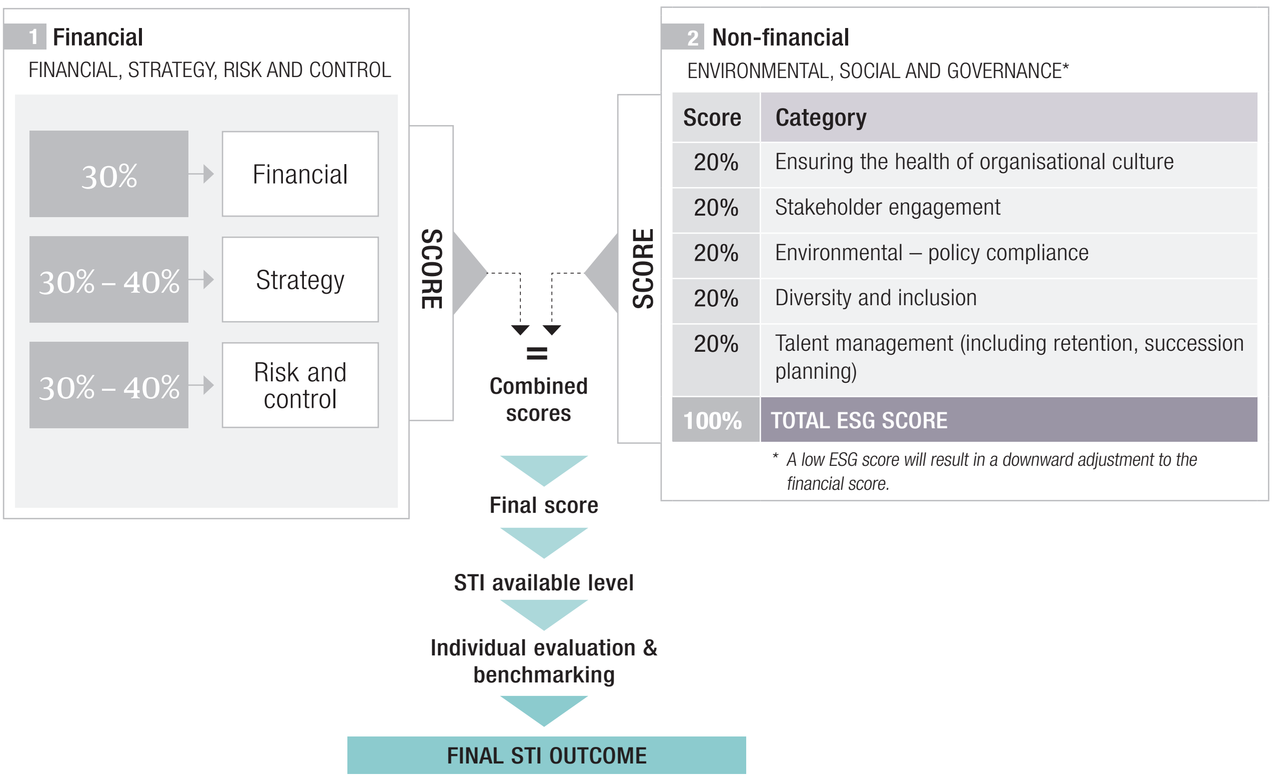
The STI performance scorecards are calibrated against the group's strategic pillars of protecting and growing the banking businesses, increasing diversification, growing disruptive digital platforms and maintaining disciplined financial resource management, supported by empowered people.



The new scorecard takes a two-pillar approach to determine STI. The first pillar explicitly assesses financial delivery, execution of strategy and risk management, and the second pillar covers environmental, social and governance (ESG) aspects. Both scorecard pillars have weightings assigned to metrics, which get consolidated into a final score after assessment by Remco. A relatively low score on ESG delivery will result in a downwards adjustment to the final score. The final score is used to determine the STI outcomes in line with pre-determined ranges.

At the start of the year, Remco sets annual metrics and targets for each strategic objective. These metrics are assessed at year end when determining STI outcomes.

TWO PILLAR SCORECARD TO DETERMINE STI



Implementation report

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

- Vesting considerations of the 2017 LTI.
- 2020 LTI awards.
- 2020 retention payment and COVID-19 instrument.
- Individual performance reviews for each executive director and prescribed officer and compliance against minimum shareholding requirements.
- Remuneration tables as required by King IV and Pillar 3.

VESTING CONSIDERATIONS OF LTIs AWARDED IN 2017

The 2017 LTIs did not vest as the performance conditions were not achieved. Remco made a final decision not to apply its judgement per the rules of the scheme for final vesting, consequently the 2017 award lapsed in September 2020.

AWARD YEAR	VESTING YEAR	NORMALISED EARNINGS PER SHARE IN YEAR OF ISSUE	PERFORMANCE CONDITIONS		
			RETURN	EARNINGS GROWTH	COMMENTS
2017	2020	436.2 cents	ROE ≥18% (average over the 3-year performance period)	Normalised earnings per share growth to exceed the three years' cumulative growth in annual real GDP plus CPI.	The 2017 award required the group to deliver an ROE of at least 18% as well as normalised earnings per share growth of more than the three years' cumulative growth in annual real GDP plus CPI. Although the ROE condition has been met over the three years on average, the growth condition was missed and consequently the award did not vest. For vesting, normalised earnings at 30 June 2020 of 483.1 cents per share was required, with 307.8 cents delivered. The group's vesting conditions require both ROE and growth targets to be met for vesting to occur. Remco elected not to adjust the vesting outcome.

2020 LTI AWARDED

Details of the 2020 LTI performance conditions are disclosed in the remuneration policy section.

2020 RETENTION PAYMENT AND COVID-19 INSTRUMENT

The COVID-19 pandemic and the resulting economic impact evident in FirstRand's results for June 2020 have resulted in the 2017 LTIs not vesting, and are likely to continue to impact the group's earnings for the next 18 to 24 months. This significantly increases the risk of the 2018 and 2019 LTI awards also not vesting. The prospect of awards failing in three consecutive years, implying an individual could potentially wait six years before experiencing a vesting in 2023, is unprecedented and is of significant concern to Remco in the retention of senior and scarce skills.

The principle that employees are impacted along with shareholders is critically important and remains a cornerstone of the group's philosophy. This alignment occurs in the following ways:

- STI pool reduction (43%);
- failure of LTI awards;
- decline in LTI value in line with share price performance for awards with no performance conditions; and
- shares will not be issued to settle awards.

Remco believes that given the unprecedented nature of the pandemic crisis, there was a need to balance this principle with protecting the long-term sustainability of the business, particularly the retention of key talent.

Remco has therefore put in place an instrument that takes a forward-looking view of retention risk and aims to secure the ongoing service of senior and scarce skills in the event of unvested 2018 and 2019 awards. The award amounts are well below the amount of the two awards that could potentially fail and therefore there is no additional cost to shareholders (funded by the failed awards).

Two approaches were followed, depending on the level of seniority:

- Retention payments: Non-senior eligible employees received a cash payment in September 2020 with a 12-month retention condition (i.e. clawback).
- COVID-19 LTI instrument: Eligible senior employees were awarded an LTI with time-based vesting, vesting in three equal tranches over the next three years, subject to the following conditions and measures to avoid a windfall gain and mitigate the cost to shareholders:
  - If the employee leaves the group within 12 months of a particular tranche vesting, the full value of the vested tranche is clawed back and the unvested portion of the award is forfeited. This results in potential clawback until September 2024.
  - If the 2018 or 2019 LTI vests, the employee will not receive two vestings, only the higher of the LTI or the COVID-19 instrument tranche will vest (in 2023, the COVID-19 tranche is not subject to the 2020 award vesting – both may vest.)
  - Remco set a floor for the pricing of the award to avoid excess awards due to a depressed share price.
  - The award is hedged as part of the normal LTI hedging programme.
  - No shares will be issued to settle the award.

Executive directors' and prescribed officers' remuneration

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

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

FirstRand defines its prescribed officers as the group executive directors and the CEOs of FNB, RMB, WesBank and Aldermore. These officers are members of the group strategic executive committee and attend board meetings.

COVID-19-RELATED SALARY WAIVERS

In response to the COVID-19 pandemic, the executive directors and prescribed officers waived 30% of their salaries over a three-month period. The group opted to donate the amount to the FirstRand SPIRE fund for the purchase of personal protective equipment and essential supplies. In order to ensure comparability with prior years, the remuneration tables do not reflect these waivers.

INDIVIDUAL PERFORMANCE REVIEWS

As explained in the remuneration policy section, a new scorecard was introduced in 2019/20 to enhance Remco's approach to fairly and transparently assess executive performance against group strategy.

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

Alan Pullinger

FirstRand CEO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING ALAN'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework informed the assessment, with weightings and targets for Alan's scorecard focused on:

- Group financial performance (with emphasis on preserving and enhancing the group return profile and growing shareholder NAV).
- The success in protecting and growing the banking franchises of the group.
- The results of the strategic initiatives to diversify group revenues through insurance and investment management activities.
- Progress on the geographic diversification strategies.
- Progress on the build-out of a platform-based integrated financial services business.
- Adherence to the disciplined management and allocation of financial resources. This is reflected in the return profile, strength of the balance sheet and level of capital generation to support growth and dividends.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders; namely equity and debt investors, regulators and societies the group operates in.

Alan and his leadership team were tracking well to deliver on both strategic outcomes and targeted financial results for the first nine months of the financial year with the COVID-19 crisis materially impacting the last quarter of the financial year.

Alan showed strong leadership in guiding the business through the COVID-19 crisis, quickly putting in place measures to strengthen and protect the group's balance sheet. The business was directed to support customers who were in good standing before the crisis, but experiencing cash flow challenges because of the lockdowns. The depth and experience of the credit, finance, operations and IT teams enabled the business to provide support to customers at speed whilst maintaining strong risk management disciplines, enabled by deep data insights on the group's platforms.

These actions, combined with the structure of the portfolio and the strategies the group continues to execute on, will ensure ROE and earnings recovery once the current stress scenario normalises.

A detailed write-up of Remco's assessment of Alan's performance based on his scorecard and the resultant outcomes is provided as follows:

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 30%

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9.

Pre-provision operating profits decreased 2%, pointing to a resilient operating performance, given the impact of lockdowns on the last quarter's performance.

Growth in operating expenses was contained at 3%, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in growth initiatives.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 40%

Group earnings remain significantly tilted towards South Africa and increased competition is targeting these traditional banking profit pools, particularly the transactional activities, protecting this large and profitable revenue stream is critical.

The group's operating businesses (particularly FNB and RMB) have continued to grow their brand equity on the back of strong customer propositions. Customer numbers grew across retail, commercial and corporate segments despite the highly competitive environment. Numerous prestigious awards were received by the group businesses in recognition of innovation and excellence in various fields.

Initiatives to build a platform-based integrated business are gaining traction, enabled by refinements in the operating model to encourage increased collaboration across franchises. This platform-based strategy was validated through lockdown as customers were almost fully serviced across digital channels. Usage of digital channels had been steadily growing over the year, however this increased significantly during the crisis, which bodes well for the medium-term outcomes of the digital strategy.

The group has been executing on diversification initiatives through the build-out of integrated insurance and investment management offerings to its own customer base and the results to date have validated this strategy. The "capital light" nature of these strategies will in time support the group's return profile.

The rest of Africa portfolio continues to grow steadily, supported by a good contribution from Nigeria and the mature businesses in Botswana and Namibia.

The integration of Aldermore with MotoNovo is on track. Further growth opportunities are evident and the group is encouraged by the prospects. As the shareholder representative on the Aldermore board Alan is closely involved with the strategy of the UK business.

At the onset of lockdown, FirstRand implemented specific FRM actions to strengthen and protect the balance sheet to enable the group to effectively weather the prevailing environment and emerge in a position to capitalise fully on the recovery. Adherence to these principles will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders.

Risk and control

Weighting 30%

The group's processes, procedures and financial resilience were severely tested during the crisis. Remco recognises that the risk rating has increased to incorporate the following: regulatory and conduct, credit, market, counterparty credit, investment, tax and ESG risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. The group has been conservative in its forward-looking provisions. Remco took great comfort in how the risk teams under Alan's leadership managed this large and complex issue through unprecedented conditions requiring nimble and decisive interventions.

Regulatory and conduct risk is rated high due to the complex environment the business operated in during the crisis, dealing with an increase in regulations which had to be adopted and applied at speed.

The group entered the COVID-19 crisis in a strong liquidity position and remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. The group's capital position is strong and has remained above the board-approved targets.

There has been good progress in improving and strengthening the control environment in SA and across the subsidiaries in rest of Africa, reflected in a significant reduction in audit findings. Internal audit maintained its risk maturity assessment at "risk managed". It also specifically noted that management responses were measured and effectively executed given the time pressures presented by the emerging risks associated with the rapid development of the global crisis.

Operational risk losses were low and within risk appetite.

Good progress has been made on the key risk data and platform projects, with the group on track to meet the December 2021 deadlines.

non-financial

ESG

Targets: Above On Below

Stakeholder relationships

Weighting 20%

The group takes pride in its relationships with regulators and under Alan's leadership and guidance, good working relationships with regulators have been maintained. Alan is actively involved in the business and banking industry forums that engage regularly with regulators, government and civil organisations. Alan also spent a great deal of time in the early stages of the COVID-19 crisis engaging with shareholders.

Society

Weighting 20%

The group played a meaningful role in supporting society during the pandemic in South Africa and in other countries where it operates, through harnessing the discretionary energy of its employees and in partnership with the FirstRand Foundation. Employees of the group worked with customers, other businesses and social partners to support government healthcare structures and healthcare frontline workers. The FirstRand group contributed R25 million and the FirstRand foundations R75 million towards the establishment of FirstRand's SPIRE fund.

Through the FirstRand Staff Assistance Trust R56 million of assistance was provided to group employees by paying towards 7 213 children's school fees, thus easing the financial burden on employees in the lower salary bands. The FirstRand Foundation funded a pilot of innovative models in early childhood development that seek to increase the number of children who are school ready by the age of six. Additionally, bursary and other related support was provided to 550 students for critical skills, including artisans, most of whom completed their studies this year. The FirstRand Empowerment Foundation has disbursed R115 million during the year to partner with organisations that collaborate to advance education policy implementation.

Employees

Weighting 20%

The group continues to build and encourage an owner-manager culture, which is at the core of its business philosophy. Alan and his leadership teams value the talent that the group attracts and work hard to create an environment that enables employees to perform and deliver superior results. Pleasingly, high levels of employee engagement and commitment to the business were visible during the crisis, with many employees across the group putting in significant additional effort to ensure that the business continued to operate during the lockdowns. Protocols were rapidly put in place to ensure that frontline staff who could not work remotely were protected and safe. Technology solutions were also rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Diversity and inclusion

Weighting 20%

The group received the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

Environmental

Weighting 20%

The group has increased its focus on environmental matters and delivered on some important aspects, including the publishing of the coal and fossil fuels policies (an agreed commitment at the AGM of 2019) and materially expanded disclosures on the climate risk profile and management process in the financial statements. The group climate risk committee is meeting regularly and is progressing the build-out of the climate programme which will be a positive addition to the group's environmental focus. Both FNB and RMB have increased business focus on environmental aspects, with progress noted on the sustainable finance front in RMB and increased focus in agriculture and housing finance businesses in FNB.

Overall ESG score

Overall

The overall ESG score is on target with no adjustment to the financial score.

REMUNERATION OUTCOME

2020 STI

Remco assessed Alan's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the group's financial performance. Alan's financial performance metrics are fully calibrated to group metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was in the end rated as "on target" due to the deterioration of the risk profile as a result of the impact of COVID-19 on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The STI reflects the overall "below target" performance rating for the year.

- The STI was reduced by 57% which is higher than the reduction in the group's normalised earnings and higher than the overall pool reduction as a result of the change in mix from STI to LTI allocation. In line with PA Guidance Note 4/2020 no cash STI is payable in 2020 and the award is deferred to June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package	**9 414**	8 865	6%
STI	**9 650**	22 400	(57%)
Cash payment	**–**	8 350	(100%)
Cash deferred	**5 825**	3 850	51%
Share-linked	**3 825**	10 200	(63%)
LTI award	**20 046**	18 500	8%
Total	**39 110**	49 765	(21%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- An LTI of R24 million that vests in 2023 represents an increase of 22% due to Alan's change in mix i.e. higher LTIs vs STIs.
- Alan's overall 2021 remuneration decreases by 17%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R19.3 million was awarded (principles explained on page 126).

Mary Vilakazi
Chief operating officer

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING MARY'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework informed the assessment, with weightings and targets for Mary's scorecard focused on:

- Group financial performance (with emphasis on preserving and enhancing the group return profile and growing shareholder NAV).
- The results of the strategic initiatives to diversify group revenues through insurance and investment management activities.
- Progress on the geographic diversification strategies – in particular the optimisation of the rest of Africa portfolio.
- Progress on the build-out of a platform-based integrated financial services business.
- Adherence to the disciplined management and allocation of financial resources that gets reflected in the return profile, strength of the balance sheet and capital generation to support growth and dividends.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders, namely equity and debt investors, regulators and societies the group operates in.

Mary has added meaningful capacity to the executive director suite, taking responsibility for the insurance, investment management and rest of Africa portfolio strategies. She also oversees the risk, regulatory and market conduct functions in the group. Mary also plays a key role in the foundations, driving closer alignment between CSI and the business.

A detailed write-up of Remco's assessment of Mary's performance based on her scorecard and the resultant outcomes is provided as follows:

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 30%

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9.

Pre-provision operating profits decreased 2%, pointing to a resilient operating performance, given the impact of lockdowns on the last quarter's performance.

Growth in operating expenses was contained at 3%, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in growth initiatives.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 30%

The group has been executing on diversification initiatives through the build-out of insurance and investment management businesses. The insurance business is gaining traction with four million life policies under cover. The life insurance in-force APE for non-credit life business now accounts for 63%, reflecting growth in traditional retail insurance products. The roll-out of life insurance products into the FNB commercial sector is under way, with the availability and delivery of short-term insurance products on track for rollout over the next 18 months. The group is set to optimise opportunities in the employee benefits markets through solutions to the commercial and corporate sectors.

The investment management strategy execution was reviewed and the invest businesses within the group were repositioned to enable better collaboration and execution through a single structure in the group. Investment in the platform to enable penetration into the FNB customer base is starting to bear fruit, as evidenced by the increase in the number of customers and the increase in AUM. The Ashburton flagship fixed and stable income products continued to grow AUM in the corporate and institutional market.

The rest of Africa portfolio continues to grow steadily, supported by a good contribution from Nigeria and the mature businesses in Botswana and Namibia. There has been a strong focus on improving the portfolio returns, with a resultant decision in the year under review to divest from Tanzania. The leading mortgage lending business in Ghana was acquired to provide additional scale to FNB Ghana. Pre-COVID-19, the financial results of the portfolio were on track to deliver on the targeted improvement in economic profit. Numerous prestigious awards were received by the subsidiaries in recognition of innovation and excellence in various fields and markets.

Initiatives to build a platform-based integrated business are gaining traction, enabled by refinements in the operating model to encourage increased collaboration across franchises.

The platform-based strategy for rest of Africa continues to be validated as customers were almost fully serviced across digital channels. Whilst digital volumes had been steadily growing over the year, they increased significantly during the crisis. This bodes well for the medium-term outcomes of the digital strategy.

At the onset of lockdown, FirstRand implemented specific FRM actions to strengthen and protect the balance sheet to enable the group to effectively weather the prevailing environment, and emerge in a position to capitalise fully on the recovery. Adherence to these principles will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders.

Risk and control

Weighting 40%*

The group's processes, procedures and financial resilience were severely tested during the crisis. Remco recognises that the risk rating has increased to incorporate the following: regulatory and conduct, credit, market, counterparty credit, investment, tax, ESG and business risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. Remco took great comfort in how the teams under Mary's leadership managed this large and complex business through unprecedented conditions requiring nimble and decisive interventions.

Regulatory and conduct risk is rated high due to the complex environment the business operated in during the crisis, dealing with an increase in regulations which had to be adopted and applied at speed.

The group entered the COVID-19 crisis in a strong liquidity position and remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. The group's capital position is strong and has remained above the board-approved targets.

There has been good progress in improving and strengthening the control environment in SA and across the subsidiaries in rest of Africa, reflected in a significant reduction in audit findings. Internal audit maintained its risk maturity assessment at "risk managed". It also specifically noted that management responses were measured and effectively executed given the time pressures presented by the emerging risks associated with the rapid development of the global crisis.

Operational risk losses were low and within risk appetite.

Good progress has been made on the key risk data and platform projects, with the group on track to meet the December 2021 deadlines.

* *Mary has a higher weighting for risk and control.*

non-financial

ESG

Targets: Above On Below

Stakeholder relationships

Weighting 20%

The group takes pride in its relationships with regulators and under Mary's leadership and guidance, good working relationships with regulators have been maintained. There has been notable improvement in relationships with regulatory authorities across several markets in the rest of Africa despite challenging conditions.

Society

Weighting 20%

The group played a meaningful role in supporting society during the pandemic in South Africa and in other countries where it operates, through harnessing the discretionary energy of its employees and in partnership with the FirstRand foundations. Employees of the group worked with customers, other businesses and social partners to provide support to government healthcare structures in support of the healthcare frontline workers. The FirstRand group contributed R25 million and the FirstRand foundations R75 million towards the establishment of FirstRand SPIRE.

Mary led the SPIRE initiative in South Africa on behalf of the group, working closely with the FirstRand Foundation and FirstRand Empowerment Trust, group employees and franchises to deliver healthcare solutions and humanitarian support during the pandemic.

Through the FirstRand Staff Assistance Trust R56 million of assistance was provided to group employees by paying towards 7 213 children's school fees, thus easing the financial burden on employees in the lower salary bands. The FirstRand Foundation funded a pilot of innovative models in early childhood development that seek to increase the number of children who are school ready by the age of six. Additionally bursary and other related support was provided to 550 students for critical skills, including artisans, most of whom completed their studies this year. The FirstRand Empowerment Foundation has disbursed R115 million during the year to partner with organisations that collaborate to advance education policy implementation.

Employees

Weighting 20%

The group continues to build and encourage an owner-manager culture, which is at the core of its business philosophy. The leadership team values the talent that the group attracts and works hard to create an environment that enables employees to perform and deliver superior results. Pleasingly, high levels of employee engagement and commitment to the business were visible during the crisis, with many employees across the group putting in significant additional effort to ensure that the business continued to operate during the lockdowns. Protocols were rapidly put in place to ensure that frontline staff who could not work remotely were protected and safe. Technology solutions were also rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Diversity and inclusion

Weighting 20%

The group received the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

Environmental

Weighting 20%

The group has increased its focus on environmental matters and delivered on some important aspects, including the publishing of the coal and fossil fuels policies (an agreed commitment at the AGM of 2019) and materially expanded disclosures on the climate risk profile and management process in the financial statements. The group climate risk committee is meeting regularly and is progressing the build-out of the climate programme which will be a positive addition to the group's environmental focus. Both FNB and RMB have increased business focus on environmental aspects, with progress noted on the sustainable finance front in RMB and increased focus in agriculture and housing finance businesses in FNB.

Overall ESG score

Overall

The overall ESG score is on target with no adjustment to the financial score.

REMUNERATION OUTCOME

2020 STI

Remco assessed Mary's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the financial performance and Mary's financial performance metrics are fully calibrated to group metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was in the end rated as "on target" due to the deterioration of the risk profile as a result of the impact of COVID-19 on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The STI reflects the overall "below target" performance rating for the year.

- The STI was reduced by 38%. In line with PA Guidance Note 4/2020, no cash STI is payable in 2020 and the award is deferred until June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package	**7 121**	6 750	5%
STI	**6 050**	9 750	(38%)
Cash payment	**–**	4 133	(100%)
Cash deferred	**4 025**	1 742	>100%
Share-linked	**2 025**	3 875	(48%)
LTI award (benchmark related increase)	**10 775**	8 500	27%
Total	**23 946**	25 000	(4%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- An LTI of R11.2 million that vests in 2023 represents an increase of 4%.
- Mary's overall 2021 remuneration decreases by 12%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R16.6 million was awarded (principles explained on page 126).

Harry Kellan

CFO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING HARRY'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework informed the assessment, with weightings and targets for Harry's scorecard focused on:

- Group financial performance (with emphasis on preserving and enhancing the group return profile and growing shareholder NAV).
- Progress on the geographic diversification strategies.
- Progress on the build-out of a platform-based integrated financial services business.
- Adherence to the disciplined management and allocation of financial resources. This is reflected in the return profile, strength of the balance sheet and level of capital generation to support growth and dividends.
- Strong financial management and reporting disciplines that ensure quality earnings are generated and reported.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders, namely equity and debt investors and regulators.

Harry showed strong leadership in guiding the business through the COVID-19 crisis, providing strong guidance to the finance and risk teams. This was the first year that IFRS 9 was applied by the group under a stress scenario, and significant additional work had to be performed to confirm the reasonability of outputs from the credit models.

Under Harry's leadership, the finance teams navigated the challenging delivery of the 2021 budgets in time, amidst a lot of uncertainty. This was followed by the finalisation of the audited financial results for the year, which included the substantial analysis of provisions and credit impairment charges.

Harry is an experienced executive who continues to be a sounding board for the Stratco members and supports the franchises with strategic input. Alongside the CEO, he is the shareholder representative on the board of Aldermore, the UK business.

A detailed write-up of Remco's assessment of Harry's performance based on his scorecard and the resultant outcomes is provided below:

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 30%

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9.

Pre-provision operating profits decreased 2%, pointing to a resilient operating performance, given the impact of lockdowns on the last quarter's performance.

Growth in operating expenses was contained at 3%, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in growth initiatives.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 30%

Harry plays an important role in the strategy execution of the group by providing strategic input and challenge to the franchises. As the custodian of financial resources, Harry is responsible for the performance management framework, ensuring that appropriate growth is achieved and that FRM disciplines are in place.

Harry ensures financial resources are deployed and redirected to key initiatives supportive of the group strategy.

Appropriate capital and liquidity funding activities were undertaken to support the business before and during the crisis.

The three executive directors allocate responsibilities amongst themselves to ensure appropriate coverage of management oversight. Harry works closely with the CEO to ensure that the UK strategy is delivered. The integration of Aldermore with MotoNovo is on track. Further growth opportunities are evident, and the group is encouraged by the prospects.

At the onset of lockdown, FirstRand implemented specific FRM actions to strengthen and protect the balance sheet to enable the group to effectively weather the prevailing environment, and emerge in a position to fully capitalise on the recovery. Adherence to these principles will ensure FirstRand returns to its historical trajectory of growth, quality earnings and delivery of superior returns to shareholders.

Risk and control

Weighting 40%*

The group's processes, procedures and financial resilience were severely tested during the crisis. Remco acknowledged that the risk rating increased to incorporate the following: regulatory and conduct, credit, market, counterparty credit, investment, tax, and business risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. Remco took great comfort in how the risk teams managed this large and complex business through unprecedented conditions requiring nimble and decisive interventions.

Financial controls processes have been well maintained, enabling a delivery of a 2021 budget and financial year reporting under challenging circumstances. Good internal and external reporting was maintained.

Tax risk management continues to be strong.

The group entered the COVID-19 crisis in a strong liquidity position and remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. The group's capital position is strong and has remained above the board approved targets.

There has been good progress in improving and strengthening the control environment in SA and across the subsidiaries in rest of Africa, reflected in a significant reduction in audit findings. Internal audit maintained its risk maturity assessment at "risk managed". It also specifically noted that management responses were measured and effectively executed given the time pressures presented by the emerging risks associated with the rapid development of the global crisis.

* *Harry has a higher weighting for risk and control.*

non-financial

ESG

Targets: Above On Below

Stakeholder relationships

Weighting 20%

The group takes pride in its relationships with regulators and under Harry's leadership and guidance, good working relationships with regulators have been maintained. Harry also plays a key role in managing relationships with the investor community and engaged extensively with the buy-side and sell-side as the crisis unfolded ahead of the closed period.

Society

Weighting 20%

The group played a meaningful role in supporting society during the pandemic in South Africa and in other countries where it operates, through harnessing the discretionary energy of its employees and in partnership with the FirstRand foundations. Employees of the group worked with customers, other businesses and social partners to provide support to government healthcare structures in support of the healthcare frontline workers. The FirstRand group contributed R25 million and the FirstRand foundations R75 million towards the establishment of Firstrand SPIRE.

Through the FirstRand Staff Assistance Trust R56 million of assistance was provided to group employees by paying towards 7 213 children's school fees, thus easing the financial burden on employees in the lower salary bands. The FirstRand Foundation funded a pilot of innovative models in early childhood development that seek to increase the number of children who are school ready by the age of six. Additionally bursary and other related support was provided to 550 students for critical skills, including artisans, most of whom completed their studies this year. The FirstRand Empowerment Foundation has disbursed R115 million during the year to partner with organisations that collaborate to advance education policy implementation.

Employees

Weighting 20%

The group continues to build and encourage an owner-manager culture, which is at the core of its business philosophy. The leadership teams value the talent that the group attracts and work hard to create an environment enables employees to perform and deliver superior results. Pleasingly, very high levels of employee engagement and commitment to the business were visible during the crisis, with many employees across the group putting in significant additional effort to ensure that the business continued to operate during the lockdowns. Protocols were rapidly put in place to ensure that frontline staff who could not work remotely were protected and safe. Technology solutions were also rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Diversity and inclusion

Weighting 20%

The group achieved the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

Environmental

Weighting 20%

The group has increased its focus on environmental matters and delivered on some important aspects, including the publishing of the coal and fossil fuels policies (an agreed commitment at the AGM of 2019) and materially expanded disclosures on the climate risk profile and management process in the financial statements. The group climate risk committee is meeting regularly and is progressing the build-out of the climate programme which will be a positive addition to the group's environmental focus. Both the FNB and RMB segments have increased business focus on environmental aspects, with progress noted on the sustainable finance front in RMB and increased focus in agriculture and housing finance businesses in FNB.

Overall ESG score

Overall

The overall ESG score is on target with no adjustment to the financial score.

REMUNERATION OUTCOME

2020 STI

Remco assessed Harry's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the financial performance. Harry's financial performance metrics are fully calibrated to group metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was in the end rated as "on target" due to the deterioration of the risk profile as a result of the impact of COVID-19 on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The STI reflects the overall "below target" performance rating for the year.

- The STI was reduced by 36%. In line with PA Guidance Note 4/2020 no cash STI is payable in 2020 and the award is deferred until June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package	**7 760**	7 385	5%
STI	**6 600**	10 334	(36%)
Cash payment	**–**	4 328	(100%)
Cash deferred	**4 300**	1 839	>100%
Share-linked	**2 300**	4 167	(45%)
LTI award (benchmark related increase)	**13 440**	12 000	12%
Total	**27 800**	29 719	(6%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- An LTI of R14 million that vests in 2023 represents an increase of 4%.
- Harry's overall 2021 remuneration decreases by 10%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R12.7 million was awarded (principles explained on page 126).

Jacques Celliers

FNB CEO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING JACQUES'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework informed the assessment, with weightings and targets for Jacques's scorecard focused on:

- Group financial performance and FNB franchise financial performance.
- The success in protecting and growing the retail and commercial customers in South Africa and sub-Saharan Africa.
- The results of the strategic initiatives to diversify group revenues within the FNB customer base.
- Progress on the build-out of a platform-based integrated financial services business.
- Adherence to the disciplined management and allocation of financial resources, ultimately reflected in the franchise ROE.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders, namely customers, employees, regulators and societies the group operates in.

Remco is pleased with FNB's strategic responses during the COVID-19 crisis under Jacques's leadership. The business demonstrated agility and Jacques and his Exco had to make significant daily judgements to solve extremely complex challenges.

After the announcement of the national lockdown, FNB was able to move at speed to enable remote working for most staff, thus ensuring customers continued to be serviced across all channels. FNB rapidly enabled safe provision of essential services in branches. FNB's retail and commercial segments mobilised customer cash flow relief solutions on platform.

Under Jacques's leadership, FNB continues to be recognised for its customer value propositions, digital capabilities and innovation.

A detailed write-up of Remco's assessment of Jacques's performance based on his scorecard and the resultant outcomes is provided below:

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 30%

Jacques's financial performance assessment is based on 20% group results and 80% FNB franchise results.

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

FNB's normalised earnings were R12.3 billion, a decrease of 31% from the prior year with ROE declining to 25.8%.

Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9.

Group pre-provision operating profits decreased 2%, pointing to a resilient operating performance, given the impact of lockdowns on the last quarter's performance. FNB pre-provision profit was flat year-on-year reflecting the impact of the deteriorating macroeconomic environment pre COVID-19 and the impact of lockdown restrictions.

Growth in group operating expenses was contained at 3% and 4% for FNB, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in growth initiatives.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 40%

FNB earnings remain significantly tilted towards South Africa and increased competition is targeting these traditional banking profit pools, particularly the transactional activities. Protecting this large and profitable revenue stream is therefore critical.

FNB has continued to grow its brand equity on the back of strong customer propositions and continued innovation. FNB has taken the top spot in the 2020 BrandZ Top 100 most valuable brands in South Africa. The report highlights the increase in brand equity, with a large driver being brand meaning and salience. Customer numbers grew across the premium retail and commercial segments, including upward migration of customers from the consumer segment, to maintain customer numbers at 8.23 million despite the highly competitive environment.

Initiatives to build a platform-based integrated business are gaining traction, enabled by refinements in the operating model to encourage increased collaboration across franchises. This platform-based strategy was validated through lockdown as customers were almost fully serviced across digital channels. Usage of digital channels had been steadily growing over the year, with banking app volumes up by 28%. The use of digital channels increased significantly during the crisis, which bodes well for the medium-term outcomes of the digital strategy. FNB was voted as the best digital bank in the 2020 SITEisfaction survey, which benchmarks internet banking, app and customer experience against that of competitors as well as against the previous year's performance.

Under Jacques's leadership, FNB has made pleasing progress with the group's diversification initiatives through the build-out of integrated insurance and investment management offerings to its own customer base.

FNB insurance business continues to grow with pleasing growth in underwritten life insurance policies driven by growth in digital channels. The wealth and investment business grew assets under management by 8% and increased the number of customer accounts by 13%. The "capital light" nature of these strategies will in time support the group's return profile.

Risk and control

Weighting 30%

FNB's processes, procedures and financial resilience were severely tested during the crisis. Remco recognises that the rating has increased to incorporate the following risks: regulatory and conduct, credit and ESG risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. FNB has been conservative in its forward-looking provisions. Remco took great comfort in how the FNB risk teams managed this large and complex challenge through unprecedented conditions requiring nimble and decisive interventions.

Regulatory and conduct risk is rated high due to the complex environment the business operated in during the crisis, dealing with an increase in regulations which had to be adopted and applied at speed. The number of customer complaints is higher than FNB's tolerance levels, but Remco is assured that complaints management is taken seriously and continues to receive appropriate attention.

There has been good progress in improving and strengthening the control environment in FNB, reflected in a significant reduction in audit findings. Internal audit maintained its risk maturity assessment at risk managed with elements of risk defined tracking towards risk managed. It also specifically noted that management responses were measured and effectively executed given the time pressures presented by the emerging risks associated with the fast development of the global crisis.

Operational risk losses were low and within risk appetite.

Good progress has been made on the key risk data and platforms projects, with the group on track to meet the December 2021 deadlines.

non-financial

ESG

Targets: Above On Below

Regulators

Weighting 20%

Jacques plays an active role in many of the industry initiatives and forums across BASA, Payments Association of South Africa (PASA) and South African Social Security Agency (SASSA) initiatives, in addition to his role of ensuring that sound regulatory relationships are maintained with FNB regulators.

Society

Weighting 20%

Jacques and FNB played a meaningful role in supporting society during the pandemic in South Africa. In addition to FNB employees focusing on the delivery of the cash flow relief solutions to retail and commercial customers, support was provided to other social partners such as frontline healthcare workers, and the provision of food to vulnerable communities. FNB contributed R12.5 million towards the establishment of FirstRand SPIRE and leveraged its platforms on behalf of SPIRE, providing procurement activities and the enablement of donations to other funds and causes from its customer base.

FNB realises the significant role it has in stimulating economic and cash flow activity among its suppliers. Since lockdowns were put in place, over R10 billion worth of early invoice payments for 5 280 suppliers were processed, many of which are SMEs.

Employees

Weighting 20%

High levels of employee engagement and commitment to the business were visible during the crisis, with many FNB employees putting in significant additional effort to ensure that the business continued to operate during lockdowns and that customers were supported. Protocols were rapidly put in place to ensure that frontline staff who could not work remotely were protected and safe. Technology solutions were also rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Customers

Weighting 20%

FNB under Jacques's leadership continues to make progress on its aspiration to be a trusted and helpful financial services provider to its customers. Focus on customer service also includes metrics to ensure that customers are treated fairly in their interactions with FNB. The FNB eWallet solution has grown by 39% to 3.27 million transactions, further contributing to financial inclusion by enabling a cost-effective way of sending and withdrawing cash.

During the COVID-19 crisis, FNB provided instalment payment relief on approximately 606 000 agreements for retail and commercial customers. Cash flow relief was provided in a customer-centric way where a main-banked customer had several credit products across FirstRand bank.

Diversity and inclusion

Weighting 20%

The group received the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

REMUNERATION OUTCOME

2020 STI

Remco assessed Jacques's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the financial performance. Jacques's financial performance metrics are 80% calibrated to group metrics and 20% to franchise metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was in the end rated as "on target" due to the deterioration of the risk profile as a result of the COVID-19 on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The STI reflects the overall "below target" performance rating for the year.

- The STI was reduced 29%. In line with PA Guidance Note 4/2020 no cash STI is payable in 2020 and the award is deferred to June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package	**8 053**	7 651	5%
STI	**10 300**	14 574	(29%)
Cash payment	**–**	5 741	(100%)
Cash deferred	**6 150**	2 546	>100%
Share-linked	**4 150**	6 287	(34%)
LTI award	**15 515**	14 500	7%
Total	**33 868**	36 725	(8%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- An LTI of R16.1 million that vests in 2023 represents an increase of 4%.
- Jacques's overall 2021 remuneration decreases by 10%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R15 million was awarded (principles explained on page 126).

Chris de Kock

WesBank CEO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING CHRIS'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework and WesBank's contribution to the delivery of its defined growth strategies informed the assessment, with weightings and targets for Chris's scorecard focused on:

- Group financial performance and WesBank financial performance.
- The success in protecting and growing WesBank's unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups in South Africa.
- Facilitation of cross-sell opportunities for FNB into the WesBank customer base.
- Adherence to the disciplined management and allocation of financial resources, ultimately reflected in the franchise ROE.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders namely customers, employees, regulators and the societies the group operates in.

Chris showed strong leadership in particularly difficult conditions for the motor industry. The announcement of the COVID-19 lockdown saw a total shutdown of dealer floors and this resulted in a 98% drop in production in retail VAF in April, although production recovered in May and June as lockdown restrictions were eased.

In response to the economic impact of the COVID-19 lockdown, several debt relief measures were introduced at WesBank. Retail VAF debt relief was in the form of three-month payment relief and term extensions. For FNB-banked customers with more than one product, WesBank payment relief formed part of the retail emergency facility. Corporate clients were offered payment moratoriums.

Chris has led the strategic alignment of WesBank, as the VAF product house, into the retail and commercial segment. He has also overseen the build-out of the full maintenance leasing (FML) business.

The business continued to extract efficiencies. Year-on-year operating costs were contained at 4%, the third consecutive year of excellent cost management.

A detailed write-up of Remco's assessment of Chris's performance based on his scorecard and the resultant outcomes is provided as follows:

SCORECARD

financial

Targets: Above ■ On ■ Below ■

Financial

Weighting 30% (Below)

Chris's financial performance assessment is based on 20% group results and 80% WesBank results.

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

WesBank's normalised profit before tax decreased 52% to R1.2 billion. ROE declined to 8.0%. This performance reflects the impact of COVID-19, resulting in an increase of 52% in bad debt provisions from R1 985 million to R3 023 million. Pre-pandemic, WesBank's NPLs were declining due to its focus on disciplined origination in low-risk buckets.

Group pre-provision operating profits decreased 2%, pointing to a resilient operating performance, given the impact of lockdown on the last quarter's performance. WesBank's pre-credit provisioning operating profit was flat.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 40% (On)

Chris has led the alignment of WesBank as the VAF product house for the broader retail and commercial business. This has already generated growth of penetration of VAF into the FNB-banked customer base. The build-out of customer propositions in NavCar and the beta version launch of the WesBank app will further entrench VAF into the integrated financial services model. Half of all new VAF origination now comes from the FNB-banked customer base.

Chris has also overseen the build-out of the FML business. This business continued to scale in the year under review after securing a significant contract with a fast-moving consumer goods (FMCG) business.

Risk and control

Weighting 30% (On)

WesBank's processes, procedures and financial resilience were severely tested during the crisis. Remco recognises that the risk rating has increased to incorporate the following: regulatory and conduct, credit and ESG risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. WesBank has been conservative in its forward-looking provisions.

Operational risk losses were low and within risk appetite.

WesBank continued to maintain a strong control environment despite the difficult operating environment.

Good progress has been made on the key risk data and platforms projects by WesBank, enabling the group to meet the December 2021 deadlines.

non-financial

ESG

Targets: Above On Below

Regulators

Weighting 20%

WesBank maintained healthy relationships with all key regulators throughout the year and continued to assist regulators with emerging regulatory themes impacting the broader vehicle industry.

Customers

Weighting 20%

Retail VAF debt relief was in the form of three-month payment relief and term extensions. For FNB-banked customers with more than one product, WesBank payment relief formed part of the retail emergency facility. Corporate clients were offered payment moratoriums. WesBank designed relief and funding proposals for customers with balloon payments maturing over the lockdown period.

Employees

Weighting 20%

High levels of employee engagement and commitment to the business were visible during the crisis, with many WesBank employees putting in significant additional effort to ensure that the business continued to operate during lockdown and that customers were supported. Whilst dealerships were closed for a number of months during lockdown, the assistance to customers continued throughout the period. Technology solutions were rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Society

Weighting 20%

WesBank supported the SPIRE initiative by leveraging its relationships with motor manufacturers to provide access to transport solutions for frontline health workers.

Diversity and inclusion

Weighting 20%

The group received the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

REMUNERATION OUTCOME

2020 STI

Remco assessed Chris's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the financial performance. Chris's financial performance metrics are 80% calibrated to group metrics and 20% to franchise metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was in the end rated as "on target" due to the deterioration of the risk profile as a result of the impact of the COVID-19 crisis on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The STI reflects the overall "below target" performance rating for the year.

- The STI was reduced 45%. In line with PA Guidance Note 4/2020 no cash STI is payable in 2020 and the award is deferred to June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package	**5 543**	5 275	5%
STI	**4 125**	7 500	(45%)
Cash payment	**–**	3 383	(100%)
Cash deferred	**3 062**	1 367	>100%
Share-linked	**1 063**	2 750	(61%)
LTI award	**10 435**	9 844	6%
Total	**20 103**	22 619	(11%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- An LTI of R10.8 million that vests in 2023 represents an increase of 4%.
- Chris's overall 2021 remuneration decreases by 13%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R10.1 million was awarded (principles explained on page 126).

James Formby

RMB CEO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING JAMES'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, REMCO CONSIDERED PERFORMANCE AGAINST STRATEGY EXECUTION BOTH PRE AND POST THE IMPACT OF THE COVID-19 CRISIS.

The group's strategic framework and RMB's contribution to the delivery of its defined growth strategies informed the assessment, with weightings and targets for James's scorecard focused on:

- Group financial performance and RMB franchise performance.
- The success in protecting and growing the RMB Corporate and Investment banking franchise.
- Progress on RMB's diversification strategies in the rest of Africa.
- Progress on the build-out of platform-based, client centric corporate and transactional offerings to the large corporate segment.
- Adherence to the disciplined management and allocation of financial resources, reflected in the franchise return profile and the strength of the balance sheet.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key RMB stakeholders: clients, employees, regulators and broader society.

RMB under James's leadership protected its market-leading domestic franchise and continued to grow the earnings contribution from outside South Africa. This was achieved through growing its corporate relationships, both domestically and regionally, which was particularly beneficial to its markets business which produced good growth in Nigeria.

After the announcement of the national lockdown in South Africa, RMB focused on providing cash flow relief and restructuring of agreements to support its clients through the lockdown phase.

James and his team have played a meaningful role in supporting the government during the COVID-19 crisis, directly through advisory services and thought leadership as well as indirectly through the support of initiatives targeted at broader society, particularly the healthcare sector.

A detailed write up of Remco's assessment of James's performance based on his scorecard and the resultant outcomes is provided as follows:

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 30%

James's financial performance assessment is based on 20% group results and 80% RMB franchise results.

FirstRand's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 38% to R17.3 billion compared to 30 June 2019. ROE declined to 12.9%.

RMB's normalised earnings were R5,9 billion, a decrease of 17% from the prior year, with ROE declining to 16%.

Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9.

Pre-provision operating profits were up 14%, pointing to a good operating performance pre COVID-19. Solid annuity income growth was underpinned by disciplined balance sheet deployment, with good growth in advances and deposits.

Strong flow trading activities in rest of Africa offset to some extent the pressure in the South African market. The profit before tax contribution from the rest of Africa increased by 9% to R2.1 billion.

RMB's cost reduction of 4% was due to fixed cost containment initiatives and lower variable costs linked to performance in the current year.

The financial performance is below the metrics set at the start of the year.

Strategy execution

Weighting 40%

RMB is making good progress in its strategy execution to be a trusted partner to its clients. The focused efforts to becomes a more client-centric business are already starting to bear fruit. There has been increased client transactional activity, growth in deposits (on a pre- and post-COVID-19 basis) across most markets and in Botswana in particular, supported by an increase of 4% in primary banked relationships to 457.

Markets and Structuring performed well, growing its suite of products and solutions for clients and benefiting from distribution channels leveraging off the London-Africa corridor. Profits grew 21% year-on-year.

RMB continues to achieve meaningful traction in support of the group's geographic diversification strategy in the rest of Africa, seeing steady growth in most markets where it operates. The contribution to RMB earnings from the rest of Africa is 25%.

RMB has maintained its disciplined approach to balancing risk, return and growth in a market with limited advances growth. This is also evidenced in the IFRS 9 provisions, with most of the provisions due to forward-looking indicators.

The private equity portfolio, despite additional provisions made due to lockdown impacts, remains diversified and of high quality.

Initiatives to build a platform-based integrated business are gaining traction, with increased collaboration with the group's other operating businesses. The delivery of the Murex platform, a key enabler for the Markets and Structuring business, is on track.

RMB has received several industry accolades over the past few years, making it one of the leading corporate and investment banks in Africa.

Risk and control

Weighting 30%

RMB's processes, procedures and financial resilience were severely tested during the crisis. Remco recognises that the risk rating has increased to incorporate the following: regulatory and conduct, credit, market, counterparty credit, investment, tax, and ESG risks.

Credit risk losses are outside of the through-the-cycle range and are expected to remain elevated for the next 18 months. The group has been conservative in its forward-looking provisions. Remco took great comfort in how RMB's risk teams managed this large and complex issue through unprecedented conditions requiring nimble and decisive interventions.

Regulatory and conduct risk is rated high due to the complex environment the business operated in during the crisis.

RMB entered the COVID-19 crisis with a strong balance sheet, following the FRM optimisation focus and actions.

Internal audit maintained its risk maturity assessment for RMB at "risk managed".

Operational risk losses were low and within risk appetite.

Good progress has been made on the key risk data and platform projects, with the group on track to meet the December 2021 deadlines.

non-financial

ESG

Targets: Above On Below

Regulators

Weighting 20%

RMB has maintained good regulatory relationships and continues to work proactively with regulators and stakeholders in the corporate and institutional space.

Society

Weighting 20%

James and his team supported the government during the COVID-19 crisis directly through advisory services and thought leadership as well as indirectly through the support of initiatives targeted at greater society, particularly the healthcare sector.

RMB played a meaningful role in supporting society during the pandemic in South Africa, harnessing the discretionary energy of its employees in partnership with FirstRand. RMB employees worked with customers, other businesses and social partners to provide support to the government healthcare structures and frontline healthcare workers. RMB contributed R12.5 million towards the establishment of FirstRand SPIRE.

Employees

Weighting 20%

The group continues to build and encourage the owner manager culture, which is at the core of its business philosophy. RMB values the talent it attracts and works hard to create an environment that enables employees to perform and deliver superior results.

Pleasingly, high levels of employee engagement and commitment to the business were visible during the crisis, with many employees across RMB putting in significant additional effort to ensure that the business continued to operate during lockdowns. Technology solutions were also rolled out quickly to enable the majority of staff to work remotely during lockdown.

A COVID-19-specific engagement survey was conducted across the entire group's staff complement in May 2020 to understand whether employees were satisfied with the leadership response and actions during the crisis. The overall satisfaction score was 91%.

Environmental

Weighting 20%

RMB has made progress in elevating the consideration of environmental and social considerations in its financing and investing activities. Building on its firmly embedded environmental and social risk assessment processes, RMB has developed a bespoke social impact deal classification methodology which it will pilot for the next 12 months. RMB has a fully functional Steerco that focuses on opportunities in the areas of climate change, productive capital formation and inclusive growth. RMB continues to partner with development finance institutions to provide sustainable finance to projects that have positive environmental and/or social impact, which to date have included renewables and green buildings.

Diversity and inclusion

Weighting 20%

The group achieved the award for the top-ranked financial services company on the JSE for its BEE score, for the first time this year. FirstRand was ranked fourth overall. The improvement in the BEE rating is as a result of directing procurement from BEE-rated companies and the dedicated focus on supporting black-owned and black women-owned businesses.

REMUNERATION OUTCOME

2020 STI

Remco assessed James's overall performance as "below target", mainly as a result of the impact of the COVID-19 crisis on the financial performance. James's financial performance metrics are 80% calibrated to group and 20% to franchise metrics. Delivery on strategy execution was rated as "on target", as further strategy execution continued during the crisis. The risk and control rating was rated as "on target" due to the deterioration of the risk profile as a result of COVID-19 on the operating environment, but reflecting the strategic and operational responses by the group to these new risks.

The reward reflects the overall "below target" performance rating for the year:

- The STI was reduced by 39%, which is higher than the reduction in the group's and RMB's normalised earnings. The reduction is a result of the change in mix from STI to guaranteed package and LTI allocation. In line with PA Guidance Note 4/2020 no cash STI is payable in 2020 and the award is deferred to June 2021.

Total reward

R thousand	**2020**	2019	% change
Guaranteed package (start of mix change)	**4 908**	3 861	27%
STI	**14 750**	24 000	(39%)
Cash payment	**–**	8 883	(100%)
Cash deferred	**8 375**	4 117	>100%
Share-linked	**6 375**	11 000	(42%)
LTI award	**9 100**	8 300	10%
Total	**28 758**	36 161	(20%)

Awards for 2021

- There will be an increase of 35% in the guaranteed package for the 2021 year, given James's mix change.
- An LTI of R12.2 million that vests in 2023 represents an increase of 34%, again reflecting James's change in mix, i.e. higher LTIs vs STIs.
- James's overall 2021 remuneration decreases by 12%.
- The LTI awarded in 2017, which was due to vest in September 2020, has lapsed. This has not been reflected in the above year-on-year change. If it had been, the reduction in cash remuneration would be higher.
- A COVID-19 retention award of R8.7 million was awarded (principles explained on page 126). This is lower than those of his peers, given James's prior lower LTI award (STI was higher).

Phillip Monks

Aldermore CEO

PERFORMANCE AGAINST STRATEGY EXECUTION

IN ASSESSING PHILLIP'S PERFORMANCE FOR THE PAST FINANCIAL YEAR, THE ALDERMORE REMCO CONSIDERED KEY PERFORMANCE MEASURES BOTH PRE AND POST THE IMPACT OF THE COVID-19 PANDEMIC AND THE RESULTANT ECONOMIC CRISIS.

Aldermore Group is UK regulated (PRA and FCA) and therefore all remuneration decisions for the Aldermore CEO are made in line with the UK regulatory context. The scorecard design and performance measures are set and assessed by the Aldermore Remco and align to UK practices. Therefore, there are differences in remuneration philosophy, structure and in the treatment of deferral, LTIP schemes and STI assessment compared to the South African prescribed officer scorecards.

The Aldermore strategic pillars informed the assessment, with weightings and targets for Phillip's scorecard focused on:

- Maintaining a diversified lending portfolio across Retail Finance, Business Finance and MotoNovo Finance.
- Progress on the strategic initiatives.
- Ensuring an efficient operating and business model to enable delivery of high levels of customer service to intermediary partners and direct customers.
- Progress on the adoption of FirstRand's financial resource management methodology.
- Operating within stated risk appetite.
- Good risk management culture and high employee engagement.
- The strength of relationships with the key group stakeholders namely customers, employees, regulators and the broader communities Aldermore serves.

Phillip and his leadership team have achieved a number of operational milestones during the year, including lending surpassing £12 billion (30 June 2020: £12.4 billion) and savings exceeding £10 billion (30 June 2020: £10.9 billion).

Phillip demonstrated leadership through the crisis and ensured that SME, motor dealer, mortgage and motor finance customers were assisted and supported quickly. Aldermore's core customer segments, retail and commercial, were offered COVID-19 payment holidays, particularly in the months of April and May when forbearance peaked at £3.5 billion, representing 17% of total customers.

In March, following the UK government's advice to stay at home, 99% of Aldermore's workforce moved to remote working within two weeks of lockdown, whilst a skeleton staff continued to carry out critical business functions on premises.

The Aldermore scorecard is set by the Aldermore Remco. The structure is 50% financial and 50% non-financial. It is anchored to the delivery of Aldermore's strategy, which is underpinned by its purpose of "backing people to fulfil life's hopes and dreams". This purpose aims to support a wide range of customers including UK SMEs, homeowners, landlords, vehicle owners and savers. His scorecard takes the following into consideration:

- financial targets set against business key performance indicators such as profitability, loan growth, net interest margin and return on equity;
- risk management;
- customer satisfaction; and
- people measures including leadership, employee engagement and diversity and inclusion.

SCORECARD

financial

Targets: Above On Below

Financial

Weighting 50%

Aldermore's results and those of the UK operations (which include MotoNovo) reflect the extremely difficult operating environment, with earnings for the UK operations declining 65% to £44 million from £126 million in 2019.

Earnings were materially impacted by COVID-19, particularly the increase in impairments, with the credit loss ratio increasing from 49 bps to 124 bps. This reflects higher credit provisions driven by the worsening macro environment informing forward-looking assumptions under IFRS 9, and increasing arrears and NPLs.

The financial performance is below the majority of the metrics set at the start of the year.

Strategy execution

Weighting 20%

The integration of Aldermore with MotoNovo is on track with new growth opportunities emerging. The group is encouraged by the prospects of the business. Aldermore has developed a number of initiatives to align the organisations. These include a process and system transformation programme covering learning and experience sharing, new ways of working, collaboration across leadership teams and incentive design.

Good progress has been made on certain key initiatives, particularly with regards to customer service and the optimisation of financial resources. Customer service initiatives included the launch of:

- Asset Backer in business finance, to streamline the application process for brokers as part of the digital transformation strategy;
- MotoRate in MotoNovo Finance, which is a risk-based pricing proposition, and a positive response to the FCA's changes to commission charges in the motor financing sector; and
- the Experts with Empathy programme in retail mortgages to enhance customer experience.

Aldermore continues to broaden and diversify its funding base, complemented by growth in corporate deposits and deposits from retail platforms. Customer deposits have remained stable and resilient throughout the COVID-19 crisis.

The Aldermore group has almost 2 000 staff supporting over 490 000 customers, delivering strong average customer performance ratings of 4.4 on Trustpilot for Aldermore and an net promoter score of +67 for MotoNovo Finance.

non-financial

Targets: Above On Below

Risk management

Weighting 20%

Prior to the impact of COVID-19 the Aldermore group continued to operate within appetite across key risk disciplines and stated risk appetite.

Monitoring against the principal risks demonstrated that many of these remain within appetite even during the pandemic. Credit risk and the cost of risk have increased materially, but strong management has been recognised on the other principal risks.

The effectiveness of internal controls was regularly reviewed by the board, audit committee and risk committee during the period. Based on the review performed during the period, and the monitoring and oversight activities performed, the audit committee, in conjunction with the risk committee, concluded that the group's risk management and internal control systems were effective. The board was satisfied with the effectiveness of the group's risk management and internal control systems.

People

Weighting 10%

A number of changes have been made to the leadership team of Aldermore during the year, with individuals promoted internally. This demonstrates the strength and depth of talent within the business.

Despite the impact of the COVID-19 crisis, business systems and processes performed well for staff working from home. At the end of March, at the height of the crisis, customer-facing employees dealt with significantly higher numbers of customer queries than usual. Aldermore received around 23 000 customer calls in a month, double the normal amount, while MotoNovo Finance was handling around 30 000 calls, more than triple the normal amount.

No employees were furloughed or made redundant during the COVID-19 period.

Diversity and inclusion continued to be a key focus and during the year a set of key workstreams were established, covering inspiring future female leaders, mental health and LGBTQ+. Each workstream had an accountable ExCo sponsor.

REMUNERATION OUTCOME

2020 STI

In making its decisions, Remco recognised the COVID-19 impact on the Aldermore business, its customers and the UK economic position. The financial performance against targets was significantly impacted by COVID-19, and therefore performance fell below expected levels. This informed the decision to award no STI for the year.

Total reward

British pound	2020	2019	% change
Guaranteed package	**903**	815	11%
STI	**0**	570	(100%)
Cash payment	**0**	382	(100%)
Cash deferred	**0**		
Share-linked	**0**	188	(100%)
LTI award (on-target allocation)	**649**	633	3%
Total	**1 552**	2 018	(23%)

Awards for 2021

- There will be no increase in the guaranteed package for the 2021 year.
- The September 2020 LTI award's performance targets are aligned to the group and require an earnings recovery to 2019 levels by June 2023.
- A COVID-19 retention award of £689 000 was awarded (principles explained on page 126).

Remuneration tables

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2020, with the FirstRand annual remuneration cycle running from 1 August to 31 July.

The following analysis provides two amounts per individual to accommodate the King IV alternative single figure view. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value. As part of the reporting transition, both views have been provided.

ITEM	EXPLANATION
Cash package paid during the year	Salary
Retirement contributions paid during the year	Contributions to retirement savings
Other allowances	Medical aid, disability cover, life cover, dread disease cover
Performance-related STI: Cash	Variable compensation paid in cash in respect of the year ended June 2020 will be paid (with an interest factor) in one tranche in June 2021. In prior years, variable compensation paid in cash in respect of the year ended June was paid (with an interest factor) in three tranches during the following year ending on 30 June, i.e. August, December and June.
Performance-related STI: Share-linked deferred over three years	Variable compensation for performance in the current year deferred as share-linked awards, which vest over two periods, 50% after two years and 50% after three years from grant date, based on continued employment and good standing. Referred to as BCIP (bonus conditional incentive plan). Extended vesting was introduced in 2019. In prior years full BCIP vesting occurred after two years.
Reporting approach in prior years: Long-term conditional share-linked incentive plan Value of LTI allocated during the year	Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. Refer to note 32 in the annual financial statements. The value presented in the table is the LTI award allocated during the financial year reflecting award value at grant date.
King IV reporting approach: Long-term conditional share-linked incentive plan Value of LTI settled during the year	The value presented in the table is the LTI award settled during the financial year, at original award value. The value in the table is shown as the original award value at grant date and not settlement value. The economic risk of share price fluctuation is borne by the employee as FirstRand hedges the risk. As such the group does not incur additional costs above the award value at grant date and FirstRand shareholders are not diluted. If a person is a prescribed officer when the LTI award is settled, it is disclosed in the single figure table in the financial year of settlement.

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

R thousand	**2020***	2019*	2018	2017	2016
AP Pullinger (group CEO)[1]					
Cash package paid during the year	**8 971**	8 493	7 050	6 718	5 433
Retirement contributions paid during the year	**179**	167	139	132	1 075
Other allowances	**264**	205	164	150	154
Guaranteed package	**9 414**	8 865	7 353	7 000	6 662
Performance-related STI:					
Cash	**5 825**	12 200	12 200	11 600	11 000
– Within 6 months[2]	**–**	8 350	8 350	7 950	7 550
– Within 1 year	**5 825**	3 850	3 850	3 650	3 450
Share-linked – deferred 2 and 3 years (BCIP)[3]	**3 825**	10 200	10 200	9 600	9 000
Variable pay	**9 650**	22 400	22 400	21 200	20 000
Total guaranteed and variable pay	**19 064**	31 265	29 753	28 200	26 662
Value of LTI awards allocated during the financial year under the CIP[4]	**20 046**	18 500	15 550	14 630	10 000
Total reward including LTIs	**39 110**	49 765	45 303	42 830	36 662
Single figure reporting					
Total guaranteed and variable pay	**19 064**	31 265	29 753	28 200	26 662
Value of LTI awards settled during the financial year under the CIP[5]	**14 630**	10 000	9 250	7 500	7 500
Total reward including LTIs (single figure)	**33 694**	41 265	39 003	35 700	34 162

Refer to footnotes on page 162.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

R thousand	2020*	2019*	2018	2017	2016
M Vilakazi (group COO)[1,6]					
Cash package paid during the year	**6 816**	6 468	–	–	–
Retirement contributions paid during the year	**132**	125	–	–	–
Other allowances	**173**	157	–	–	–
Guaranteed package	**7 121**	6 750	–	–	–
Performance-related STI:					
Cash	**4 025**	5 875	–	–	–
– Within 6 months[2]	**–**	4 133	–	–	–
– Within 1 year	**4 025**	1 742	–	–	–
Share-linked – deferred 2 and 3 years (BCIP)[3]	**2 025**	3 875	–	–	–
Variable pay	**6 050**	9 750	–	–	–
Total guaranteed and variable pay	**13 171**	16 500	–	–	–
Value of LTI awards allocated during the financial year under the CIP[4]	**10 775**	8 500	–	–	–
Total reward including LTIs	**23 946**	25 000	–	–	–
Appointment award					
Sign-on cash bonus	**–**	7 500	–	–	–
Sign-on CIP allocation	**–**	14 000	–	–	–
Total appointment award	**–**	21 500	–	–	–
Single figure reporting					
Total guaranteed and variable pay	**13 171**	16 500	–	–	–
Sign-on cash bonus	**–**	7 500	–	–	–
Value of LTI awards settled during the financial year under the CIP[5]	**–**	–	–	–	–
Total reward including LTIs (single figure)	**13 171**	24 000	–	–	–

Refer to footnotes on page 162.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

R thousand	2020*	2019*	2018	2017	2016
HS Kellan (group financial director)[1]					
Cash package paid during the year	**7 526**	7 175	6 727	5 830	4 938
Retirement contributions paid during the year	**61**	54	51	40	405
Other allowances	**173**	156	143	130	118
Guaranteed package	**7 760**	7 385	6 921	6 000	5 461
Performance-related STI:					
Cash	**4 300**	6 167	6 000	5 250	4 938
– Within 6 months[2]	**–**	4 328	4 217	3 717	3 509
– Within 1 year	**4 300**	1 839	1 783	1 533	1 429
Share-linked – deferred 2 and 3 years (BCIP)[3]	**2 300**	4 167	4 000	3 250	2 938
Variable pay	**6 600**	10 334	10 000	8 500	7 876
Total guaranteed and variable pay	**14 360**	17 719	16 921	14 500	13 337
Value of LTI awards allocated during the financial year under the CIP[4]	**13 440**	12 000	9 500	8 600	7 000
Total reward including LTIs	**27 800**	29 719	26 421	23 100	20 337
Single figure reporting					
Total guaranteed and variable pay	**14 360**	17 719	16 921	14 500	13 336
Value of LTI awards settled during the financial year under the CIP[5]	**8 600**	7 000	5 500	5 000	3 800
Total reward including LTIs (single figure)	**22 960**	24 719	22 421	19 500	17 136
J Celliers (CEO FNB)[1]					
Cash package paid during the year	**7 742**	7 364	6 830	6 505	5 867
Retirement contributions paid during the year	**138**	131	122	116	582
Other allowances	**173**	156	143	130	118
Guaranteed package	**8 053**	7 651	7 095	6 751	6 567
Performance-related STI:					
Cash	**6 150**	8 287	8 000	7 000	6 625
– Within 6 months[2]	**–**	5 741	5 550	4 883	4 633
– Within 1 year	**6 150**	2 546	2 450	2 117	1 992
Share-linked – deferred 2 and 3 years (BCIP)[3]	**4 150**	6 287	6 000	5 000	4 625
Variable pay	**10 300**	14 574	14 000	12 000	11 250
Total guaranteed and variable pay	**18 353**	22 225	21 095	18 751	17 817
Value of LTI awards allocated during the financial year under the CIP[4]	**15 515**	14 500	12 850	11 943	10 000
Total reward including LTIs	**33 868**	36 725	33 945	30 694	27 817
Single figure reporting					
Total guaranteed and variable pay	**18 353**	22 225	21 095	18 751	17 817
Value of LTI awards settled during the financial year under the CIP[5]	**11 943**	10 000	8 200	7 000	4 000
Total reward including LTIs (single figure)	**30 296**	32 225	29 295	25 751	21 817

Refer to footnotes on page 162.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

R thousand	2020*	2019*	2018	2017	2016
C de Kock (CEO WesBank)[1]					
Cash package paid during the year	**5 331**	5 046	4 764	4 532	3 972
Retirement contributions paid during the year	**43**	39	39	35	347
Other allowances	**169**	190	175	136	98
Guaranteed package	**5 543**	5 275	4 978	4 703	4 417
Performance-related STI:					
Cash	**3 062**	4 750	4 750	5 250	5 000
– Within 6 months[2]	**–**	3 383	3 383	3 717	3 550
– Within 1 year	**3 062**	1 367	1 367	1 533	1 450
Share-linked – deferred 2 and 3 years (BCIP)[3]	**1 063**	2 750	2 750	3 250	3 000
Variable pay	**4 125**	7 500	7 500	8 500	8 000
Total guaranteed and variable pay	**9 668**	12 775	12 478	13 203	12 417
Value of LTI awards allocated during the financial year under the CIP[4]	**10 435**	9 844	9 844	9 200	7 500
Total reward including LTIs	**20 103**	22 619	22 322	22 403	19 917
Single figure reporting					
Total guaranteed and variable pay	**9 668**	12 775	12 478	13 203	12 417
Value of LTI awards settled during the financial year under the CIP[5]	**9 200**	7 500	7 000	6 500	3 750
Total reward including LTIs (single figure)	**18 868**	20 275	19 478	19 703	16 167
J Formby (CEO RMB)[1]					
Cash package paid during the year	**4 644**	3 607	3 174	3 013	2 630
Retirement contributions paid during the year	**74**	60	55	52	236
Other allowances	**190**	194	189	176	178
Guaranteed package	**4 908**	3 861	3 418	3 241	3 044
Performance-related STI:					
Cash	**8 375**	13 000	13 000	12 250	10 625
– Within 6 months[2]	**–**	8 883	8 883	8 383	7 300
– Within 1 year	**8 375**	4 117	4 117	3 867	3 325
Share-linked – deferred 2 and 3 years (BCIP)[3]	**6 375**	11 000	11 000	10 250	8 625
Variable pay	**14 750**	24 000	24 000	22 500	19 250
Total guaranteed and variable pay	**19 658**	27 861	27 418	25 741	22 294
Value of LTI awards allocated during the financial year under the CIP[4]	**9 100**	8 300	7 900	7 500	5 000
Total reward including LTIs	**28 758**	36 161	35 318	33 241	27 294
Single figure reporting					
Total guaranteed and variable pay	**19 658**	27 861	27 418	25 741	22 294
Value of LTI awards settled during the financial year under the CIP[5]	**7 500**	5 000	2 900	2 865	3 300
Total reward including LTIs (single figure)	**27 158**	32 861	30 318	28 606	25 594

Refer to footnotes on page 162.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

£ thousand	**2020***	2019*	2018	2017	2016
P Monks (CEO Aldermore)[1,7]					
Cash package paid during the year	**831**	754	–	–	–
Retirement contributions paid during the year	**48**	43	–	–	–
Other allowances	**24**	18	–	–	–
Guaranteed package	**903**	815	–	–	–
Performance-related STI:					
Cash	**–**	382	–	–	–
– Within 6 months[8]	**–**	382	–	–	–
Share-linked – deferred over 3 years[9]	**–**	188	–	–	–
Variable pay	**–**	570	–	–	–
Total guaranteed and variable pay	**903**	1 385	–	–	–
Value of LTI awards allocated during the financial year under the CIP[5,11]	**649**	633	–	–	–
Total reward including LTIs	**1 552**	2 018	–	–	–
Single figure reporting					
Total guaranteed and variable pay	**903**	1 385	–	–	–
Pre-acquisition cash deferral settled during the financial year[10]	**679**	296	–	–	–
Total reward including LTIs (single figure)	**1 582**	1 681	–	–	–

Refer to footnotes on page 162.

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS continued

R thousand	2020*	2019*	2018	2017	2016
JP Burger[1,12]					
Cash package paid during the year	–	1 645	9 836	9 328	8 461
Retirement contributions paid during the year	–	28	166	158	978
Other allowances	–	39	228	254	178
Guaranteed package	–	1 712	10 230	9 740	9 617
Performance-related STI:					
Cash	–	–	14 674	13 900	13 165
– Within 6 months[2]	–	–	9 999	9 483	8 993
– Within 1 year	–	–	4 675	4 417	4 172
Share-linked – deferred 2 and 3 years (BCIP)[3]	–	–	12 674	11 900	11 165
Variable pay	–	–	27 348	25 800	24 330
Total guaranteed and variable pay	–	1 712	37 578	35 540	33 947
Value of LTI awards allocated during the financial year under the CIP[4]	–	–	19 500	18 350	15 630
Total reward including LTIs	–	1 712	57 078	53 890	49 577
Single figure reporting					
Total guaranteed and variable pay	–	1 712	37 578	35 540	33 947
Value of LTI awards settled during the financial year under the CIP[5]	18 350	15 630	11 800	10 800	9 630
Total reward including LTIs (single figure)	18 350	17 342	49 378	46 340	43 577

Note: The above 2020 guaranteed packages do not reflect the 30% salary waived over the three months, in order to ensure comparability with prior years. The contributions are as follows:

	R thousand
AP Pullinger	*675*
M Vilakazi	*513*
HS Kellan	*566*
J Celliers	*582*
C de Kock	*404*
J Formby	*351*
Total	*3 091*

1. *FirstRand defines its prescribed officers as the group CEO, group COO, financial director and the CEOs of the group's operating businesses (FNB, RMB, WesBank and Aldermore) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June 2020 will be paid (with an interest factor) in one tranche in June 2021. In prior years, variable compensation paid in cash in respect of the year ended June was paid (with an interest factor) in three tranches, during the following year ending on 30 June, i.e. August, December and June.*
3. *Variable compensation for performance in the current year deferred as share-linked awards, which vest over two periods, 50% after two years and 50% after three years from grant date, based on continued employment and good standing. Referred to as bonus conditional incentive plan. Extended vesting was introduced in 2019. In prior years full BCIP vesting occurred after two years.*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date.*
5. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. For King IV single figure reporting, the value presented in the table is the LTI settled in the financial year at original award value.*
6. *Prescribed officer (M Vilakazi) appointed effective 1 July 2018.*
7. *Prescribed officer (P Monks) appointed effective 1 July 2018.*
8. *The Aldermore performance-related STI cash component is paid in full in August.*
9. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
10. *Aldermore pre-acquisition cash award deferred and settled in the financial year.*
11. *Aldermore LTIP allocated amount is the on-target value assumed at 67% of maximum.*
12. *JP Burger was an executive director for two months in the prior financial year, and became a non-executive director effective 1 September 2018.*

* *As extracted from the audited consolidated financial statements for the year ended 30 June 2020.*

Outstanding incentives

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

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

ITEM	EXPLANATION
Settlement value	Settlement value is the actual amount paid during the year. For the deferred share-linked STI awards this includes: • growth in share price; and • interest earned. For the LTI awards this includes: • growth in share price.
Deferred share-linked STI award (BCIP)	Reflected in the year accrued for past performance. From 2019 vesting occurs over two (50%) and three (50%) years based on continued employment and good standing.
LTI awards under the CIP	Reflected in the year allocated, i.e. allocation occurs in September each year and is disclosed in the outstanding incentive table in the corresponding financial year. The LTI award is a long-term retention incentive for future performance and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years.
Unvested awards at year end	Deferred share-linked STI vesting depends on continued employment over three years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. For LTI vesting before 2019, the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019, given the current environment the probability of vesting is lower, but it is too early to quantify. As such the unvested awards are reflected at 100% vesting. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).
Unpaid cash tranches	The cash award to be paid within the next 12 months has not been included in the outstanding incentive table.

OUTSTANDING INCENTIVES (AUDITED)

	Issue date	Value at grant date R thousand	Settlement date
AP Pullinger			
Deferred share-linked STI awards			
2017	September 2017	9 600	September 2019
2018	September 2018	10 200	September 2020
2019 (2-year deferral)	September 2019	5 100	September 2021
2019 (3-year deferral)	September 2019	5 100	September 2022
2020 (2-year deferral)	September 2020	1 912	September 2022
2020 (3-year deferral)	September 2020	1 913	September 2023
Balance deferred share-linked STIs		33 825	
LTI awards under the CIP			
2016	September 2016	14 630	September 2019
2017	September 2017	15 550	September 2020
2018	September 2018	18 500	September 2021
2019	September 2019	20 046	September 2022
Balance LTIs		68 726	
Total outstanding incentives			
M Vilakazi			
Deferred share-linked STI awards			
2019 (2-year deferral)	September 2019	1 937	September 2021
2019 (3-year deferral)	September 2019	1 938	September 2022
2020 (2-year deferral)	September 2020	1 012	September 2022
2020 (3-year deferral)	September 2020	1 013	September 2023
Balance deferred share-linked STIs		5 900	
LTI awards under the CIP			
2018 (appointment award)	September 2018	14 000	September 2020
2018 (annual allocation)	September 2018	8 500	September 2021
2019	September 2019	10 775	September 2022
Balance LTIs		33 275	
Total outstanding incentives			

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards allocation is determined after year end, using the average three-day volume weighted average price (VWAP) eight days after the results announcement. Therefore the number of deferred shared-linked STI award units allocated in 2020 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019. Given the current environment the probability of vesting is lower, but it is too early to quantify. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date. This does not apply to the Aldermore STI share-linked awards, which earn no interest or share price growth.*
4. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
5. *This award was incorrectly excluded from the prior year unvested table.*
6. *Aldermore incentive awards are not convertible into units.*

Units					
Opening balance	**Awards made during year[1]**	**Number of awards settled in year**	**Number of awards forfeited in year**	**Closing number of awards[2] 30 June 2020**	**Value on settlement in 2020[3] R thousand**
178 671	–	(178 671)	–	–	13 034
153 103	–	–	–	153 103	–
78 221	–	–	–	78 221	–
78 221	–	–	–	78 221	–
–	–	–	–	–	–
–	–	–	–	–	–
488 216	–	(178 671)	–	309 545	13 034
309 274	–	(309 274)	–	–	20 165
289 410	–	–	(289 410)	–	–
277 688	–	–	–	277 688	–
–	307 455	–	–	307 455	–
876 372	307 455	(309 274)	(289 410)	585 143	20 165
1 364 588	307 455	(487 945)	(289 410)	894 688	33 199
29 716	–	–	–	29 716	–
29 716	–	–	–	29 716	–
–	–	–	–	–	–
–	–	–	–	–	–
59 432	–	–	–	59 432	–
210 142	–	–	(210 142)	–	–
127 586	–	–	–	127 586	–
–	165 261	–	–	165 261	–
337 728	165 261	–	(210 142)	292 847	–
397 160	165 261	–	(210 142)	352 279	–

OUTSTANDING INCENTIVES (AUDITED) continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share-linked STI awards				
2017	September 2017	3 250	September 2019	
2018	September 2018	4 000	September 2020	
2019 (2-year deferral)	September 2019	2 083	September 2021	
2019 (3-year deferral)	September 2019	2 084	September 2022	
2020 (2-year deferral)	September 2020	1 150	September 2022	
2020 (3-year deferral)	September 2020	1 150	September 2023	
Balance deferred share-linked STIs		13 717		
LTI awards under the CIP				
2016	September 2016	8 600	September 2019	
2017	September 2017	9 500	September 2020	
2018	September 2018	12 000	September 2021	
2019	September 2019	13 440	September 2022	
Balance LTIs		43 540		
Total outstanding incentives				
J Celliers				
Deferred share-linked STI awards				
2017	September 2017	5 000	September 2019	
2018	September 2018	6 000	September 2020	
2019 (2-year deferral)	September 2019	3 143	September 2021	
2019 (3-year deferral)	September 2019	3 144	September 2022	
2020 (2-year deferral)	September 2020	2 075	September 2022	
2020 (3-year deferral)	September 2020	2 075	September 2023	
Balance deferred share-linked STIs		21 437		
LTI awards under the CIP				
2016	September 2016	11 943	September 2019	
2017	September 2017	12 850	September 2020	
2018	September 2018	14 500	September 2021	
2019	September 2019	15 515	September 2022	
Balance LTIs		54 808		
Total outstanding incentives				

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards allocation is determined after year end, using the average three-day VWAP eight days after the results announcement. Therefore the number of deferred shared-linked STI award units allocated in 2020 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019. Given the current environment the probability of vesting is lower, but it is too early to quantify. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date. This does not apply to the Aldermore STI share-linked awards, which earn no interest or share price growth.*
4. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
5. *This award was incorrectly excluded from the prior year unvested table.*
6. *Aldermore incentive awards are not convertible into units.*

Units					
Opening balance	**Awards made during year**[1]	**Number of awards settled in year**	**Number of awards forfeited in year**	**Closing number of awards**[2] **30 June 2020**	**Value on settlement in 2020**[3] **R thousand**
60 487	–	(60 487)	–	–	4 413
60 041	–	–	–	60 041	–
31 959	–	–	–	31 959	–
31 959	–	–	–	31 959	–
–	–	–	–	–	–
–	–	–	–	–	–
184 446	–	(60 487)	–	123 959	4 413
181 802	–	(181 802)	–	–	11 853
176 809	–	–	(176 809)	–	–
180 122	–	–	–	180 122	–
–	206 136	–	–	206 136	–
538 733	206 136	(181 802)	(176 809)	386 258	11 853
723 179	206 136	(242 289)	(176 809)	510 217	16 266
93 057	–	(93 057)	–	–	6 789
90 061	–	–	–	90 061	–
48 217	–	–	–	48 217	–
48 217	–	–	–	48 217	–
–	–	–	–	–	–
–	–	–	–	–	–
279 552	–	(93 057)	–	186 495	6 789
252 472	–	(252 472)	–	–	16 461
239 158	–	–	(239 158)	–	–
217 647	–	–	–	217 647	–
–	237 961	–	–	237 961	–
709 277	237 961	(252 472)	(239 158)	455 608	16 461
988 829	237 961	(345 529)	(239 158)	642 103	23 250

OUTSTANDING INCENTIVES (AUDITED) continued

	Issue date	Value at grant date R thousand	Settlement date	
C de Kock				
Deferred share-linked STI awards				
2017	September 2017	3 250	September 2019	
2018	September 2018	2 750	September 2020	
2019 (2-year deferral)	September 2019	1 375	September 2021	
2019 (3-year deferral)	September 2019	1 375	September 2022	
2020 (2-year deferral)	September 2020	531	September 2022	
2020 (3-year deferral)	September 2020	532	September 2023	
Balance deferred share-linked STIs		9 813		
LTI awards under the CIP				
2016	September 2016	9 200	September 2019	
2017	September 2017	9 844	September 2020	
2018	September 2018	9 844	September 2021	
2019	September 2019	10 435	September 2022	
Balance LTIs		39 323		
Total outstanding incentives				
J Formby				
Deferred share-linked STI awards				
2017	September 2017	10 250	September 2019	
2018	September 2018	11 000	September 2020	
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	
Balance deferred share-linked STIs		38 625		
LTI awards under the CIP				
2016	September 2016	7 500	September 2019	
2017	September 2017	7 900	September 2020	
2018	September 2018	8 300	September 2021	
2019	September 2019	9 100	September 2022	
Balance LTIs		32 800		
Total outstanding incentives				

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards allocation is determined after year end, using the average three-day VWAP eight days after the results announcement. Therefore the number of deferred shared-linked STI award units allocated in 2020 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019. Given the current environment the probability of vesting is lower, but it is too early to quantify. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date. This does not apply to the Aldermore STI share-linked awards, which earn no interest or share price growth.*
4. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
5. *This award was incorrectly excluded from the prior year unvested table.*
6. *Aldermore incentive awards are not convertible into units.*

Units					
Opening balance	**Awards made during year[1]**	**Number of awards settled in year**	**Number of awards forfeited in year**	**Closing number of awards[2] 30 June 2020**	**Value on settlement in 2020[3] R thousand**
60 487	–	(60 487)	–	–	4 413
41 278	–	–	–	41 278	–
21 089	–	–	–	21 089	–
21 089	–	–	–	21 089	–
–	–	–	–	–	–
–	–	–	–	–	–
143 943	–	(60 487)	–	83 456	4 413
194 486	–	(194 486)	–	–	12 680
183 212	–	–	(183 212)	–	–
147 760	–	–	–	147 760	–
–	160 041	–	–	160 041	–
525 458	160 041	(194 486)	(183 212)	307 801	12 680
669 401	160 041	(254 973)	(183 212)	391 257	17 093
190 768	–	(190 768)	–	–	13 917
165 112	–	–	–	165 112	–
84 356	–	–	–	84 356	–
84 356	–	–	–	84 356	–
–	–	–	–	–	–
–	–	–	–	–	–
524 592	–	(190 768)	–	333 824	13 917
158 548	–	(158 548)	–	–	10 337
147 031	–	–	(147 031)	–	–
124 584	–	–	–	124 584	–
–	139 571	–	–	139 571	–
430 163	139 571	(158 548)	(147 031)	264 155	10 337
954 755	139 571	(349 316)	(147 031)	597 979	24 254

OUTSTANDING INCENTIVES (AUDITED) continued

	Issue date	Value at grant date R thousand	Settlement date	
P Monks (£ thousand)				
Deferred share-linked STI awards				
2018 (1-year deferral)[4,5]	September 2018	38	September 2019	
2018 (2-year deferral)	September 2018	38	September 2020	
2018 (3-year deferral)	September 2018	38	September 2021	
2019 (1-year deferral)[4]	September 2019	62	September 2020	
2019 (2-year deferral)	September 2019	63	September 2021	
2019 (3-year deferral)	September 2019	63	September 2022	
2020 (1-year deferral)[4]	September 2020	–	September 2021	
2020 (2-year deferral)	September 2020	–	September 2022	
2020 (3-year deferral)	September 2020	–	September 2023	
Balance deferred share-linked STIs		302		
LTI awards under the CIP				
2018	September 2018	633	September 2021	
2019	September 2019	649	September 2022	
Balance LTIs		1 282		
Total outstanding incentives				
JP Burger (R thousand)				
Deferred share-linked STI awards				
2017	September 2017	11 900	September 2019	
2018	September 2018	12 674	September 2020	
Balance deferred share-linked STIs		24 574		
LTI awards under the CIP				
2016	September 2016	18 350	September 2019	
2017	September 2017	19 500	September 2020	
Balance LTIs		37 850		
Total outstanding incentives				

1. *FirstRand share-linked schemes are determined on a monetary value and not on the number of shares. The deferred shared-linked STI awards allocation is determined after year end, using the average three-day VWAP eight days after the results announcement. Therefore the number of deferred shared-linked STI award units allocated in 2020 cannot be calculated at the time the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. From 2019 vesting occurs over two (50%) and three (50%) years. FirstRand does not apply graded vesting to LTI awards allocated before September 2019. For these incentive schemes, LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. However, for pre-2019 LTI vesting the remuneration committee can apply judgement on vesting. As such a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019. Given the current environment the probability of vesting is lower, but it is too early to quantify. For information purposes, the maximum possible value of the unvested awards as at June 2020 is the market value of the total number of shares at R38.06 per share on the last trading day of the financial year (30 June 2020).*
3. *The values at settlement date include share price growth and interest earned (deferred share-linked STI awards) from grant date. This does not apply to the Aldermore STI share-linked awards, which earn no interest or share price growth.*
4. *The Aldermore performance-related STI share-linked component is released in equal annual tranches over three years from grant date.*
5. *This award was incorrectly excluded from the prior year unvested table.*
6. *Aldermore incentive awards are not convertible into units.*

	Units[6]					
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2] 30 June 2020	Value on settlement in 2020[3] R thousand
	–	–	–	–	–	38
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	38
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	–
	–	–	–	–	–	38
	221 477	–	(221 477)	–	–	16 157
	190 329	–	–	–	190 329	–
	411 806	–	(221 477)	–	190 329	16 157
	387 914	–	(387 914)	–	–	25 292
	362 925	–	–	(362 925)	–	–
	750 839	–	(387 914)	(362 925)	–	25 292
	1 162 645	–	(609 391)	(362 925)	190 329	41 449

COVID-19 instrument for senior managers

The COVID-19 health crisis and the resulting economic impact will be evident in FirstRand's results in 2020 and the foreseeable future. This impact has resulted in the 2017 LTI not vesting and increases the risk of the 2018 and 2019 LTIs not vesting. This requires that the group's remuneration approach caters for the retention of employees considered critical to the ongoing sustainability of the business.

For senior employees, including the FirstRand executive directors and prescribed officers, the retention condition is for three years (rolling every 12 months) in the form of an LTI with only time-based vesting and no performance conditions:

- This retention instrument was awarded in September 2020. The value will be converted to share-linked instruments on the award date and will vest in equal proportions (tranches) over the next three years (September 2021, 2022 and 2023).
- 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 a retention period for up to four years.
- The award purpose is retention and not to additionally benefit an employee. As such, 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).

COVID-19 INSTRUMENT

R thousand	2020
AP Pullinger	**19 273**
M Vilakazi	**16 638**
HS Kellan	**12 720**
J Celliers	**15 008**
C de Kock	**10 139**
J Formby	**8 700**
P Monks (£ thousand)	**689**

Long-term executive management retention scheme

In addition to the group's existing long-term incentive plan, and to better align executive interest with those of the group's shareholders, the group introduced a long-term executive management retention scheme (LTEMRS) in December 2016.

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

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

The scheme and the funding mechanism ensure that participants have full 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 carry 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.

During the 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. This extension is not available to retired members. The extension of the scheme is considered an amendment of terms and therefore an increased interest rate, linked to the real interest rate, has been applied to the outstanding funding.

LTEMRS PARTICIPATION AWARD MADE IN DECEMBER 2016

Designation	Awards (thousand)
Executive directors	
AP Pullinger	**188**
HS Kellan	**563**
Prescribed officers	
J Celliers	**469**
C de Kock	**938**
J Formby	**938**
Non-executive directors	
JP Burger	**188**

Co-investment scheme

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

R thousand	2020	2019
J Formby	**2 011**	2 873
AP Pullinger	**1 160**	1 774
JP Burger	**–**	847

Minimum shareholding

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

ORDINARY SHARES

	Direct beneficial (thousands)	Indirect beneficial (thousands)	Held by associates (thousands)	**Total 2020 (thousands)**	Total 2019 (thousands)	Percentage holding %
Executive directors and prescribed officers						
AP Pullinger	5 048	–	108	**5 156**	4 812	0.09
HS Kellan	987	527	115	**1 629**	1 490	0.03
J Celliers	217	176	–	**393**	394	0.01
C de Kock	–	836	–	**836**	836	0.01
J Formby	711	588	–	**1 299**	1 185	0.02
Non-executive directors						
HL Bosman*	140	–	–	**140**	120	–
JP Burger	304	7 617	124	**8 045**	8 291	0.15
GG Gelink	102	–	–	**102**	102	–
NN Gwagwa**	256	–	4	**260**	251	–
WR Jardine	11	232	–	**243**	243	–
RM Loubser	–	1 810	2	**1 812**	1 868	0.04
EG Matenge-Sebesho**	–	77	–	**77**	77	–
Z Roscherr#	659	–	–	**659**	–	0.01
T Winterboer	15	–	–	**15**	15	–
LL von Zeuner	–	3	–	**3**	–	–
Total	8 450	11 866	353	**20 669**	19 684	0.36

* *Resigned June 2020.*

** *Retired November 2019.*

\# *Appointed April 2020.*

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

BASEL PILLAR 3 REMUNERATION TABLES

The remuneration disclosure requirements of Regulation 43 of the Banks Act and Basel Pillar 3 are disclosed below. The definition of senior management and material risk-takers (MRTs) for the purposes of this regulatory reporting changed in the current year, considering the SARB Guidance Note 4 of 2020.

In the absence of local remuneration regulations that define an MRT, the group has referenced both the Bank of England Prudential Authority (PRA) and CRD IV (the European Regulations) to arrive at a definition of MRT for FirstRand. This approach ensures alignment with the PA's guidance. This definition was used to identify affected individuals, for the purpose of Guidance Note 4 of 2020 and for the purposes of Basel Pillar 3 remuneration reporting.

The definition of senior management and MRTs is as follows:

Qualitative criteria

- Senior management: FirstRand executive directors and prescribed officers, and business executive committees responsible for banking activities, i.e. FNB, RMB, WesBank, FCC and Aldermore executive committees.
- Other material risk-takers: Staff whose individual actions have a material impact on the risk exposure of the group based on the ability to:
  - commit a significant amount of the group's risk capital;
  - significantly influence the group's overall liquidity position; or
  - significantly influence other material risks.
- Heads of risk, compliance, audit, legal, finance and IT (control functions).*
- Senior managers in terms of BA020.*

Quantitative criteria

- Any individual with total reward in 2019 of >R10 million.*
- The highest paid 0.3% of all staff.*

* *Additional filters used in senior management and MRT definition in 2020 compared to prior years.*

REM1: REMUNERATION AWARDED DURING THE FINANCIAL YEAR

R million		2020 Senior management	2020 Other material risk-takers
Fixed/guaranteed remuneration	*Number of employees*	**49**	**31**
	Total fixed remuneration		
	Of which: cash-based[1]	**242**	**87**
Variable remuneration and LTIs	Total variable remuneration and LTI	**379**	**165**
	Of which: cash-based		
	Of which: deferred[2]	**161**	**91**
	Of which: shares or share-linked instruments		
	Of which: deferred[3,4]	**218**	**74**
Total[6]		**621**	**252**

1. Fixed remuneration is cash based and is not deferred.

2. Variable compensation paid in cash in respect of the year ended June 2020 will be paid (with an interest factor) in one tranche in June 2021.

3. Variable compensation for performance in the current year deferred as a share-linked award vests two years after the award date (extended to three years for FirstRand executives and prescribed officers), based on continued employment and good standing. Referred to as BCIP.

4. Long-term incentive awards are made annually under CIP and vesting is dependent on certain corporate performance targets being met on a cumulative basis over three years. The value presented in the table is LTI-settled in the financial year at original award value. Based on new King IV single figure reporting. Refer to page 156 for an explanation of the methodology.

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

REM2: SPECIAL PAYMENTS

	2020					
	Guaranteed bonus[1]		Sign-on awards[2]		Severance payments[3]	
R million	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	–	–	–	–	–	–
Other material risk-takers	–	–	–	–	–	–

1. FirstRand does not pay guaranteed bonuses to management.

2. Aggregate rand value of lump sum payments made to employees in the month of joining during the financial year.

3. Aggregate rand value of severance payments/allocations related to retrenchment and company-initiated early retirement during the financial year.

REM3: DEFERRED REMUNERATION

	2020				
R million	Total amount of outstanding deferred remuneration at year end[1]	Of which: total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment[2]	Total amount of amendment during the year due to ex post explicit adjustments[3]	Total amount of amendment during the year due to ex post implicit adjustments[4]	Total amount of deferred remuneration paid out in the financial year[5]
Senior management					
– Cash	161	161	–	5	220
– Shares or share-linked instruments[6]	814	814	–	96	353
Other material risk-takers					
– Cash	91	91	–	3	125
– Shares or share-linked instruments	269	269	–	32	117
Total	**1 335**	**1 335**	**–**	**136**	**815**

1. Deferred remuneration is in the form of cash and share-linked instruments (LTIs and deferred share-linked STIs).

2. Full amount of deferred remuneration is subject to malus and clawback, share price fluctuations and performance conditions.

3. Ex post explicit adjustments are direct adjustment clauses (for instance, subject to malus, clawbacks or similar reversals or downward revaluations of awards).

4. Ex post implicit adjustments reflect changes in the share price growth and interest earned on the awards paid out (settled) in the financial year.

5. The values at settlement date include share price growth and interest earned from grant date.

6. Deferred share-linked STI award vesting depends on continued employment over two to three years and LTI vesting depends on certain corporate performance targets being met on a cumulative basis over three years. For pre-2019 LTIs, FirstRand does not apply graded vesting, however the remuneration committee is able to apply judgement on vesting. As such, a probability of vesting has not been applied to the unvested awards and the assumption is 100% vesting up until final remuneration committee decision. FirstRand applies graded vesting to LTI awards allocated from September 2019. Given the current environment the probability of vesting is lower, but it is too early to quantify. As such these awards are included at 100%. The total amount of outstanding deferred remuneration at year end is reflected at original award value.

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

	2020			2019		
	Services as directors			Services as directors		
R thousand	FirstRand	Group	Total	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	6 282	273	6 555	6 326	252	6 578
MS Bomela	1 142	–	1 142	1 075	–	1 075
GG Gelink	2 690	1 595	4 285	2 424	1 729	4 153
NN Gwagwa (resigned at 2019 AGM)	672	–	672	1 108	–	1 108
RM Loubser	2 670	1 892	4 562	2 611	2 183	4 794
PJ Makosholo (resigned 30 June 2020)	1 407	541	1 948	1 291	509	1 800
TS Mashego	1 064	133	1 197	954	126	1 080
EG Matenge-Sebesho (resigned at 2019 AGM)	632	663	1 295	1 075	628	1 703
AT Nzimande	1 369	–	1 369	1 285	–	1 285
LL von Zeuner (appointed 1 February 2019)	1 533	173	1 706	539	–	539
T Winterboer	1 451	490	1 941	1 451	–	1 451
Z Roscherr (appointed 1 April 2020)	763	750	1 513	–	–	–
Non-executive directors						
HL Bosman (resigned 30 June 2020)	1 262	33	1 295	943	125	1 068
JP Burger (appointed 1 September 2018)	2 105	1 007	3 112	1 431	725	2 156
JJ Durand (resigned at 2019 AGM)	277	–	277	394	–	394
F Knoetze	1 272	749	2 021	1 291	1 199	2 490
Total non-executive directors	**26 591**	**8 299**	**34 890**	24 198	7 476	31 674

The Mercer Survey was used to inform the inflationary 5% increase of the 2020 non-executive director fees. There will be no increase of the 2021 non-executive fees.

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

In response to the COVID-19 pandemic, certain non-executive directors waived a portion of their quarterly fees, which totalled R2.4 million. The group opted to donate the amount to the FirstRand SPIRE fund for the purchase of personal protective equipment and essential supplies.

Audit committee

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

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

SUMMARY OF RESPONSIBILITIES

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

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

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

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

COMPOSITION		MEETING	NOVEMBER TRILATERAL
GG Gelink (chairman)	Independent non-executive director	4/4	1/1
JP Burger	Non-executive director	4/4	1/1
RM Loubser	Independent non-executive director	4/4	1/1
LL von Zeuner	Independent non-executive director	3/4	1/1
T Winterboer	Independent non-executive director	4/4	1/1
EG Matenge-Sebesho (retired 28 November 2019)	Independent non-executive director	2/2	1/1
PJ Makosholo (resigned 30 June 2020)	Independent non-executive director	4/4	1/1

ATTENDEES

CEO
COO
Financial director
Chief risk officer
Chief audit executive
Chairmen of the subcommittees
External auditors and other assurance providers
Heads of finance, risk and compliance

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

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

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

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

AREAS OF FOCUS

During the year, the committee:

- reviewed the reports on internal financial controls and the going concern aspect of FirstRand, in terms of Regulation 40(4) of the Banks Act regulations;
- considered feedback from the external auditors on the PA bilateral meeting;
- conducted quarterly financial analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors and from management;
- reviewed and recommended to the board for approval the interim results and year-end results, together with annual financial statements;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the PA;
- considered the requirements arising from the Independent Regulatory Board for Auditors' (IRBA's) mandatory audit firm rotation (MAFR) requirements, effective for financial periods ending on or after April 2023, and monitored the project progress to assess and address MAFR;
- reviewed the impact of emerging and current regulatory developments in the group;
- considered BCBS 239 updates and impact assessments;
- approved the key audit matters report;
- reviewed and approved non-audit engagements undertaken by the external auditors during the year in terms of the approved policy of the group;
- reviewed the outcome of the statutory and regulatory audit;
- noted and responded to the finding of the report from the JSE on the proactive monitoring of financial statements in 2019, published in 2020;
- noted the final findings of the report from the JSE's thematic review for compliance with IFRS 9 and IFRS 15 published in 2019;
- reviewed the adoption of new and amended accounting standards and interpretations, namely IFRS 16, IAS 12 and IFRIC 23;
- noted the update on SAICA's continuing professional development (CPD);
- reviewed compliance with COVID-19-related accounting; and
- received the Banks Act Regulation 39 corporate governance assessment.

EXTERNAL AUDIT

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

This included consideration of:

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

- The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. (PwC) as the external audit firms responsible for performing the functions of auditor for the 2021 financial year.
- The committee ensured that the appointment of the auditors complied with all legislation on appointment of auditors.
- Deloitte & Touche and PwC have both been the group's external auditors for ten years.
- During the year, the committee approved the rotation of the Deloitte & Touche lead partner, Kevin Black, who replaced Darren Shipp in terms of section 92 of the Companies Act, 71 of 2008, which states that the same individual may not serve as the auditor or designated auditor of a company for more than five consecutive financial years. Additional independence assessments of the lead partners, including that of the incoming Deloitte & Touche lead partner, were undertaken.
- The committee chair met with senior leadership of the audit firm to discuss the firm's risk and quality processes independently from what the audit team disclosed to the committee.
- Furthermore, enhanced due diligence (EDD) was performed on all lead partners with their permission, including details of connected parties. Based on the EDD results, the committee was of the view that the individuals do not have any significant investment in FirstRand or unusual and significant transactions with the group and nothing came to their attention that required further investigation.

NON-AUDIT SERVICES

The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee. If a higher threshold is to be applied it 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. Quarterly, the cumulative spend for the year to date is presented to the committee to keep track of the build of non-audit spend and the nature of services. The 2020 non-audit fees were 10.05% of the audit fees.

INTERNAL AUDIT

The internal audit function's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

The function assists executive management and the audit committee to accomplish their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the group.

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

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

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

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

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

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

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

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and annual integrated report for the year ended 30 June 2020 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

An audit committee process has been established to receive and deal appropriately with any concerns or complaints relating to:

- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, nor to the content or audit of the group's annual financial statements.

Key audit matters identified by the external auditors are included in their report in the group's annual financial statements. These matters have been discussed and agreed with management and were presented to the committee. The committee has considered the appropriateness of the key audit matters reported on by the external auditors and is satisfied with management's treatment thereof and audit response thereto.

The committee is satisfied that the group has appropriate financial reporting control frameworks and procedures in place, and that these procedures are operating effectively.

The committee reports that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise, effectiveness and experience of the group financial director during the reporting period.

In addition, the committee is satisfied with:

- the expertise, effectiveness and adequacy of resources and arrangements in the finance function; and
- the experience, effectiveness, expertise and continuous professional development of senior members of the finance function.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses, sustain its conclusions reached for the 2020 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee works closely with the group's risk, capital management and compliance committee, the social, ethics and transformation committee and the information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared, and these functions can leverage off one another.

Based on the reports received, the committee is satisfied that:

- the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and
- the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE

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

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

The committee encouraged effective communication between the external and internal audit functions.

FUTURE AREAS OF FOCUS

- finalise and address the requirements arising from MAFR, effective for financial periods ending on or after April 2023;
- monitor the group's implementation plan for the adoption of IFRS 17; and
- monitor compliance with COVID-19-related accounting.

GG GELINK
Chairman, audit committee
Sandton

9 September 2020

Social, ethics and transformation committee

The group is committed to ethical conduct and practices in all its business dealings. The FirstRand code of ethics describes the group's commitment to responsibly advancing an entrepreneurial spirit, and captures the ethos of creating value in an accountable and sustainable manner. The FirstRand group code of ethics forms the constitution directing the business practices of the group. The committee's focus is guided by the Companies Act and King IV, however, the aim is to drive integration of regulatory requirements and expectations into business processes in such a way that compliance is pursued as an outcome of ethical behaviour and doing the right thing.

SUMMARY OF RESPONSIBILITIES

The role of the committee is to assist the board with ensuring responsible social and ethical business practices within the group and monitoring group activities having regard to the Companies Act, King IV, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development matters. It is charged with providing oversight of:

- **all culture and conduct risk programmes in all businesses of the FirstRand group; and**
- **the group's social value proposition.**

The committee has jurisdiction in all group business units in South Africa and in all other countries in which the group operates.

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

The committee chairman is customarily available to report to shareholders at the annual general meeting on matters within its mandate. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

COMPOSITION		RECORD OF ATTENDANCE
AT Nzimande (chairperson – as of 28 November 2019)	Independent non-executive director	4/4
F Knoetze	Non-executive director	4/4
NN Gwagwa (chairperson – retired 28 November 2019)	Independent non-executive director	2/2
PJ Makosholo (resigned 30 June 2020)	Independent non-executive director	4/4
HL Bosman (resigned 30 June 2020)	Non-executive director	3/4

Mandatory attendees (one of the following)
Group CEO
Financial director
Group COO

Ex-officio attendees
CEOs of operating businesses
Head of regulatory and conduct risk management
Head of public policy and regulatory affairs
Group ethics and conduct risk officer
Head of social investing
Group employment equity manager
Head of group human capital and organisational development

The committee is supported by the business social, ethics and transformation committees which report to the committee at every meeting.

A mandate and responsibility benchmarking meeting occurred during the 2020 financial year.

The committee assists the board in monitoring the agreed performance measures and outcomes of responsible corporate citizenship. More detail can be found in the group's report to society at www.firstrand.co.za.

<table>
<tr><th>FUNCTION</th><th>AREAS OF FOCUS</th></tr>
<tr><td>Broad-based black economic empowerment</td><td>The committee noted the group’s B-BBEE scores. The group achieved level 1 B-BBEE status under the 2017 gazetted Financial Sector Charter (FSC). The group’s B-BBEE certificate is available on the FirstRand website, www.firstrand.co.za.
● The committee reviewed progress on banking products and services tailored for low-income customers’ needs.
● The committee reviewed progress of funding initiatives for black fund managers.
● The committee was kept abreast of the sector code review process.</td></tr>
<tr><td>Employment equity and transformation</td><td>In respect of employment equity and transformation, the committee:
● oversaw the workplace and workforce analysis as required by section 19 of the Employment Equity Act (EEA);
● oversaw the progress made in terms of the 2019 to 2022 employment equity (EE) plan;
● reviewed the comparison of major banks in South Africa in respect of the employment of women and black people;
● reviewed compliance with transformation legislation, including the annual submission to the Department of Employment and Labour and amendment to the EEA and regulations;
● oversaw the group’s continued involvement in the Banking Association of South Africa (BASA), and engagement with the Department of Employment and Labour with regard to proposed sectoral targets;
● reviewed attrition of ACI (African, Coloured and Indian) employees and considered programmes to retain and develop ACI talent;
● reviewed gender equality and the group’s female empowerment initiatives; and
● reviewed income equality within the group. It further kept abreast of changing legislative requirements for reporting income differentials.

The group workforce profile as at 30 June 2020 is available for review on the FirstRand website, www.firstrand.co.za.</td></tr>
</table>

FUNCTION continued	AREAS OF FOCUS continued
Skills development and decent working conditions	The committee continued to oversee employment development initiatives aimed at supporting employees in continued professional development to reinforce retention, foster employee value proposition, harness skills, and facilitate knowledge sharing. With the advent of the COVID-19 pandemic, great effort has been made to ensure that working conditions are conducive to protecting the health and safety of employees at the group's premises.

FirstRand conduct programmes

To assist the committee in monitoring the group's activities with regard to legislation, legal requirements and prevailing codes of best practice, the FirstRand conduct programmes are organised under three themes: ethics, business conduct and market conduct.

During the year, the committee reviewed:

- FirstRand BCBS 239 conduct risk practices.
- FirstRand personal account trading policy, which was revised to become a more effective risk management tool.
- FirstRand position statement on weapons and ammunition.
- FirstRand position statement on thermal coal financing activities.

FUNCTION	AREAS OF FOCUS
ETHICAL CONDUCT	
Business conduct	The committee oversaw the following business conduct matters: • conflict of interest management; • personal account trading; • anti-bribery and corruption prevention; • client desirability/reputation risk; • whistle-blowing programme, with the ethics line independently administered; and • FirstRand Leading Light programme, which incentivises employees to assist the group in preventing and combating theft, fraud and corruption. The code of ethics and supplier code of conduct are currently under review to ensure alignment with the revised FirstRand philosophy.
Market conduct	The committee oversaw the following market conduct matters: • reviewed initiatives under way across the group on management of conduct risk in relation to potential conflicts of interest, fees and financial inclusion • reviewed ongoing initiatives to mitigate conduct risks focusing on product suitability and affordability assessments and consumer education; • deliberated on feedback from the Financial Sector Conduct Authority market conduct supervisory on-site; and • focused on the COVID-19 impact on regulatory requirements, timelines, and overall customer treatment. This included FirstRand initiatives to offer cash flow relief to distressed customers and to ensure consistent fair treatment of customers.

FUNCTION continued	AREAS OF FOCUS continued
ETHICAL CONDUCT continued	
Culture	The committee oversaw the following culture matters: • The results of the group culture risk assessment, which is a risk tool that proactively identifies culture, business and client risks. Three culture risk assessments were conducted during the financial year across the portfolio, both in South Africa and in the offshore operations. • Consideration of the Ethics Barometer Key Insights for South African Business Study. The committee will continue to monitor culture risks and the implementation of associated action plans
Environmental and social risk	The following items were discussed and noted by the committee during the year: • FirstRand policy statement on weapons and ammunition. • FirstRand policy statement on energy financing. • Regular updates on environmental, social and climate risks.
Corporate social investment (CSI)	The committee monitored the group's progress on corporate social investment activities, principally undertaken through the FirstRand Foundation and FirstRand Empowerment Foundation.

Planned areas of focus

The committee will continue to review planned areas of focus against regulatory requirements and strategic priorities. In addition, the committee will continue to monitor and review pay practices for fairness, and to ensure that there is no gender- and race-based pay discrimination while also focusing on ensuring that ethics are managed in a manner that produces an ethical organisational culture overall. In addition, focus has been placed on increasing black and female representation at management level.

The employment equity plan for 2019 to 2022 has been developed and the committee will continue to oversee its implementation. It will focus beyond merely addressing barriers, but rather seek to influence a culture of inclusion at FirstRand. As per correlation and regression analysis, the plan will focus on succession planning, gender inclusion, inclusive leadership and management, and performance management.

During the year, Setcom underwent a benchmarking exercise to measure it against local and international best practice. The benchmark exercise highlighted emerging trends, risks and opportunities. The committee continues to progress the action items emanating from this exercise.

Public reporting and assurance

The committee, together with the audit committee, is responsible for reviewing and approving the non-financial content included in the annual integrated report and published on the group website, as well as determining and making recommendations on the need for assurance of the group's public reporting on its sustainable performance.

AT NZIMANDE
Chair, social, ethics and transformation committee

7 October 2020

responsible corporate citizenship

The board appreciates that there is an interdependent relationship between the group and its stakeholders, and that the group's ability to create value for itself depends on its ability to create value for others. Robust governance processes exist to balance this relationship and to oversee the sustainability of this value creation.

During the year, the board oversaw the creation of R138 billion in economic value for the group's stakeholders.

	2020		2019	
Statement of economic value added – IFRS	**R million**	**%**	R million	%
Value added				
Net interest income after impairment	**97 504**	**70.6**	109 768	70.5
Non-operating revenue	**42 306**	**30.7**	47 220*	30.3
Non-operating expenses	**(1 806)**	**(1.3)**	(1 277)	(0.8)
Value added by operations	**138 004**	**100.0**	155 711	100.0
To employees				
Salaries, wages and other benefits	**32 104**	**23.3**	32 337	20.8
To providers of funding	**76 833**	**55.7**	76 502	49.1
Dividends to shareholders	**17 861**		16 691*	
Interest paid	**58 972**		59 811	
To suppliers	**17 373**	**12.6**	17 562*	11.3
To government	**7 250**	**5.2**	11 848	7.6
Normal tax	**5 925**		10 491*	
Value-added tax	**1 330**		1 270	
Capital gains tax	**(24)**		77	
Other	**19**		10	
To communities				
CSI spend	**247**	**0.2**	250	0.2
To expansion and growth	**4 197**	**3.0**	17 212	11.0
Retained income	**305**		14 280	
Depreciation and amortisation	**4 946**		3 681	
Deferred income tax	**(1 054)**		(749)	
Total value added	**138 004**	**100.0**	155 711	100.0

* *Restated following the adoption of IAS 12 and reclassification of customer loyalty expenses from operating expenses to fee and commission expense.*

NON-FINANCIAL REPORTING POLICIES

The board's responsibilities include oversight of financial and non-financial value drivers against agreed performance measures and targets, including environmental, social and governance issues impacting the sustainable profitability of the group, and ensuring that the group is a responsible corporate citizen.

FirstRand's non-financial reporting policies are guided by King IV, the FTSE/JSE Responsible Investment Index Series, the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, the Task Force on Climate-related Financial Disclosures, BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry's B-BBEE Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Materiality is defined as disclosures reflecting significant economic, environmental and social impacts, or those that would substantially influence the ability of stakeholders to make informed decisions about the company's performance. Data measurement techniques are replicable and measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

stakeholder engagement

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that balances the legitimate needs, interests and expectations of material stakeholders, in the best interests of the group over time.

The FirstRand group is cognizant of the significant role its stakeholders – employees, shareholders, customers, partners, suppliers, governments, civil society and communities – play in its continued success. The board aims to understand the requirements of its stakeholders and duly considers their legitimate needs and interests in the performance of its duties. The management of stakeholders is proactive and decentralised to the business which interacts directly with the stakeholder. The group's governance structures, including committees and forums, ensure that material stakeholder concerns are appropriately addressed.

STAKEHOLDER	CHANNELS USED TO MANAGE RELATIONSHIP	KEY FOCUS AREAS
Government and regulators	• interviews and meetings; • reports and presentations; • conferences and round-table discussions; • website, media and SENS; and • electronic correspondence.	• impact of COVID-19 on economy and FirstRand's response; • transformation, B-BBEE; • regulatory compliance; • economic development; • IT risk and governance; and • regulatory announcements as required.
Shareholders and analysts	• investor presentations; • financial reporting; • roadshows, shareholder and analyst meetings; and • website, media and SENS.	• impact of COVID-19 on business performance and continuity; • dividend payments, current and future; • strategy and growth opportunities; and • transformation and economic development.
Employees	• internal newsletters and interactive videos; • information sessions; • training and development; • website and intranet; • performance reviews; • functions and awards; and • employee wellness.	• impact of COVID-19 on working arrangements, job security and wellbeing; • group performance and business news; • industry trends and strategy implementation; • training; • compliance and ethics matters; • professional development programmes; • awards and recognition initiatives; and • employee wellness facilities on campus.
Customers	• service level agreements; • website, advertising and apps; • customer surveys; and • branches/front office.	• impact of COVID-19 on customers and assistance provided by FirstRand; • customer experiences; • innovation and new products; • small business development; and • customer education.
Suppliers	• service level agreements; • relationship with applicable business unit; • meetings and service deliverables; and • website.	• code of ethics; • business continuity and opportunity; • technology trends and requirements; and • innovation.
Communities	• sponsorships; • social responsibility investments; • FirstRand Foundation; • FirstRand Volunteers; and • website and advertising.	• job opportunities; • resource allocation; • FirstRand's response to COVID-19 impacts on broader society; • corporate social investment opportunities; • sponsorship and donations; and • small business development.
Civil society	• meetings – *ad hoc* engagement; • FirstRand Foundation; • FirstRand Volunteers; and • website and advertising.	• sponsorship; • fundraising; and • corporate social responsibility.

independent assurance report on selected non-financial information to the directors of FirstRand Limited

GIA has undertaken an assurance engagement on selected non-financial information, as presented in the group's annual integrated report for the year ended 30 June 2020.

Sustainability reporting aims to:

- improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
- promote a more cohesive and efficient approach to corporate reporting that draws on different reporting standards and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
- enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
- support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

FirstRand applies its own sustainability performance reporting criteria, derived from the FTSE/JSE Responsible Investment Index Series, the Equator Principles, the World Business Council for Sustainable Development/World Resources Institute (WBCSD/WRI) Greenhouse Gas Protocol, BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry's B-BBEE Codes of Good Practice and the King IV code of corporate governance.

DIRECTORS' RESPONSIBILITY

The directors are responsible for:

- the selection, preparation and presentation of the sustainability information included in the integrated report;
- the identification of stakeholders and stakeholder requirements; and
- establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

INTERNAL AUDIT RESPONSIBILITY

GIA's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement by applying guidance from the International Standard on Assurance Engagements, ISAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

GIA was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

Multiple sources of sustainability assurance providers were utilised, reflecting technical and process competencies necessary for the evaluation of the sustainability information. The following items were included in the scope:

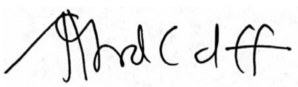
1. Verification and review of the accurate transfer and aggregation of information from supporting records to the group's annual integrated report relating to:
   - Doing business ethically, responsibly and sustainably:
     - whistle-blowing line calls.
   - Driving strategic change through systemic social investing:
     - CSI spend – FirstRand Foundation;
     - CSI spend – FirstRand Empowerment Fund; and
     - CSI spend – FirstRand Staff Assistance Trust.
2. External assurance service providers perform verification assessments on selected non-financial data which forms the basis of disclosures in the group's annual integrated report. GIA did not replicate verification assessments performed by the external assurance service providers, and reliance was placed on the assurance opinions issued by these service providers where warranted. GIA, however, reviewed the assurance reports issued by the external assurance service providers, and reviewed the incorporation of the data assessed by them in the group's annual integrated report where relevant. These are reflected below:
   - Providing capital for inclusive economic development. This information was included in the scope of the review of the Department of Trade and Industry (dti) scorecard that was performed by Mosela and SizweNtsalubaGobodo rating agencies:
     - lending to affordable housing;
     - spend on consumer financial education;
     - deepening access to financial services through electronic channels;
     - transformational infrastructure;
     - lending to SMEs, BEE transactions and black agriculture;
     - spending on enterprise development; and
     - BEE procurement.
   - Creating an environment that maximises the potential of the group's employees. This information was included in the scope of the review of the dti scorecard that was performed by Mosela and SizweNtsalubaGobodo rating agencies:
     - SA workforce diversity;
     - middle and junior management diversity;
     - senior management diversity;
     - top management diversity;
     - workforce gender; and
     - skills development spend.

- Doing business ethically, responsibly and sustainably:
  - Direct carbon footprint: selected non-financial aspects in the 2020 suite of reports are independently assured by PricewaterhouseCoopers Inc. FirstRand Bank Limited's carbon footprint data for the South African operations has been prepared in accordance with the World Business Council for Sustainable Development/World Resources Institute Greenhouse Gas Reporting Guidelines. The assurance report will be included in the 2020 report to society when issued.
  - Equator Principles transactions funded: selected non-financial aspects in the 2020 suite of reports are independently assured by PricewaterhouseCoopers Inc. The assurance report will be included in the 2020 report to society when issued.

RESULTS OF WORK PERFORMED

Based on the results of the work performed on the selected non-financial information as presented in the group's annual integrated report for the year ended 30 June 2020, GIA confirms that nothing has come to its attention that causes it to believe that the identified sustainability and governance related information selected for its review has not been prepared, in all material respects, in accordance with the defined reporting criteria.

As part of ongoing refinement of the annual integrated report, management has identified areas for enhanced aggregation and disclosure of sustainability information in future reporting periods. GIA concurs with management's assessment and will assess the refinements in future reviews of the annual integrated report.



A VAN DER COLFF
Chief audit executive

7 October 2020

FIRSTRAND GROUP SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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Directors' responsibility statement and approval of the summary consolidated financial statements

for the year ended 30 June 2020

This summary consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2020 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on this summary consolidated financial statements appears on page 198.

The summary consolidated financial statements are not the group's statutory financial statements and do not contain all the disclosures required by IFRS. Reading the summary consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the group, as it does not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated financial statements have been audited by the group's external auditors. Their unmodified report is available for inspection at the group's registered office.

The audited consolidated financial statements are available online at www.firstrand.co.za/investors/annual-reporting/, or may be obtained from the company secretary.

BASIS OF PRESENTATION

The summary consolidated financial statements are prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act of South Africa as applicable to summary financial statements. FirstRand prepares its summary consolidated financial statements in accordance with:

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

The consolidated financial statements from which these summary consolidated financial statements are extracted are:

- prepared by applying accounting policies that are in accordance with IFRS;
- in accordance with the going concern principle;
- using the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS; and
- presented in South African rand, which is the group's presentation currency.

The accounting policies are consistent with those applied for the year ended 30 June 2019, except for the implementation of new and revised standards as set out below.

Management determines the critical judgemental items that require specific attention annually. In the current year these related to:

- impairment of advances whereby specific additional disclosure is contained in pages 222 to 236; and
- the valuation of complex financial instruments whereby specific additional disclosure is contained in pages 240 to 257.

Should further information be required, the full annual financial statements, including the audit opinion, are available for inspection at the group's registered office and will be published on the group's website during early October 2020.

Effective 1 July 2019, the group adopted IFRS 16, which replaces IAS 17 and various related interpretations, and introduced a single lease accounting model for lessees. In addition, the group adopted the amendment to IAS 12 relating to the recognition of the income tax consequences of dividends. The adoption of both these standards impacted the group's financial results as at 1 July 2019 and 30 June 2019 respectively, and was reported in the interim results report at www.firstrand.co.za/investors/financial-results/.

The other new or amended IFRS that became effective for the year ended 30 June 2020 had no impact on the group's reported earnings, financial position, reserves or accounting policies.

The board acknowledges its responsibility to ensure the integrity of the summary consolidated financial statements. The board has applied its mind to the summary consolidated financial statements and believes that this document addresses all material issues and fairly presents the group's integrated performance and impacts.

Simonet Terblanche, CA(SA), supervised the preparation of the consolidated financial statements from which these summary consolidated financial statements were extracted. The consolidated annual financial statements were approved by the board of directors on 9 September 2020 and signed on its behalf by:

WR JARDINE Chairman	AP PULLINGER CEO

Sandton

7 October 2020

Independent auditors' report on the summary consolidated financial statements

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Opinion

The summary consolidated financial statements of FirstRand Limited, set out on pages 203 to 261 of the annual integrated report, which comprise the summary consolidated statement of financial position as at 30 June 2020, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2020.

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

Summary consolidated financial statements

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

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 9 September 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

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

Auditors' responsibility

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

Deloitte & Touche

DELOITTE & TOUCHE
Registered Auditor
Per Partner: Kevin Black

5 Magwa Crescent
Waterfall City
7 October 2020

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Waterfall City
7 October 2020

Directors' report

for the year ended 30 June 2020

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company with a primary listing on the Johannesburg Stock Exchange Limited (JSE) (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of franchises comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments and provides a universal set of transactional, lending, investment and insurance products and services. The FCC franchise represents group-wide functions.

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

Refer to page 72 for a simplified group structure of the group.

The board acknowledges its responsibilities for the integrity of this report. Guidelines as provided by the 2016 King code have been adopted in preparation of this report. The board believes that this report fairly represents the performance of the group.

DIVIDEND DECLARATIONS

In line with *Guidance Note 4 of 2020, Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the COVID-19 pandemic and the temporary regulatory capital relief provided by the Prudential Authority*, issued on 6 April 2020, the group has not declared a final dividend for the year ended 30 June 2020.

DIVIDENDS

ORDINARY SHARES

	Yea r ended 30 June	
Cents per share	**2020**	2019
Interim (declared 9 March 2020)	**146.0**	139.0
Final	**N/A**	152.0
	146.0	291.0

DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Distributions of R1 145 million were made on other equity instruments (2019: R760 million). Current tax of R222 million (2019: R93 million) relating to the AT1 instruments was recognised in the income statement.

B preference shares

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

DIVIDENDS DECLARED AND PAID

Cents per share	**Preference dividends**
Period:	
28 August 2018 – 25 February 2019	**381.7**
26 February 2019 – 26 August 2019	**384.2**
27 August 2019 – 24 February 2020	**374.7**
25 February 2020 – 31 August 2020	**306.0**

Other distributions on the AT1 instruments and contingent convertible securities totalled R803 million (2019: R325 million).

Directors' report continued

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2020 are shown in note 3 of the group's summary financial statements in the annual integrated report.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS

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

%	2020	2019
Public Investment Corporation	**14.1**	9.0
BEE partners	**5.2**	5.2
Royal Bafokeng Holdings	**4.1**	–
Remgro Limited	**3.1**	3.9

A further analysis of shareholders is set out on page 281.

EVENTS AFTER REPORTING PERIOD

There were no significant events that occurred between the end of the reporting period and the issue of the annual financial statements.

DIRECTORATE

Details of the board of directors are on pages 86 to 91.

BOARD CHANGES

The following changes to the board of directors have taken place during the 2020 financial year end up to the reporting date.

		EFFECTIVE DATE
RESIGNATIONS		
JJ Durand	Alternate non-executive director	28 November 2019
PJ Makosholo	Independent non-executive director	30 June 2020
HL Bosman	Non-executive director	30 June 2020
RETIREMENTS		
NN Gwagwa	Independent non-executive director	28 November 2019
EG Matenge-Sebesho	Independent non-executive director	28 November 2019
APPOINTMENT		
Z Roscherr	Independent non-executive director	1 April 2020

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under cautionary or where participants have knowledge of price sensitive information. All directors' dealings require the prior approval of the chairman, and the company secretary retains a record of all such share dealings and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

ORDINARY SHARES

	Direct beneficial (thousands)	Indirect beneficial (thousands)	Held by associates (thousands)	**Total 2020 (thousands)**	Total 2019 (thousands)	Percentage holding %
Executive directors and prescribed officers						
AP Pullinger	5 048	–	108	**5 156**	4 812	0.09
HS Kellan	987	527	115	**1 629**	1 490	0.03
J Celliers	217	176	–	**393**	394	0.01
C de Kock	–	836	–	**836**	836	0.01
J Formby	711	588	–	**1 299**	1 185	0.02
Non-executive directors						
HL Bosman*	140	–	–	**140**	120	–
JP Burger	304	7 617	124	**8 045**	8 291	0.15
GG Gelink	102	–	–	**102**	102	–
NN Gwagwa**	256	–	4	**260**	251	–
WR Jardine	11	232	–	**243**	243	–
RM Loubser	–	1 810	2	**1 812**	1 868	0.04
EG Matenge-Sebesho**	–	77	–	**77**	77	–
Z Roscherr#	659	–	–	**659**	–	0.01
T Winterboer	15	–	–	**15**	15	–
LL von Zeuner	–	3	–	**3**	–	–
Total	8 450	11 866	353	**20 669**	19 684	0.36

* *Resigned June 2020.*
** *Retired November 2019.*
# *Appointed April 2020.*

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

WR JARDINE
Chairman

AP PULLINGER
CEO

Sandton

7 October 2020

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

7 October 2020

Summary consolidated income statement

for the year ended 30 June

R million	Notes	2020	2019
Interest income calculated using effective interest rate		**121 046**	119 797
Interest on other financial instruments and similar income		**841**	471
Interest and similar income		**121 887**	120 268
Interest expense and similar charges		**(58 972)**	(59 811)
Net interest income before impairment of advances		**62 915**	60 457
Impairment and fair value of credit on advances		**(24 383)**	(10 500)
– Impairment on amortised cost advances	2.1	**(23 823)**	(10 431)
– Fair value of credit on advances	2.1	**(560)**	(69)
Net interest income after impairment of advances		**38 532**	49 957
Non-interest revenue		**41 691**	45 808
– Net fee and commission income		**30 058**	30 731
– Fee and commission income		**36 244**	36 533
– Fee and commission expense		**(6 186)**	(5 802)*
– Insurance income		**3 941**	4 128
– Fair value income		**4 084**	4 587
– Fair value gains and losses		**8 869**	9 338
– Interest expense on fair value activities		**(4 785)**	(4 751)
– Gains less losses from investing activities		**561**	3 610
– Other non-interest income		**3 047**	2 752
Income from operations		**80 223**	95 765
Operating expenses		**(55 276)**	(54 043)*
Net income from operations		**24 947**	41 722
Share of profit of associates after tax		**24**	946
Share of profit of joint ventures after tax		**5**	284
Income before indirect tax		**24 976**	42 952
Indirect tax		**(1 348)**	(1 280)
Profit before tax		**23 628**	41 672
Income tax expense		**(4 848)**	(9 819)*
Profit for the year		**18 780**	31 853
Attributable to			
Ordinary equityholders		**17 021**	30 211
Other equity instrument holders		**1 145**	760*
Equityholders of the group		**18 166**	30 971
Non-controlling interests		**614**	882
Profit for the year		**18 780**	31 853
Earnings per share (cents)			
– Basic		**303.5**	538.6
– Diluted		**303.5**	538.6

* *Restated prior year following the adoption of IAS 12 amendments and reclassification of customer loyalty expenses. In the prior year R240 million relating to operating expenses incurred on SLOW lounges were reclassified from operating expenses to fee and commission expense, so as to better reflect the nature of the expense. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.*

The group elected not to restate comparative information as permitted by IFRS 16. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.

Summary consolidated statement of other comprehensive income

for the year ended 30 June

R million	**2020**	2019
Profit for the year	**18 780**	31 853*
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**1 154**	498
Gains arising during the year	**592**	829
Reclassification adjustments for amounts included in profit or loss	**1 036**	(137)
Deferred income tax	**(474)**	(194)
FVOCI debt reserve	**(61)**	(4)
Losses arising during the year	**(91)**	(2)
Reclassification adjustments for amounts included in profit or loss	**3**	(4)
Deferred income tax	**27**	2
Exchange differences on translating foreign operations	**6 208**	(444)
Gains/(losses) arising during the year	**6 170**	(428)
Deferred income tax	**38**	(16)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**33**	45
Items that may not subsequently be reclassified to profit or loss		
FVOCI equity reserve	**(157)**	(2)
Losses arising during the year	**(202)**	(2)
Deferred income tax	**45**	–
Remeasurements on defined benefit post-employment plans	**532**	(229)
Gains/(losses) arising during the year	**744**	(307)
Deferred income tax	**(212)**	78
Other comprehensive income/(loss) for the year	**7 709**	(136)
Total comprehensive income for the year	**26 489**	31 717
Attributable to		
Ordinary equityholders	**24 634**	30 068
Other equity instrument holders	**1 145**	760*
Equityholders of the group	**25 779**	30 828
Non-controlling interests	**710**	889
Total comprehensive income for the year	**26 489**	31 717

* *Restated prior year following the adoption of IAS 12 amendments. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.*

Summary consolidated statement of financial position

as at 30 June

R million	Notes	2020	2019
ASSETS			
Cash and cash equivalents		**136 002**	102 518
Derivative financial instruments		**147 515**	47 104
Commodities		**21 344**	21 176
Investment securities		**297 469**	241 726
Advances	1	**1 261 715**	1 205 752
– Advances to customers		**1 191 281**	1 142 845
– Marketable advances		**70 434**	62 907
Other assets*		**11 256**	8 578
Current tax asset		**598**	267
Non-current assets and disposal groups held for sale		**3 065**	–
Reinsurance assets		**240**	196
Investments in associates		**6 882**	6 369
Investments in joint ventures		**1 749**	1 769
Property and equipment**		**21 369**	17 800
Intangible assets		**11 638**	10 491
Investment properties		**722**	689
Defined benefit post-employment asset		**–**	6
Deferred income tax asset		**4 975**	4 621
Total assets		**1 926 539**	1 669 062
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions		**5 062**	5 374
Derivative financial instruments		**162 193**	52 597
Creditors, accruals and provisions		**21 038**	21 922
Current tax liability		**499**	1 643
Liabilities directly associated with disposal groups held for sale		**1 427**	–
Deposits		**1 535 015**	1 393 104
Employee liabilities		**8 820**	13 042
Other liabilities**		**8 203**	5 974
Policyholder liabilities		**6 430**	5 263
Tier 2 liabilities		**24 614**	24 191
Deferred income tax liability		**1 318**	1 359
Total liabilities		**1 774 619**	1 524 469
Equity			
Ordinary shares	3	**56**	56
Share premium	3	**8 008**	8 023
Reserves		**129 465**	121 594
Capital and reserves attributable to equityholders of the group		**137 529**	129 673
Other equity instruments	4	**10 245**	10 734
Non-controlling interests		**4 146**	4 186
Total equity		**151 920**	144 593
Total equity and liabilities		**1 926 539**	1 669 062

* *In the prior year these amounts were described as accounts receivable. The description other assets is more appropriate, based on the nature of the assets included in this line item and is in line with industry practice.*

** *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved, as comparative information as been prepared on an IAS 17 basis. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.*

Summary consolidated statement of changes in equity

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2018	56	7 994	**8 050**	(723)	343
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition 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	–	29	**29**	–	–
Total comprehensive income for the year	–	–	**–**	(229)	498
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2019	56	8 023	**8 079**	(952)	841
Adjustment for adoption of IFRS 16	–	–	**–**	–	–
Restated balance as at 1 July 2019	56	8 023	**8 079**	(952)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed 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	–	(15)	**(15)**	–	–
Total comprehensive income for the year	–	–	**–**	532	1 154
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2020	56	8 008	**8 064**	(420)	1 995

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 30 June 2020 include R4 519 million of non-cumulative, non-redeemable preference shares and R5 726 million of AT1 instruments.*

[#] *Restated following the adoption of IAS 12 amendments.*

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
4	2 832	686	104 348	**107 490**	**5 769**	**3 906**	**125 215**
–	–	–	–	**–**	**–**	**(4)**	**(4)**
–	1	–	–	**1**	**–**	**4**	**5**
–	–	–	–	**–**	**4 965**	**–**	**4 965**
3	–	109	(128)	**(16)**	**–**	**7**	**(9)**
–	–	–	(15 931)	**(15 931)**	**–**	**(584)**	**(16 515)**
–	–	–	–	**–**	**(760)#**	**–**	**(760)**
–	–	(123)	123	**–**	**–**	**–**	**–**
–	–	–	(32)	**(32)**	**–**	**(32)**	**(64)**
–	–	–	14	**14**	**–**	**–**	**43**
–	(447)	35	30 211	**30 068**	**760#**	**889**	**31 717**
(6)	–	–	6	**–**	**–**	**–**	**–**
1	2 386	707	118 611	**121 594**	**10 734**	**4 186**	**144 593**
–	(20)	–	5	**(15)**	**–**	**–**	**(15)**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
–	–	–	–	**–**	**–**	**(9)**	**(9)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	–	–	**–**	**(1 250)**	**–**	**(1 250)**
26	–	278	(303)	**1**	**–**	**(9)**	**(8)**
–	–	–	(16 716)	**(16 716)**	**–**	**(736)**	**(17 452)**
–	–	–	–	**–**	**(1 145)**	**–**	**(1 145)**
–	–	(2)	2	**–**	**–**	**–**	**–**
–	–	–	(12)	**(12)**	**–**	**4**	**(8)**
–	–	–	(20)	**(20)**	**–**	**–**	**(35)**
–	6 120	(193)	17 021	**24 634**	**1 145**	**710**	**26 489**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**

Summary consolidated statement of cash flows

for the year ended 30 June

R million	2020	2019
Cash flows from operating activities		
Interest and fee commission receipts*	**153 420**	153 134
Trading and other income	**3 340**	3 033
Interest payments**	**(57 696)**	(58 428)
Other operating expenses*,**	**(45 895)**	(43 278)
Dividends received	**2 208**	3 816
Dividends paid	**(17 861)**	(16 598)
Dividends paid to non-controlling interest	**(736)**	(584)
Taxation paid	**(8 669)**	(10 621)
Cash generated from operating activities	**28 111**	30 474
Movements in operating assets and liabilities	**11 741**	(22 745)
– Liquid assets and trading securities	**(45 030)**	(30 463)
– Advances	**(17 961)**	(95 933)
– Deposits	**74 964**	120 674
– Other assets#	**(763)**	660
– Creditors#	**(1 357)**	2 263
– Employee liabilities	**(7 033)**	(5 906)
– Other liabilities**	**8 921**	(14 040)
Net cash generated from operating activities	**39 852**	7 729
Cash flows from investing activities		
Acquisition of investments in associates	**(551)**	(418)
Proceeds on disposal of investments in associates	**594**	1 278
Acquisition of investment in joint ventures	**(257)**	(45)
Proceeds on disposal of investment in joint ventures	**109**	22
Acquisition of investment in subsidiaries	**(366)**	–
Proceeds on disposal of subsidiaries	**–**	(2)
Acquisition of property and equipment	**(5 510)**	(3 503)
Proceeds on disposal of property and equipment	**752**	749
Acquisition of intangible assets and investment properties	**(454)**	(684)
Proceeds on disposal of non-current assets held for sale	**–**	331
Net cash outflow from investing activities	**(5 683)**	(2 272)
Cash flows from financing activities		
Proceeds on the issue of other liabilities	**4 583**	1 637
Redemption of other liabilities	**(5 174)**	(541)
Principal payments towards lease liabilities**	**(884)**	–
Proceeds from issue of Tier 2 liabilities	**275**	2 625
Capital repaid on Tier 2 liabilities	**(2 186)**	(7 579)
Acquisition of additional interest in subsidiaries from non-controlling interest	**(6)**	(23)
Disposal of additional interest in subsidiaries to non-controlling interest	**6**	–
Redemption of AT1 equity instruments	**(1 250)**	–
Proceeds from issue of AT1 equity instruments	**761**	4 965
Net cash inflow from financing activities	**(3 875)**	1 084
Net increase in cash and cash equivalents	**30 294**	6 541
Cash and cash equivalents at the beginning of the year	**102 518**	96 024
Effect of exchange rate changes on cash and cash equivalents	**3 604**	(47)
Transfer to non-current assets held for sale	**(414)**	–
Cash and cash equivalents at the end of the year	**136 002**	102 518

* *Reclassification in the prior year of R240 million relating to operating lease expenses incurred on SLOW lounges from other operating expenses to interest and fee commission receipts, so as to better reflect the nature of the item.*

** *The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.*

\# *In the prior year, movement of R2 923 million in other assets and creditors were presented as a net movement. Due to the different underlying nature of these cash flows, these items have been disclosed separately in the current year and the prior year has been expanded in a similar way to achieve appropriate comparability.*

Statement of headline earnings, earnings and dividends per share

for the year ended 30 June

	Earnings attributable R million		Cents per share	
	2020	2019	**2020**	2019
Headline earnings				
– Basic	**17 326**	27 887	**308.9**	497.2
– Diluted	**17 326**	27 887	**308.9**	497.2
Earnings attributable to ordinary equityholders				
– Basic	**17 021**	30 211	**303.5**	538.6
– Diluted	**17 021**	30 211	**303.5**	538.6
Dividends – ordinary				
– Interim			**146.0**	139.0
– Final declared/paid			**–**	152.0
Dividends – preference				
– Interim			**374.7**	381.7
– Final declared/paid			**306.0**	384.2

WEIGHTED AVERAGE NUMBER OF SHARES

	2020	2019
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(1 327 218)**	(445 105)
– Shares for client trading	**(1 327 218)**	(445 105)
Weighted average number of shares in issue	**5 608 160 783**	5 609 042 896
Diluted weighted average number of shares in issue	**5 608 160 783**	5 609 042 896

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.

Statement of headline earnings, earnings and dividends per share continued

for the year ended 30 June

HEADLINE EARNINGS RECONCILIATION

	2020		2019	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders	**–**	**17 021**	–	30 211
Adjusted for				
Gain on investment activities of a capital nature*	**–**	**–**	(1 928)	(1 497)
Transfer (to)/from foreign currency translation reserve	**(17)**	**(15)**	(70)	(72)
Gain on disposal of non-private equity associates*	**–**	**–**	(1 083)	(840)
Impairment of non-private equity associates	**66**	**47**	31	31
Gain on disposal of investments in joint ventures	**1**	**1**	–	–
Gain on disposal of investments in subsidiaries	**–**	**–**	(6)	(5)
Gain on disposal of property and equipment	**14**	**11**	(52)	(37)
Impairment of goodwill	**212**	**190**	–	–
Fair value movement of investment properties	**(26)**	**(19)**	–	–
Impairment of assets in terms of IAS 36	**129**	**91**	123	96
Other	**(1)**	**(1)**	–	–
Headline earnings attributable to ordinary equityholders		**17 326**		27 887

* *Includes the impact of the gain on the Discovery transaction of c. R3 billion (c. R2.3 billion after tax) in the prior year.*

COVID-19 impact

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

While the specific areas of judgement set out in the consolidated annual financial statements did not change, given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impact of this pandemic, additional judgement within those areas resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the group's assets and liabilities since the prior year.

Significant judgements and estimates impacted by COVID-19

The table below provides an overview of the areas where additional judgement has been applied since December 2019 and includes references to the pages where additional information is included.

DESCRIPTION	ADDITIONAL INFORMATION
Impairment provisions of advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its expected credit losses (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Pages 225 to 230.
Significant increase in credit risk	
The group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID-19 on the customer base is being undertaken, which is in line with the group's existing policy documented in the group credit impairment framework.	Pages 232 to 236.
Fair value measurement	
The valuation techniques for fair value measurement of financial instruments have been assessed by the respective valuation committees at a business unit and group level to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to group-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.	Pages 240 to 257.

COVID-19 impact continued

Assessment of the going concern principle

The impact of COVID-19 has been incorporated into the going concern assessment made by the directors.

DESCRIPTION	ADDITIONAL INFORMATION
Overall application of the going concern principle	
The directors reviewed the group's budgets and flow of funds forecasts for the next three years and considered the group'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 COVID-19 pandemic 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. As part of this assessment, the directors considered the sufficiency of the group's financial resources throughout the pandemic. 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.	Additional information is included in the group's annual financial statements.

Selected notes to the summary consolidated financial statements

for the year ended 30 June

1. ADVANCES

R million	Notes	2020	2019
Category analysis			
Overdrafts and cash management accounts		**81 129**	82 642
Term loans		**73 658**	67 926
Card loans		**33 106**	35 516
Instalment sales, hire purchase agreements and lease payments receivable		**246 989**	232 103
Property finance		**461 876**	408 078
Personal loans		**56 658**	53 569
Preference share agreements		**48 739**	49 576
Assets under agreement to resell		**26 964**	45 315
Investment bank term loans		**164 792**	155 780
Long-term loans to group associates and joint ventures		**2 975**	2 473
Other		**43 775**	44 029
Total customer advances		**1 240 661**	1 177 007
Marketable advances		**70 434**	62 907
Gross value of advances		**1 311 095**	1 239 914
Impairment and fair value of credit of advances	2.1	**(49 380)**	(34 162)
Net advances		**1 261 715**	1 205 752

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

1. ADVANCES continued

1.1 Analysis of advances per class

	2020			
R million	**Total**	**Amortised cost**	**Fair value through profit or loss**	**Loss allowance**
Residential mortgages	220 488	224 404	–	(3 916)
WesBank VAF	98 153	104 014	–	(5 861)
Total retail secured	**318 641**	**328 418**	**–**	**(9 777)**
FNB card	26 009	30 210	–	(4 201)
Personal loans	33 177	41 874	–	(8 697)
Retail other	13 593	16 732	–	(3 139)
Total retail unsecured	**72 779**	**88 816**	**–**	**(16 037)**
FNB commercial	101 888	107 889	27	(6 028)
– FNB commercial excluding scheme	101 591	107 544	27	(5 980)
– Government guaranteed scheme	297	345	–	(48)
WesBank corporate	26 608	27 114	–	(506)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	275 445	211 763	68 984	(5 302)
Total corporate and commercial	**471 183**	**415 084**	**69 138**	**(13 039)**
Rest of Africa	61 747	66 070	310	(4 633)
Group Treasury and other	36 114	36 025	988	(899)
UK operations	301 251	306 246	–	(4 995)
– Retail*	231 076	234 529	–	(3 453)
– Commercial	70 175	71 717	–	(1 542)
Total advances	**1 261 715**	**1 240 659**	**70 436**	**(49 380)**

* *In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the above reflects the total operational MotoNovo, which includes the new book written since 1 May 2019 with Aldermore Group and the back book reported in FCC. The 2019 information has been reclassified accordingly. The table below shows the changes. Includes total MotoNovo of R76 843 million (£3 586 million). June 2019: R61 778 million (£3 435 million).*

At 30 June 2020, the group reclassified the following advances between classes and voluntarily elected to reclassify the comparative information.

	2019 Gross advances			*2019 Loss allowance*		
R million	*As previously reported*	*Movement*	*Updated amount*	*As previously reported*	*Movement*	*Updated amount*
*WesBank VAF**	*160 703*	*(54 561)*	*106 142*	*5 443*	*(1 087)*	*4 356*
*FNB card***	*32 443*	*(4 328)*	*28 115*	*2 883*	*(233)*	*2 650*
*Personal loans**	*39 947*	*(578)*	*39 369*	*6 853*	*(38)*	*6 815*
Rest of Africa#	*65 610*	*(1 053)*	*64 557*	*3 963*	*–*	*3 963*
*Group Treasury and other**,#*	*37 743*	*5 381*	*43 124*	*715*	*233*	*948*
*UK operations – retail**	*129 072*	*55 139*	*184 211*	*386*	*1 125*	*1 511*
Total movement		*–*			*–*	

* *All advances previously originated by MotoNovo which had been classed as retail secured and retail unsecured have been reclassified to the UK operations.*

** *Advances within the Discovery card were reclassified to non-current assets held for sale and disposal groups.*

\# *Advances related to Group Treasury activities included in rest of Africa.*

2019			
Total	Amortised cost	Fair value through profit or loss	Loss allowance
214 623	217 164	–	(2 541)
101 786	106 142	–	(4 356)
316 409	323 306	–	(6 897)
25 465	28 115	–	(2 650)
32 554	39 369	–	(6 815)
15 183	17 908	–	(2 725)
73 202	85 392	–	(12 190)
101 319	105 057	74	(3 812)
101 319	105 057	74	(3 812)
–	–	–	–
27 607	27 945	–	(338)
57 244	57 827	105	(688)
282 665	206 751	79 147	(3 233)
468 835	397 580	79 326	(8 071)
60 594	64 188	369	(3 963)
42 176	42 547	577	(948)
244 536	246 629	–	(2 093)
182 700	184 211	–	(1 511)
61 836	62 418	–	(582)
1 205 752	1 159 642	80 272	(34 162)

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

1. ADVANCES continued

1.2 Reconciliation of the gross advances and loss allowance on total advances

	2020*			
	Gross advances (GCA)			
R million	Total	Stage 1	Stage 2	
Amortised cost	1 159 642	1 033 119	85 547	
Fair value	80 272	79 100	799	
Amount as at 1 July 2019	**1 239 914**	**1 112 219**	**86 346**	
Current year movement in the back book**				
Stage 1	**(238 154)**	**(214 475)**	**(22 832)**	
Transfer from stage 2 to stage 1	–	22 832	(22 832)	
Transfer from stage 3 to stage 1	–	847	–	
Current year changes in exposure and net movement on GCA and ECL provided/(released)#	(238 154)	(238 154)	–	
Stage 2	**(18 804)**	**(60 473)**	**44 303**	
Transfer from stage 1 to stage 2	–	(60 473)	60 473	
Transfer from stage 3 to stage 2	–	–	2 634	
Current year changes in exposure and net movement on GCA and ECL provided/(released)#	(18 804)	–	(18 804)	
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 434)	–	(1 434)	
– Other changes in stage 2 exposures and ECL	(17 370)	–	(17 370)	
Stage 3	**(2 409)**	**(16 267)**	**(13 063)**	
Transfer from stage 1 to stage 3	–	(16 267)	–	
Transfer from stage 2 to stage 3	–	–	(13 063)	
Current year changes in exposure and net movement on GCA and ECL provided/(released)#	(2 409)	–	–	
Purchased or originated credit-impaired	**22**	**–**	**–**	
Current year changes in exposure and net movement on GCA and ECL provided/(released)#	22	–	–	
New business†	**292 001**	**264 750**	**20 640**	
Current year changes in exposure and net movement on GCA and ECL provided/(released)#	292 001	264 750	20 640	
Other movements applicable to new business and back book				
Acquisition/(disposal) of advances‡	(2 832)	(2 586)	–	
Acquisition/(disposal) of subsidiaries	1 608	1 608	–	
Transfer (to)/from non-current assets or disposals groups held for sale	(2 646)	(2 150)	(259)	
Modifications that did not give rise to derecognition	(1 007)	(189)	(121)	
Exchange rate differences	57 764	49 076	7 287	
Bad debts written off^	(14 362)	–	–	
Amount as at 30 June 2020	**1 311 095**	**1 131 513**	**122 301**	
Amortised cost	1 240 659	1 065 670	117 896	
Fair value	70 436	65 843	4 405	

2020*		2020				
Gross advances (GCA)		Loss allowance				
Stage 3	Purchased or originated credit impairment	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
40 976	–	33 614	7 614	7 702	18 298	–
268	105	548	302	49	197	–
41 244	105	34 162	7 916	7 751	18 495	–
(847)	–	(391)	1 193	(1 422)	(162)	–
–	–	–	1 422	(1 422)	–	–
(847)	–	–	162	–	(162)	–
–	–	(391)	(391)	–	–	–
(2 634)	–	5 433	(615)	6 720	(672)	–
–	–	–	(615)	615	–	–
(2 634)	–	–	–	672	(672)	–
–	–	5 433	–	5 433	–	–
–	–	1 990	–	1 990	–	–
–	–	3 443	–	3 443	–	–
26 921	–	15 277	(470)	(2 103)	17 850	–
16 267	–	–	(470)	–	470	–
13 063	–	–	–	(2 103)	2 103	–
(2 409)	–	15 277	–	–	15 277	–
–	22	120	–	–	–	120
–	22	120	–	–	–	120
5 710	901	8 436	3 052	2 210	3 174	–
5 710	901	8 436	3 052	2 210	3 174	–
(246)	–	(100)	(10)	–	(90)	–
–	–	–	–	–	–	–
(237)	–	(265)	(36)	(54)	(175)	–
(697)	–	–	–	–	–	–
1 401	–	1 070	305	270	495	–
(14 362)	–	(14 362)	–	–	(14 362)	–
56 253	1 028	49 380	11 335	13 372	24 553	120
56 192	901	48 447	10 943	12 961	24 543	–
61	127	933	392	411	10	120

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

1. ADVANCES continued

1.2 Reconciliation of the gross advances and loss allowance on total advances continued

* The reconciliation for the year ended 30 June 2020 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. This is consistent with the prior year, except for Aldermore. The disclosure for Aldermore is now aligned with the rest of the group. In the current year it was concluded that providing disclosure which distinguished between the back book and new business provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement is therefore split between new business and back book. In the prior year, this was presented as a single line. However, comparative information could not be restated without undue cost due to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019 except on a total level.

** The group transfers opening balances (the 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 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 and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.

\# The movement of GCA is the net amount of:

- additional amounts advanced on the back book and any settlements;
- transfers on the back book is 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 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. In the prior year it was separately presented.

† 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.

‡ In the prior year, this line included disposals by RMB related to loan syndications whereby the full exposure was recognised in new business and changes in exposure and the sell-down to other external parties recognised as disposals. During the current year the net amount of the syndication is included in the "change in exposure due to new business in the current year" section. Management believes this provides a more accurate view of the new business originated in the current year.

^ Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R12 935 million.

1. ADVANCES continued

1.2 Reconciliation of the gross advances and loss allowance on total advances continued

MODIFICATION – COVID-19 RELIEF

The group offered financial relief to its customers through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up to date as at 29 February 2020 and included the following:

- additional facilities or new loans being granted, in particular the cash flow relief account;
- restructure of instalment products (payment relief) including extension of contractual terms;
- payment and interest relief; and
- extension of balloon repayment terms.

The cash flow relief account was offered to eligible FNB retail customers, where instead of offering customers a payment holiday with a term extension, customers were offered a cash flow relief loan, whereby payments due by the customer to the group on a variety of the group's products could be drawn from the cash flow relief account for a period of three months. The cash flow relief account bears interest at prime, has a flexible repayment period as negotiated and the customer has the ability to settle the amount earlier without incurring penalties and repayment only commenced once the three-month relief period was over. In some instances, the relief period has been extended by a further three months. Amounts advanced to customers under the cash flow relief scheme is included in the retail unsecured class of advances. As the cash flow relief account is treated as a new advance to the customer, no modification loss was recognised on the underlying advances as the payments due were settled from the cash flow relief account.

WesBank customers that bank with FNB were able to utilise the cash flow relief loan to make payment under their credit agreements. Customers with balloon payments due could elect to convert their balloon payment into an extended repayment term agreement, on terms similar to those in the original credit agreement.

Other financial relief mechanisms employed by the group included customers being offered payment holidays of between three and six months. During the payment holiday interest accrued at the contractual rate and at the end of the relief period, customers had the option to adjust their instalment, extend the term of the facilities or elect to repay the full amount at the end of the deferral period.

Relief granted by RMB was in the form of short-term debt repayment moratoriums, increase in credit limits, short-term bridge financing and covenant waivers.

The debt relief measures discussed above, resulted in the group not suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were equivalent.

Within Aldermore, financial relief mechanisms included in addition to those described above, payment holidays with no interest charged to the customer during the payment holiday. The customer's instalments were unaltered, but the term of the credit agreement was extended by the payment holiday period, or the credit agreement was not extended, and the final three instalments of the agreement were increased.

Other financial relief mechanisms employed by the group included reducing the interest charged during the payment holiday period, or in some instances suspending penalty interest during the payment holiday period.

Other debt relief measures resulted in the group suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were not equivalent.

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

1. ADVANCES continued

1.2 Reconciliation of the gross advances and loss allowance on total advances continued

	2019		
	Gross advances		
R million	Total	Stage 1	Stage 2
Amortised cost	1 088 679	970 895	84 685
Fair value	53 797	51 544	1 838
Amount as at 1 July 2018	1 142 476	1 022 439	86 523
Transfer between stages**	–	(25 342)	7 137
Stage 1	–	54 424	(52 510)
Stage 2	–	(68 546)	71 765
Stage 3	–	(11 220)	(12 118)
Disposal of advances#	(4 285)	(4 285)	–
Exchange rate differences	(3 060)	(2 408)	(418)
Bad debts written off†	(8 922)	–	–
Changes due to modification that did not result in derecognition	(633)	–	(33)
Current period provision created/(released)	–	–	–
Net changes in exposure‡	114 338	121 815	(6 863)
Interest on stage 3 advances	–	–	–
Amount as at 30 June 2019	1 239 914	1 112 219	86 346
Amortised cost	1 159 642	1 033 119	85 547
Fair value	80 272	79 100	799

* *The total gross carrying amount of undiscounted expected credit losses at initial recognition on purchased or originated credit impaired financial assets recognised during the reporting period is Rnil.*

** *Transfers between stages reflect opening balances based on the advances stage at the end of the financial year for all businesses other than Aldermore. Exposures can be transferred directly from stage 3 to stage 1 if the curing requirements are satisfied at the end of the financial year. The new exposures originated during the financial year (which are not included in the opening balance) and any other change in the advance balance not addressed in one of the specific reconciliation lines, are included in net new business and changes in exposure based on the stage at the end of the financial year.*

\# *The majority of disposals relates to RMB and are due to loan syndications whereby the full exposure is recognised in new business and changes in exposure and the sell down to other external parties are recognised as disposals.*

† *Decrease in the advance as a result of write-off is equal to the decrease ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R6 936 million.*

‡ *Net changes in exposure reflect the net of the following items:*

- *Net settlements and other changes in exposures of advances included in the opening balance, which occurred during the financial year.*
- *New business originated during the financial year and the transfers between stages of the new origination.*

2019		2019				
Gross advances		Loss allowance				
Stage 3	Purchased or originated credit impairment*	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
33 099	–	28 589	6 719	7 732	14 138	–
415	–	489	269	15	205	–
33 514	–	29 078	6 988	7 747	14 343	–
18 205	–	–	1 422	(3 020)	1 598	–
(1 914)	–	–	2 485	(2 189)	(296)	–
(3 219)	–	–	(701)	1 466	(765)	–
23 338	–	–	(362)	(2 297)	2 659	–
–	–	(3)	(3)	–	–	–
(234)	–	(171)	6	(144)	(33)	–
(8 922)	–	(8 922)	–	–	(8 922)	–
(600)	–	–	–	–	–	–
–	–	12 415	(497)	3 168	9 744	–
(719)	105	–	–	–	–	–
–	–	1 765	–	–	1 765	–
41 244	105	34 162	7 916	7 751	18 495	–
40 976	–	33 614	7 614	7 702	18 298	–
268	105	548	302	49	197	–

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2. IMPAIRMENT OF ADVANCES

2.1 Reconciliation of the loss allowance on total advances per class

Amortised cost	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2018	2 362	4 120	1 569	4 598	2 023
Stage 1	269	677	458	1 221	637
Stage 2	378	1 240	241	961	546
Stage 3	1 715	2 203	870	2 416	840
Acquisition/(disposal) of advances	–	–	–	–	–
Exchange rate differences	120	–	–	–	(120)
Bad debts written off	(362)	(2 201)	(437)	(1 495)	(885)
Current period provision created/(released)*	318	2 110	1 371	3 392	1 455
– Stage 1	(95)	(288)	31	198	20
– Stage 2	322	571	296	448	273
– Stage 3	91	1 827	1 044	2 746	1 162
Interest on stage 3 advances	103	327	147	320	252
Amount as at 30 June 2019	2 541	4 356	2 650	6 815	2 725
Stage 1	360	632	555	1 415	724
Stage 2	510	1 307	347	971	464
Stage 3	1 671	2 417	1 748	4 429	1 537
Acquisition/(disposal) of advances	**–**	**–**	**–**	**(90)**	**–**
Transfers from/(to) non-current assets or disposal groups held for sale	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**–**	**–**	**–**	**–**
Bad debts written off	**(259)**	**(1 907)**	**(1 114)**	**(4 351)**	**(1 754)**
Current period provision created/(released)*	**1 634**	**3 412**	**2 665**	**6 323**	**2 168**
– Stage 1	**275**	**(265)**	**349**	**627**	**(13)**
– Stage 2	**423**	**564**	**458**	**966**	**415**
– Stage 3	**936**	**3 113**	**1 858**	**4 730**	**1 766**
Amount as at 30 June 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**

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

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

Corporate and commercial						UK operations		
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total amortised cost
3 457	333	945	2 876	3 598	712	1 544	452	28 589
680	93	163	570	726	403	629	193	6 719
879	91	723	1 330	685	183	372	103	7 732
1 898	149	59	976	2 187	126	543	156	14 138
–	–	–	(3)	–	–	–	–	(3)
(7)	1	2	4	(155)	6	(15)	(7)	(171)
(751)	(104)	(322)	(358)	(638)	(174)	(974)	(211)	(8 912)
836	99	25	317	959	222	901	341	12 346
(214)	(36)	(51)	69	(62)	(27)	(62)	160	(357)
448	4	(77)	54	363	31	40	186	2 959
602	131	153	194	658	218	923	(5)	9 744
277	9	38	29	197	4	55	7	1 765
3 812	338	688	2 865	3 961	770	1 511	582	33 614
733	92	231	924	805	398	532	213	7 614
776	67	364	1 419	804	186	378	109	7 702
2 303	179	93	522	2 352	186	601	260	18 298
–	**–**	**–**	**(10)**	**–**	**–**	**–**	**–**	**(100)**
–	**–**	**–**	**–**	**(223)**	**(42)**	**–**	**–**	**(265)**
–	**–**	**10**	**113**	**208**	**–**	**504**	**216**	**1 051**
(1 286)	**(114)**	**(141)**	**(572)**	**(1 282)**	**(196)**	**(842)**	**(350)**	**(14 168)**
3 502	**282**	**526**	**2 338**	**1 969**	**122**	**2 280**	**1 094**	**28 315**
489	**10**	**71**	**151**	**212**	**(58)**	**453**	**249**	**2 550**
1 070	**64**	**347**	**1 803**	**182**	**(14)**	**699**	**346**	**7 323**
1 943	**208**	**108**	**384**	**1 575**	**194**	**1 128**	**499**	**18 442**
6 028	**506**	**1 083**	**4 734**	**4 633**	**654**	**3 453**	**1 542**	**48 447**
1 394	**114**	**323**	**1 288**	**1 007**	**320**	**1 116**	**564**	**10 943**
1 339	**111**	**647**	**3 111**	**981**	**152**	**1 148**	**471**	**12 961**
3 295	**281**	**113**	**335**	**2 645**	**182**	**1 189**	**507**	**24 543**

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

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

Fair value	Corporate and commercial				
R million	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value
Amount as at 1 July 2018	–	312	4	173	489
Stage 1	–	92	4	173	269
Stage 2	–	15	–	–	15
Stage 3	–	205	–	–	205
Bad debts written off	–	(10)	–	–	(10)
Current period provision created/(released)	–	66	(2)	5	69
– Stage 1	–	(120)	(2)	(18)	(140)
– Stage 2	–	186	–	23	209
– Stage 3	–	–	–	–	–
Amount as at 30 June 2019	–	368	2	178	548
Stage 1	–	124	2	176	302
Stage 2	–	47	–	2	49
Stage 3	–	197	–	–	197
Exchange rate differences	**–**	**19**	**–**	**–**	**19**
Bad debts written off	**–**	**(194)**	**–**	**–**	**(194)**
Current period provision created/(released)	**120**	**375**	**(2)**	**67**	**560**
– Stage 1	**–**	**46**	**(2)**	**67**	**111**
– Stage 2	**–**	**320**	**–**	**–**	**320**
– Stage 3	**120**	**9**	**–**	**–**	**129**
Amount as at 30 June 2020	**120**	**568**	**–**	**245**	**933**
Stage 1	**–**	**147**	**–**	**245**	**392**
Stage 2	**–**	**411**	**–**	**–**	**411**
Stage 3	**120**	**10**	**–**	**–**	**130**

2.2 Breakdown of impairment charge recognised in the income statement

	2020			2019		
R million	Total	Amortised cost	Fair value	Total	Amortised cost	Fair value
Increase in loss allowance	**(25 750)**	**(25 190)**	**(560)**	(12 415)	(12 346)	(69)
Recoveries of bad debts	**2 374**	**2 374**	**–**	2 548	2 548	–
Modification loss	**(1 007)**	**(1 007)**	**–**	(633)	(633)	–
Impairment of advances recognised in the income statement	**(24 383)**	**(23 823)**	**(560)**	(10 500)	(10 431)	(69)

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances

IMPAIRMENT OF ADVANCES

In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating 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 adopted the PD/LGD approach to calculate ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, an upside scenario and a downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict 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 loss estimates through the application of quantitative modelling and expert judgement-based adjustments. Both quantitative models and expert judgement-based adjustments consider a range of forecasted macroeconomic scenarios as inputs.

Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. Development of these scenarios is overseen by the FirstRand Macro Forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the 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 and external economists are then requested to assign a probability to each scenario. The rationale for the probabilities assigned by each of the economists requested to respond is noted and explained.

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 forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied.

Within the RMB corporate banking and IBD portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. 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 scaling factors based on historic S&P default data.

Within the commercial portfolio, the economic capital model is used to determine credit loss curves per portfolio under various scenarios, taking into account the industries represented in each portfolio. Judgement is applied to select appropriate loss curves for determining forward-looking ECL estimates commensurate with the current economic environment and forward-looking expectations.

Within retail portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters 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.

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

Forward-looking information continued

The approach applied within Aldermore 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. The forward-looking macroeconomic information applied within Aldermore includes six probability-weighted macroeconomic scenarios, ranging from an upside scenario to a severe downside scenario.

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.

The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020 for the group's South African and Africa operations.

SCENARIO	PROBABILITY	DESCRIPTION
Baseline regime	56% (2019: 59%)	Assumes that global growth experiences a significant contraction in 2020 before normalising in 2021. Developed market (DM) inflation remains benign and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant contraction in economic activity and inflation remains low. The outlook is characterised by ongoing income weakness and policy uncertainty.
Upside regime	12% (2019: 23%)	Assumes that global growth experiences a significant contraction in 2020 before recovering strongly towards the end of 2020. DM inflation falls lower, and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity and inflation remains low. After the initial shock, policy certainty is restored and confidence-boosting economic reforms are implemented.
Downside regime	32% (2019: 18%)	Assumes that global growth experiences a significant contraction in 2020, which results in long-term damage to global supply chains and weaker long-term global economic activity. DM inflation falls and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity, which is compounded by policy mistakes and extremely low confidence, which prevent the economy from recovering from the COVID-19 induced shock.

There has been a significant change in the assumptions used in each of the scenarios and the probability assigned to upside and downside scenarios when compared to the prior year. There are a number of factors, including the COVID-19 pandemic, that have contributed to this change. These are discussed in more detail below and have resulted in increases in the provisions recognised in the current year.

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

Aldermore, including MotoNovo, uses an external firm specialising in economic forecasting to provide forward-looking macroeconomic information. The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020, which represents the group's UK operations:

Scenarios	Probability
Severe downside	**15%** (2019: 10%)
Downside	**10%** (2019: 10%)
Stagnation	**10%** (2019: 10%)
Base	**45%** (2019: 50%)
Mild upside	**10%** (2019: 10%)
Upside	**10%** (2019: 10%)

Overview of forward-looking information included in the 30 June 2020 provisions

The forward-looking assumptions set out above were used as inputs on the date that the ECL provisions for 30 June 2020 were finalised.

Following the initial COVID-19 induced economic shocks the global economy is expected to suffer a significant contraction in GDP in 2020 followed by a weak recovery in 2021. This shock is expected to result in low inflation in 2020 with a slight pick-up in 2021. The large and coordinated fiscal and monetary policy support that has been provided by global central banks and governments has stabilised financial conditions and has resulted in low global interest rates. At the same time, the social distancing and lockdown regulations have helped a broad base of countries to control and contain the spread of COVID-19 through their populations which is expected to abate towards the end of 2020. This has allowed more people to return to work and is lifting both supply and demand in the global economy. High-frequency manufacturing and services sector GDP measures have started to rise across both developed and emerging market economies. However, it remains clear that the battle against COVID-19 is far from over. The global economy does not yet benefit from a synchronised upswing in GDP or inflation, given how the virus and policy responses thereto are playing out across the world. As such, although more stable, risk appetite remains subdued and demand for commodities remains low. A vast number of economies have been forced to lift their debt levels considerably in order to combat the virus, which is going to leave the global economy with a long-term debt overhang. Such an environment remains supportive of safe-haven assets which should continue to support the US dollar in the near term.

South Africa

After an initial and severe contraction in GDP in the first half of 2020, the gradual recovery in global demand should support South Africa's export sectors which will help the economy to marginally lift GDP. Already weak domestic demand and income growth have been amplified by the COVID-19 crisis, which has resulted in lower core and headline inflation. With inflation contained and global interest rates low the SARB has been able to reduce the short-term interest rate considerably in order to support to the economy.

The impact of COVID-19 remains extremely deep, with ongoing uncertainty about the risk of second waves of infection. At 30 June 2020 the view was that the government will continue to implement a more focused approach to lockdown and social distancing measures at a regional and industry level, where restrictions will be tightened within specific industries, individual businesses or geographic areas depending on the spread of the virus. These assumptions have been introduced into the forward-looking macroeconomic information and tie directly into the group's GDP growth forecast. It is increasingly clear that the loss of economic activity, tax revenue, household and corporate income as a result of the virus has left the economy substantially weakened and more vulnerable.

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

United Kingdom

Following the initial global and domestic shock induced by the COVID-19 pandemic, the outlook for the United Kingdom (UK) remains weak. High-frequency indicators of the UK economy show that activity should lift into the second half of 2020, but their relative weakness also suggest that the recovery will be protracted. The loosening of lockdown restrictions increases the risk of further waves of infection and introduces the likelihood of an even more protracted recovery if further rounds of lockdown and social distancing are ultimately required. This leaves the UK economy in an abnormally stagnant state, which is placing significant strain on household and corporate incomes. Lower GDP, higher unemployment and lower household incomes will leave a gap in UK income statements and balance sheets, which increases the likelihood of further government spending and quantitative easing with interest rates likely to remain lower for longer until GDP and inflation begin to lift.

Other Africa

General

The outlook for the rest of Africa portfolio has come under particular pressure, most notably the SACU countries which all are heavily reliant on activity in South Africa. Without exception, the real economies in these countries are extremely weak with increased fiscal risk becoming an important driver of their medium-term outlook.

A second important theme to note for the rest of Africa portfolio is the negative implications that the fall in the oil price will have for the oil and gas producing economies of Nigeria, Ghana and Mozambique. This will add a further measure of fiscal and foreign exchange weakness to the domestic economic outlook, although the oil price is expected to recover in 2021.

Namibia

The Namibian economy has been in a recessionary environment since 2016, with GDP growth lagging far behind population growth. The COVID-19 pandemic and associated lockdown measures are expected to exacerbate this existing contraction in GDP growth. Namibia went into a 21-day lockdown on 28 March 2020, which was further extended to 38 days ending 4 May 2020. The government subsequently embarked on a gradual reopening of the economy where most economic activities have been allowed to resume with some social distancing precautions. While domestic economic activities have been allowed to resume, the economy still faces a number of COVID-19-related pressures. Firstly, a global slowdown and falling external demand will weigh on exports and export-dependent industries. This is further worsened by restrictions on the movement of goods and people, which will disrupt supply chains in various industries such as wholesale and retail trade, manufacturing and construction. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding COVID-19 in an already weak economic environment. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

This backdrop is expected to result in a significant contraction in GDP growth in 2020 followed by an extremely weak recovery after the initial shock. Inflation is expected to remain low due to low domestic demand, with some upward pressure arising in 2021 through expected higher global oil prices. Similar to South Africa, interest rates are expected to remain low given the low global interest rate environment, low inflation and the interest rate cuts implemented by the SARB.

Botswana

Botswana is expected to experience a significant contraction in GDP in 2020 followed by a weak recovery in 2021. Weaker global demand has resulted in lower global diamond prices and weaker local production. At the same time the tourism sector will continue to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana’s trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented globally. The spill-over effect of these disruptions will be evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes.

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

In order to mitigate the impact of COVID-19 on the economy, the government has drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public-sector dominated economy to a more diversified, export-oriented economy. Although Botswana has the fiscal resources to embark on such a plan, there have been challenges with the implementation of development plans in the past. Given the expected weakness in consumer demand and GDP growth, inflation is expected to remain low. This, together with lower global oil prices, low global inflation and low global interest rates is expected to allow the central bank to maintain low interest rates, through the forecast horizon.

Significant macroeconomic factors for 30 June 2020

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information on the ECL provisions. The information is forecast over a period of three years, per major economic region that the group operates in.

SIGNIFICANT MACROECONOMIC FACTORS FOR 30 JUNE 2020*

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.60)	4.20	4.00	(0.60)	2.40	0.90	(2.00)	0.00	0.00
CPI inflation	3.30	3.00	3.00	3.00	3.80	4.50	4.70	5.90	7.60
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.00	6.25	6.50
Retail									
Real income growth	1.00	4.20	4.9	(1.8)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth**	6.30	17.90	17.8	(1.0)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income ratio	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.2)	1.30	1.2	(0.20)	0.70	0.30	(2.2)	(1.3)	(1.7)
Wholesale									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate ($/R)	12.30	11.80	12.00	15.40	15.90	16.70	17.30	19.7	22.00

* *The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included.*

** *Applicable to the secured portfolio.*

UK (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	5.52	7.06	3.00	1.04	7.31	2.35	(11.73)	10.95	3.17
CPI inflation	2.23	2.27	1.94	0.49	1.65	1.76	(1.78)	(0.26)	2.24
House price index growth*	0.16	5.03	13.95	(4.99)	(0.26)	6.03	(14.7)	(13.68)	(7.09)
Employment growth	2.60	0.80	(1.96)	1.87	0.51	(6.04)	2.08	1.34	(1.45)

* *Applicable to the secured portfolio.*

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

Other Africa

Namibia (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	0.00	1.50	2.50	(3.70)	1.20	1.70	(6.50)	(3.00)	(1.50)
CPI inflation	2.75	3.00	3.00	3.00	3.50	4.00	4.90	5.92	6.75
Repo rate	3.00	2.75	2.75	3.50	3.50	3.50	6.00	6.25	6.50

Botswana (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	**2022**	**2023**	**2021**	**2022**	**2023**	**2021**	**2022**	**2023**
Real GDP growth	(0.30)	4.90	6.00	(2.10)	3.30	3.50	(6.91)	0.25	0.85
CPI inflation	2.00	2.20	2.20	2.20	3.10	3.20	3.35	4.78	5.63
Repo rate	3.25	3.25	3.00	3.50	3.50	3.50	4.50	5.25	6.00

Significant macroeconomic factors for 30 June 2019

South Africa	**Upside scenario**	**Baseline expectation**	**Downside scenario**
Real GDP growth (%)	**2.83**	**1.05**	**0.31**
CPI Inflation (%)	**3.99**	**4.89**	**6.89**
Policy interest rate (%)	**6.19**	**6.75**	**8.19**
Foreign exchange rate ($/R)	**12.60**	**14.50**	**16.45**

Sensitivity analysis of forward-looking information on impairment provisions

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%.

	2020	
	R million	**% change on total IFRS 9 provision**
Impairment provision on performing advances	**23 903**	
Scenarios		
Baseline	**23 766**	**(1)**
Upside	**21 626**	**(10)**
Downside	**26 505**	**11**

The analysis only reflects the impact of changing the probability assigned to each scenario to a 100% and does not include any changes to post-model adjustments, including those needed to cater for the impact of COVID-19.

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

Post-model adjustments

In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, is taken into account in ECL estimates when required. Furthermore, where there is uncertainty 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 and macroeconomic events, additional provisions via post-model adjustments are made. The following table summarises the reasons for the material post-model adjustments made.

POST-MODEL ADJUSTMENT	DESCRIPTION	PORTFOLIOS IMPACTED
COVID-19 macroeconomic adjustment	Post-model adjustment made on the basis of constrained expert judgement to allow for macroeconomic impacts not adequately captured by existing statistical models. Adjustment calculated through application of expert judgement-based weightings to macroeconomic factors within the existing FLI methodology.	Retail and commercial credit portfolios across all geographies.
Adjustment for COVID-19 relief	Adjustments made to coverage held for COVID-19 relief to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour and to provide accordingly where payment relief is offered.	Retail and commercial credit portfolios across all geographies.

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

<table>
<tr><th>JUDGEMENT</th><th>RETAIL AND RETAIL SME</th><th>WHOLESALE AND COMMERCIAL SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and lifetime ECL</td><td>Parameters are determined on a pooled basis, with exposures pooled on 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 and historical draw-down and payment behaviour.

LGDs are determined by estimating expected future cash flows and are 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 the historical data will continue to be relevant in the future.</td><td>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 expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

Term structures have been developed over the entire remaining contractual 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 term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in credit limit.

Expected credit losses 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>
</table>

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

<table>
<tr><th>JUDGEMENT</th><th>RETAIL AND RETAIL SME</th><th>WHOLESALE AND COMMERCIAL SME</th></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</td><td colspan="2">Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade on all ECL stages.

A more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that a significant increase in credit risk (SICR) had occurred for performance advances.

IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.</td></tr>
<tr><td>SICR assessment of COVID-19 relief exposures</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are based on client behaviour, client-based behaviour scores and judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates within that portfolio.

The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts.</td><td>In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis.

SICR triggers are determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors which may result 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 significant increase in credit risk. Additional judgemental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19.

The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis.</td></tr>
</table>

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

JUDGEMENT	DESCRIPTION
Staging sensitivity	As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would need to recognise if 5% of the gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2020. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.

	30 June 2020*	
R million	**5% increase in gross carrying amount of exposure**	**Increase in the loss allowance**
Retail	**30 010**	**2 529**
Wholesale, commercial and other (including Group Treasury)	**26 565**	**3 069**
Total increase in stage 2 advances and ECL	**56 575**	**5 598**

* *Comparative information has not been provided. As IFRS 9 is refined and embedded in the group's reporting process, additional disclosure is included. This information was not produced in the prior year.*

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

JUDGEMENT	DESCRIPTION
Treatment of financial relief offered in response to the impacts of COVID-19 – retail and commercial exposures (excluding SME Loan Guarantee Scheme)	The group has offered financial relief through various mechanisms in response to COVID-19. These included the following: • additional facilities or new loans being granted; • restructure of existing exposures with no change in the present value of the estimated future cash flows; and • restructure of existing exposures with a change in the present value of the estimated future cash flows. Prior to COVID-19 relief being granted to an applying customer, the customer was assessed against eligibility for relief criteria. In doing so, the group was able to identify customers who were in good standing but were facing financial distress due to the impact of COVID-19 directly or indirectly. The COVID-19 relief provided to these customers were deemed to be temporary and cash flow in nature. Where a customer was already experiencing financial distress and was in arrears prior to 29 February 2020, any restructuring of the customer's facilities was deemed to be permanent in nature. Where the relief is expected to be temporary in nature and as such qualifies as a non-distressed restructure, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the relief is expected to be permanent in nature, the exposure has been treated as a distressed restructure, and staging and coverage have been adjusted in line with the group's normal practice. Where the relief has been enacted through the issuance of a new loan as part of non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar products, including a post-model adjustment to allow for incremental credit risk attributable to COVID-19 relief provided. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customer's other facilities with the group. Where the relief provided as an emergency facility (as defined under the National Credit Act) is part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macroeconomic information in line with the rest of the portfolio.
Treatment of financial relief offered in response to the impacts of COVID-19 – wholesale exposures	Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. Treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

2. IMPAIRMENT OF ADVANCES continued

2.3 Significant estimates, judgements and assumptions relating to the impairment of advances continued

JUDGEMENT	DESCRIPTION
Treatment of SME Loan Guarantee Scheme	An arrangement facilitated by BASA, between the SARB and participating banks in South Africa was concluded during the current year. In terms of the arrangement, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guarantee 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 applicable. As part of the scheme, the group would share up to a maximum loss of 6% suffered 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). The limited guarantee 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 the customer as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to repay their credit obligations in full without any recourse action by the group, such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

3. SHARE CAPITAL AND SHARE PREMIUM

Ordinary share capital and share premium

Authorised shares

	2020	2019
Ordinary shares	**6 001 688 450**	6 001 688 450

Issued shares

	2020			2019		
	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**	**8 023**	5 609 488 001	56	8 056
Shares issued	**–**	**–**	**–**	–	–	–
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 023**	5 609 488 001	56	8 056
Treasury shares	**(3 239 594)**	**–**	**(15)**	(385 962)	–	(33)
Total issued share capital attributable to ordinary equityholders	**5 606 248 407**	**56**	**8 008**	5 609 102 039	56	8 023

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 0.06% (2019: 0.01%) of total issued ordinary shares and these shares have been treated as treasury shares.

4. OTHER EQUITY INSTRUMENTS

Preference share capital

Authorised preference shares

	2020	2019
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.*

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

4. OTHER EQUITY INSTRUMENTS continued

Issued shares

	2020		2019	
	Number of shares	**Ordinary equity instruments R million**	Number of shares	Ordinary equity instruments R million
B preference shares	**45 000 000**	**4 519**	45 000 000	4 519
Total issued share capital attributable to preference shareholders of the group	**45 000 000**	**4 519**	45 000 000	4 519

Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Additional Tier 1 capital

R million	Rate	2020	2019
FRB24	3-month JIBAR plus 440 basis points	**2 265**	2 265
FRB25*	3-month JIBAR plus 440 basis points	**3 461**	2 700
Contingent convertible securities	11.875% per annum	**–**	1 250
Total additional Tier 1 capital		**5 726**	6 215
Total other equity instruments		**10 245**	10 734

* *Includes a tap issuance of R761 million in the current year.*

FRB 24 and FRB 25

To date, FirstRand Bank, a wholly owned subsidiary of FirstRand Limited, issued Basel III compliant Additional Tier 1 (AT1) instruments which 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 notes 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 R629 million (2019: R255 million). Current tax of R176 million (2019: R58 million) relating to the AT1 capital note was recognised in the income statement.

4. OTHER EQUITY INSTRUMENTS continued

Contingent convertible securities

On 9 December 2014, the group's subsidiary Aldermore Group plc issued R1 250 million (£75 million) fixed-rate Additional Tier 1 perpetual subordinated contingent convertible securities.

The securities were perpetual and had no fixed redemption date. Redemption of the securities was at the discretion of Aldermore on 30 April 2020 and annually thereafter. The securities bore interest at an initial rate of 11.875% per annum until 30 April 2020 and thereafter at the relevant reset interest rate as provided in the information memorandum. Interest was payable, annually, in arrears on each interest payment date commencing 30 April 2015, and is non-cumulative. The borrower had the full discretion to cancel any interest scheduled to be paid on the securities. The contingent convertible securities were redeemed on 30 April 2020.

These securities were convertible into ordinary shares of Aldermore in the event of Aldermore's common equity ratio falling below 7%. Although there are a number of additional terms relating to events such as acquisition and wind-up, there are no circumstances in which Aldermore had an unavoidable obligation to issue a variable number of its own shares.

5. CONTINGENCIES AND COMMITMENTS

R million	**2020**	2019
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**33 609**	38 273
Letters of credit	**8 511**	8 733
Total contingencies	**42 120**	47 006
Irrevocable commitments*	**127 658**	129 186
Committed capital expenditure	**3 584**	4 034
Operating lease commitments**	**–**	3 390
Other	**50**	136
Contingencies and commitments	**173 412**	183 752
Legal proceedings		
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On-balance sheet provisions are only taken for claims that are expected to materialise.	**426**	192
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by the directors.	**3 584**	4 034

* *Irrevocable commitments have been restated following an investigation which identified an amount of R7 394 million that had been included in irrevocable commitments in 2019 relating to contracts that provide the group with sole discretion to grant to the respective facilities. The ECL on these commitments are immaterial.*

** *The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for details.*

Selected notes to the summary consolidated financial statements continued
for the year ended 30 June

6. FAIR VALUE MEASUREMENTS

6.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes at 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 and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each 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 operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

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

Non-recurring fair value measurements

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

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the standard requires that the asset be held at the lower of its carrying amount and its fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

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

Financial instruments

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

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

Financial instruments not measured at fair value

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

6.2 Fair value hierarchy and measurements

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

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

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

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2

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

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 continued

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

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 continued

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

Selected notes to the summary consolidated financial statements continued
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6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 2 continued

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

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market-related interest rate, adjusted for credit inputs.	Credit inputs

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3 continued

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

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3 continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES **continued**			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations to.	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 latest valuation was performed during the current year. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Expected rentals, capitalisation and exit/ terminal rates.

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Measurement of assets and liabilities at level 3 continued

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

Non-recurring fair value measurements

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

There were no assets or liabilities measured at fair value on a non-recurring basis in the prior year. However, there were non-recurring fair value transactions in the current year.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2020. Assets and liabilities in the disposal group which are subject to the IFRS 5 measurement criteria were measured at fair value less costs to sell and classified as level 2 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability.

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

6.2.1 Fair value hierarchy

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

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	–	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	–	8 611	–	8 611
Commodities	21 344	–	–	21 344
Investment properties	–	–	722	722
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	–	58	–	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	–	–	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	–	8 611	–	8 611
Other liabilities	–	2	300	302
Policyholder liabilities under investment contracts	–	4 960	–	4 960
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	6 653	213 538	7 219	227 410

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

6.2.1 Fair value hierarchy continued

	2019			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	140	46 162	802	47 104
Advances	–	43 583	36 141	79 724
Investment securities	66 826	40 005	3 692	110 523
Non-recourse investments	–	12 253	–	12 253
Commodities	21 176	–	–	21 176
Investment properties	–	–	689	689
Total fair value assets – recurring	88 142	142 003	41 324	271 469
Liabilities				
Recurring fair value measurements				
Short trading positions	5 352	22	–	5 374
Derivative financial instruments	91	51 664	842	52 597
Deposits	1 378	53 809	1 238	56 425
Non-recourse deposits	–	12 253	–	12 253
Other liabilities	–	189	387	576
Policyholder liabilities under investment contracts*	–	4 415	–	4 415
Total fair value liabilities – recurring	6 821	122 352	2 467	131 640

* *The policyholder liabilities under investment contracts were incorrectly classified as level 1 in the prior year and were restated to reflect as a level 2 instrument.*

6. FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments

6.3.1 Transfers between fair value hierarchy levels

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

	2020		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**–**	There were no transfers into level 1.
Level 2	**–**	**(911)**	There were no transfers into level 2.
Level 3	**911**	**–**	Due to market disruption as a result of COVID-19, the market for certain investment securities became illiquid with the assets transferred from level 2 to level 3. In addition, certain inputs used in valuing derivative instruments are no longer observable, resulting in their transfer from level 2 to level 3.
Total transfers	**911**	**(911)**	

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

Selected notes to the summary consolidated financial statements continued

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6. FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.2 Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2018	563	51 318	2 159	754	630	1 586	514
Gains/(losses) recognised in profit or loss	226	2 323	1 477	–	65	(1 769)	3
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–	–
Purchases, sales, issue and settlements	(49)	(17 558)	72	59	159	570	720
Acquisitions/(disposals) of subsidiaries	–	–	–	(124)	–	–	–
Net transfer to level 3	62	–	(27)	–	(12)	–	–
Exchange rate differences	–	58	10	–	–	–	1
Balance as at 30 June 2019	**802**	**36 141**	**3 692**	**689**	**842**	**387**	**1 238**
Gains/(losses) recognised in profit or loss	**142**	**4 458**	**(407)**	**26**	**1 418**	**154**	**76**
Losses recognised in other comprehensive income	**–**	**–**	**(203)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(86)**	**7 186**	**(55)**	**7**	**(434)**	**(241)**	**3 729**
Acquisitions/(disposals) of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net transfer to level 3	**67**	**–**	**814**	**–**	**30**	**–**	**–**
Exchange rate differences	**–**	**848**	**45**	**–**	**–**	**–**	**20**
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**	**1 856**	**300**	**5 063**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities are as a 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 risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

6. FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

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

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are not readily observable, either directly or indirectly. Thus, the gains 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 held at fair value through profit or loss and fair value through other comprehensive income debt instruments, all gains or losses are recognised in NIR.

	2020		2019	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**83**	**–**	162	–
Advances*	**4 291**	**–**	2 183	–
Investment securities	**(575)**	**(211)**	1 340	1
Investment properties	**91**	**–**	–	–
Total	**3 890**	**(211)**	3 685	1
Liabilities				
Derivative financial instruments	**(978)**	**–**	37	–
Deposits	**(41)**	**–**	12	–
Other liabilities	**(40)**	**–**	144	–
Total	**(1 059)**	**–**	193	–

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

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.4 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonable possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonable possible alternative inputs.

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLE POSSIBLE CHANGES ARE APPLIED	REASONABLE POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit migration matrix	A range of scenarios are run as part of the group’s credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Investment properties	Expected rentals, capitalisation and exit/terminal rates	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates were used to assess reasonability of the rate(s) used.
Deposits	Credit inputs and market correlation factors	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes and deposits under repurchase agreements. The most significant unobservable input in determining the fair value is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

6. FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.4 Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonable possible alternatives continued

	Reasonable possible alternative fair value					
	2020			2019		
R million	**Fair value**	**Using more positive assump-tions**	**Using more negative assump-tions**	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**925**	**983**	**872**	802	815	792
Advances	**48 633**	**48 828**	**48 442**	36 141	36 350	35 935
Investment securities	**3 886**	**4 044**	**3 660**	3 692	3 848	3 492
Investment properties	**722**	**794**	**649**	689	758	620
Total financial assets measured at fair value in level 3	**54 166**	**54 649**	**53 623**	41 324	41 771	40 839
Liabilities						
Derivative financial instruments	**1 856**	**1 762**	**1 934**	842	836	846
Deposits	**5 063**	**5 010**	**5 132**	1 238	1 221	1 256
Other liabilities	**300**	**297**	**303**	387	377	397
Total financial liabilities measured at fair value in level 3	**7 219**	**7 069**	**7 369**	2 467	2 434	2 499

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

6. FAIR VALUE MEASUREMENTS continued

6.4 Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2020				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 192 211	1 202 775	–	141 944	1 060 831
Investment securities	134 921	133 464	104 689	25 846	2 929
Total financial assets at amortised cost	1 327 132	1 336 239	104 689	167 790	1 063 760
Liabilities					
Deposits	1 480 124	1 483 457	9 951	1 170 985	302 521
Other liabilities	4 735	4 778	–	3 118	1 660
Tier 2 liabilities	24 614	24 987	–	24 987	–
Total financial liabilities at amortised cost	1 509 473	1 513 222	9 951	1 199 090	304 181

	2019				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 126 028	1 136 277	–	110 953	1 025 324
Investment securities	118 950	118 668	88 102	24 572	5 994
Total financial assets at amortised cost	1 244 978	1 254 945	88 102	135 525	1 031 318
Liabilities					
Deposits	1 324 426	1 318 847	4 768	1 102 313	211 766
Other liabilities	5 398	5 388	–	3 015	2 373
Tier 2 liabilities	24 191	24 752	–	24 752	–
Total financial liabilities at amortised cost	1 354 015	1 348 987	4 768	1 130 080	214 139

6. FAIR VALUE MEASUREMENTS continued

6.5 Day 1 profit or loss

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2020**	2019
Opening balance	**50**	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year*	**329**	31
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(182)**	(35)
Closing balance	**197**	50

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

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7. SUMMARY SEGMENT INFORMATION

	Year ended 30 June 2020												
	FNB					RMB							
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	16 712	1 146	**17 858**	1 226	**19 084**	6 459	1 856	**8 315**	**956**	(4 437)	**23 918**	(290)	**23 628**
Total assets	427 948	59 265	**487 213**	133 372	**620 585**	558 360	74 395	**632 755**	**328 301**	344 975	**1 926 616**	(77)	**1 926 539**
Total liabilities*	416 679	58 417	**475 096**	131 323	**606 419**	548 835	73 454	**622 289**	**304 550**	241 361	**1 774 619**	–	**1 774 619**

* *Total liabilities are net of interdivisional balances.*

	Year ended 30 June 2019												
	FNB					RMB							
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	23 847	1 681	**25 528**	2 580	**28 108**	7 851	2 008	**9 859**	**2 389**	(1 668)	**38 688**	2 984	**41 672**
Total assets	419 082	57 552	**476 634**	138 254	**614 888**	459 295	64 681	**523 976**	**225 323**	304 852	**1 669 039**	23	**1 669 062**
Total liabilities*	401 763	57 608	**459 371**	135 146	**594 517**	449 127	63 214	**512 341**	**205 626**	211 985	**1 524 469**	–	**1 524 469**

* *Total liabilities are net of interdivisional balances.*

8. EVENTS AFTER REPORTING PERIOD

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

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group has a portfolio of integrated financial services businesses comprising FNB, RMB, WesBank, Aldermore and Ashburton Investments. The group operates in South Africa, certain markets in sub-Saharan Africa, the United Kingdom and India, and offers a universal set of transactional, lending, investment and insurance products and services.

The group's operations are conducted through its six significant wholly-owned subsidiaries:

SUBSIDIARY	OPERATION
FirstRand Bank Limited	SA banking activities and foreign branches in London, Guernsey and India
FirstRand EMA Holdings Proprietary Limited	Rest of Africa subsidiaries
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand International Limited (Guernsey)	UK banking and hard currency platform
FirstRand Insurance Holdings Proprietary Limited	Insurance

There are no significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to page 72 for a simplified group structure.

9.1 Significant acquisition of subsidiaries

The group regards Ghana as an attractive market with long-term potential. On 4 May 2020, the group acquired the entire issued share capital of GHL Bank through First National Bank Ghana Limited. GHL Bank is a Ghana-based bank that primarily provides mortgages to customers. The acquisition of GHL Bank provides First National Bank Ghana with the foundation for a broader retail strategy going forward.

GHL Bank and First National Bank Ghana are included in the FNB Africa reportable segment of the group. On 30 June 2020, GHL Bank was merged with First National Bank Ghana and ceased to exist as a separate legal entity.

The accounting for the GHL Bank business combination is provisional at 30 June 2020 due to the inherent complexity and judgement associated with identifying intangible assets and determining the fair value of identifiable intangible assets and certain on-balance sheet items.

The acquired receivables consisted of advances, accounts receivable and debt investment securities. The fair value of these receivables was R1 878 million, the gross carrying value was R1 871 million and the ECL was R68 million at the acquisition date. Acquisition-related expenditure of R4 million has been disclosed as operating expenditure in the consolidated income statement.

From the date of acquisition, GHL Bank contributed R27 million of revenue (NII and NIR) and R3 million to profit before tax of the group. If the acquisition had taken place at the beginning of the current period, group revenue and profit before tax would not have been materially impacted.

Selected notes to the summary consolidated financial statements continued

for the year ended 30 June

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

9.1 Significant acquisition of subsidiaries continued

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

	GHL Bank
R million	**2020**
ASSETS	
Cash and cash equivalents	143
Other assets	26
Current tax asset	8
Advances	1 611
Investment securities	193
Property and equipment	111
Intangible assets	39
Total assets acquired	**2 131**
LIABILITIES	
Creditors and accruals	263
Deposits	268
Employee liabilities	2
Other liabilities	1 309
Deferred income tax liability	18
Total liabilities acquired	**1 860**
Net asset value as at date of acquisition	**271**
Total goodwill is calculated as follows:	
Total cash consideration transferred	509
Less: net identifiable asset value at date of acquisition	(271)
Goodwill on acquisition	**238**

9. SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

9.2 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are First National Bank of Namibia Holdings Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank of Botswana Holdings Limited. The non-controlling interests recognised by the group results from First National Bank Holdings Botswana Limited's shareholding in First National Bank Botswana Limited. The non-controlling interests own 30.5% of First National Bank Botswana Limited.

In addition to the above the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMBIA Proprietary Limited sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank of Namibia Holdings Limited	First National Bank of Botswana Limited
Country of incorporation	Namibia	Botswana
% ownership held by non-controlling interests	40.1	30.5
% voting rights by non-controlling interests	40.1	30.5

R million	**2020**	2019	**2020**	2019
Balances included in the consolidated statement of financial position				
Total assets	**45 893**	44 180	**44 150**	34 773
Balances with central banks*	**409**	431	**676**	1 123
Total liabilities	**40 893**	38 766	**38 923**	30 395
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 857**	3 865	**2 296**	2 133
Non-interest revenue	**2 002**	1 913	**1 777**	1 533
Profit or loss before tax	**1 210**	1 585	**1 260**	1 259
Total comprehensive income	**833**	1 086	**1 420**	989
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**508**	239	**181**	153
Profit or loss attributable to non-controlling interests	**423**	445	**291**	293
Accumulated balance of non-controlling interests	**2 039**	2 202	**1 541**	1 290

* *These balances are not available to the group for day-to-day operational use.*

DEFINITIONS, ABBREVIATIONS AND SUPPLEMENTARY INFORMATION

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Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Vintage analysis	A percentage that expresses the origination balance of the loans in a particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within a 3/6/12-month outcome window), regardless if the account is redeemed, to the origination balance of all loans booked in that year/quarter of origination
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Accrued and fair value
ACI	African, Coloured and Indian
AGM	Annual general meeting
APE	Annual premium equivalent
ASPIRE	Accelerated Support for Pandemic Intervention and Relief Effort
AT1	Additional Tier 1
AUM	Assets under management
B4SA	Business for South Africa
BASA	Banking Association of South Africa
B-BBEE	Broad-based black economic empowerment
BCBS	Basel Committee on Banking Supervision
BCIP	Bonus conditional incentive plan
BEE	Black economic empowerment
bps	Basis points
BSE	Botswana Stock Exchange
C&I	Corporate and Institutional
CAE	Chief audit executive
CAF	Combined assurance forum
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CIO	Chief information officer
CIP	Conditional incentive plan
CLR	Credit loss ratio
COVID-19	Coronavirus disease
CPD	Continuing professional development
CRO	Chief risk officer
CSC	Climate steering committee
CSI	Corporate social investment
CTC	Cost-to-company
DBSA	Development Bank of South Africa
DM	Developed market
DAG	Directors' affairs and governance committee
dti	Department of Trade and Industry
EAD	Exposure at default
ECL	Expected credit loss
EDD	Enhanced due diligence
EEA	Employment Equity Act
EE	Employment equity
eGRC	Enterprise governance, risk and compliance
EPS	Earnings per share
ERM	Enterprise risk management
ESG	Environmental, societal and governance
ESRA	Environmental and social risk assessment
EV	Embedded value
FLI	Forward-looking information
FML	Full maintenance leasing

FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRM	Financial resources management
FSC	Financial Sector Charter
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GCA	Gross carrying amount
GHL Bank	Ghana Home Loans Bank
GIA	Group Internal Audit
GRI	Global Reporting Initiative
HEPS	Headline earnings per share
HOPE	Health Optimisation in Pandemic Emergency Fund
ICAAP	Internal capital adequacy assessment process
IDC	Industrial Development Corporation
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Audit
IRBA	Independent Regulatory Board for Auditors
ISA	International Standards on Auditing
ISE	Irish Stock Exchange
ITGF	IT governance framework
ITRGC	Information technology risk and governance committee
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
King IV	King Code on Corporate Governance 2016
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
Listings Requirements	JSE Limited Listings Requirements
LSE	London Stock Exchange
LTEMRS	Long-term executive management retention scheme
LTI	Long-term incentive
LTIP	Long-term incentive plan
MAFR	Mandatory audit firm rotation
MOI	Memorandum of incorporation
Moody’s	Moody’s Investors Service
MRT	Material risk-taker
MVNO	Mobile virtual network operator
NAV	Net asset value
NC	Nominations committee
NCNR	Non-cumulative non-redeemable
NDP	National Development Plan
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin

Abbreviations continued

NIR	Non-interest revenue
NPA	National Prosecuting Authority
NPL	Non-performing loan
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price/earnings
PPE	Personal protective equipment
PPP	Public-private partnership
PRA	Prudential Regulation Authority
QAIP	Quality assurance and improvement programme
R&C	Retail and Commercial
RCC	Risk, capital management and compliance
Remco	Remuneration committee
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
S&P	S&P Global Ratings
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SENS	Stock Exchange News Service
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SPIRE	South African Pandemic Intervention and Relief Effort
STI	Short-term incentives
Stratco	Strategic executive committee
TCC	Technical climate committee
TCFD	Task Force on Climate-related Financial Disclosures
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VNB	Value of new business
VWAP	Volume weighted average price
WBCSD	World Business Council for Sustainable Development
WFE	World Federation of Exchanges
WIM	Wealth and investment management
WRI	World Resources Institute

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

INTERNATIONAL ACCOUNTING STANDARDS

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

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

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

Description of difference between normalised and IFRS results

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

- the margin on the 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 USD funding and liquidity pool.

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 01/2019 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This 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 a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes.

In 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 is equal to the grant date fair value of the awards given.

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 01/2019 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 210.

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2020

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	**62 851**	–	–	(34)
Impairment charge	**(24 383)**	–	–	–
Net interest income after impairment of advances	**38 468**	–	–	(34)
Total non-interest revenue	**42 454**	119	(91)	34
– Operational non-interest revenue	**42 247**	119	21	34
– Share of profit of associates and joint ventures after tax	**207**	–	(112)	–
Income from operations	**80 922**	119	(91)	–
Operating expenses	**(55 656)**	3	–	–
Income before indirect tax	**25 266**	122	(91)	–
Indirect tax	**(1 348)**	–	–	–
Profit before tax	**23 918**	122	(91)	–
Income tax expense	**(4 874)**	(34)	26	–
Profit for the year	**19 044**	88	(65)	–
Attributable to				
Other equity instrument holders	**(1 145)**	–	–	–
Non-controlling interests	**(634)**	(3)	–	–
Ordinary equityholders	**17 265**	85	(65)	–
Headline and normalised earnings adjustments	**–**	(85)	65	–
Normalised earnings attributable to ordinary equityholders of the group	**17 265**	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	**IFRS**
–	–	–	98	**62 915**
–	–	–	–	**(24 383)**
–	–	–	98	**38 532**
–	–	(37)	(759)	**41 720**
–	–	29	(759)	**41 691**
–	–	(66)	–	**29**
–	–	(37)	(661)	**80 252**
164	–	(341)	554	**(55 276)**
164	–	(378)	(107)	**24 976**
–	–	–	–	**(1 348)**
164	–	(378)	(107)	**23 628**
(46)	–	50	30	**(4 848)**
118	–	(328)	(77)	**18 780**
			–	
–	–	–	–	**(1 145)**
–	–	23	–	**(614)**
118	–	(305)	(77)	**17 021**
(118)	–	305	77	**244**
–	–	–	–	**17 265**

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2019

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	60 299	–	–	77
Impairment charge	(10 500)	–	–	–
Net interest income after impairment of advances	49 799	–	–	77
Total non-interest revenue	44 068	32	1	(77)
– Operational non-interest revenue	42 811	32	(3)	(77)
– Share of profit of associates and joint ventures after tax	1 257	–	4	–
Income from operations	93 867	32	1	–
Operating expenses	(53 899)	(32)	–	–
Income before indirect tax	39 968	–	1	–
Indirect tax	(1 280)	–	–	–
Profit before tax	38 688	–	1	–
Income tax expense	(9 152)	–	–	–
Profit for the year	29 536	–	1	–
Attributable to				
Other equity instrument holders	(760)	–	–	–
Non-controlling interests	(882)	–	–	–
Ordinary equityholders	27 894	–	1	–
Headline and normalised earnings adjustments	–	–	(1)	–
Normalised earnings attributable to ordinary equityholders of the group	27 894	–	–	–

* *FirstRand shares held for client trading activities.*

	IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
	–	–	–	81	60 457
	–	–	–	–	(10 500)
	–	–	–	81	49 957
	–	(26)	3 108	(68)	47 038
	–	(26)	3 139	(68)	45 808
	–	–	(31)	–	1 230
	–	(26)	3 108	13	96 995
	135	–	(123)	(124)	(54 043)
	135	(26)	2 985	(111)	42 952
	–	–	–	–	(1 280)
	135	(26)	2 985	(111)	41 672
	(38)	–	(660)	31	(9 819)
	97	(26)	2 325	(80)	31 853
	–	–	–	–	(760)
	–	1	(1)	–	(882)
	97	(25)	2 324	(80)	30 211
	(97)	25	(2 324)	80	(2 317)
	–	–	–	–	27 894

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2020

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	136 002	–	136 002
Derivative financial instruments	147 515	–	147 515
Commodities	21 344	–	21 344
Investment securities	297 510	(41)	297 469
Advances	1 261 715	–	1 261 715
– Advances to customers	1 191 281	–	1 191 281
– Marketable advances	70 434	–	70 434
Other assets	11 256	–	11 256
Current tax asset	598	–	598
Non-current assets and disposal groups held for sale	3 065	–	3 065
Reinsurance assets	240	–	240
Investments in associates	6 882	–	6 882
Investments in joint ventures	1 811	(62)	1 749
Property and equipment	21 369	–	21 369
Intangible assets	11 638	–	11 638
Investment properties	722	–	722
Defined benefit post-employment asset	–	–	–
Deferred income tax asset	4 949	26	4 975
Total assets	1 926 616	(77)	1 926 539
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 062	–	5 062
Derivative financial instruments	162 193	–	162 193
Creditors, accruals and provisions	21 038	–	21 038
Current tax liability	499	–	499
Liabilities directly associated with disposal groups held for sale	1 427	–	1 427
Deposits	1 535 015	–	1 535 015
Employee liabilities	8 820	–	8 820
Other liabilities	8 203	–	8 203
Policyholder liabilities	6 430	–	6 430
Tier 2 liabilities	24 614	–	24 614
Deferred income tax liability	1 318	–	1 318
Total liabilities	1 774 619	–	1 774 619
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(48)	8 008
Reserves	129 494	(29)	129 465
Capital and reserves attributable to ordinary equityholders of the group	137 606	(77)	137 529
Other equity instruments	10 245	–	10 245
Non-controlling interests	4 146	–	4 146
Total equity	151 997	(77)	151 920
Total equity and liabilities	1 926 616	(77)	1 926 539

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2019

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

* *FirstRand shares held for client trading activities.*

SHAREHOLDERS' INFORMATION

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Analysis of B preference shareholders	**282**
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Analysis of ordinary shareholders

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
Public Investment Corporation		789 298	14.1
Royal Bafokeng Holdings		231 500	4.1
Remgro Limited		175 386	3.1
BEE partners*		290 603	5.2
Subtotal		1 486 787	26.5
Other		4 122 701	73.5
Total		5 609 488	100.0
Shareholder type			
Corporates (Royal Bafokeng Holdings and Remgro)		406 886	7.3
Pension funds		1 173 972	20.9
Insurance companies and banks		191 536	3.4
Unit trusts		1 895 277	33.8
Individuals		207 909	3.7
BEE partners*		290 603	5.2
Other		1 443 305	25.7
Total		5 609 488	100.0
Public and non-public shareholders			
Public	103 950	4 901 263	87.3
Non-public			
– Corporates (Royal Bafokeng Holdings and Remgro)	2	406 886	7.3
– Directors and prescribed officers**	11	8 445	0.2
– BEE partners*	7	292 894	5.2
Total	103 970	5 609 488	100.0
Geographic ownership			
South Africa		3 061 513	54.6
International		1 761 295	31.4
Unknown/unanalysed		786 680	14.0
Total		5 609 488	100.0

* *BEE partners include: FirstRand Empowerment Trust, FirstRand Staff Assistant Trust, MIC Management Services, Mineworkers Investment Trust, Kagiso Charitable Trust, WDB Trust No 2 and WDB Investment Holdings.*

** *Reflects direct beneficial ownership.*

Analysis of B preference shareholders

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	6 225	45 000	100.0
Non-public			
– directors	–	–	–
Total	6 225	45 000	100.0

Performance on the JSE

	2020	2019
Number of shares in issue (thousands)	5 609 488	5 609 488
Market price (cents per share)		
Closing	3 806	6 855
High	6 990	7 195
Low	3 113	5 900
Weighted average	5 557	6 608
Closing price/net asset value per share	1.55	2.97
Closing price/earnings (headline)	12.32	13.79
Volume of shares traded (millions)	3 536	2 717
Value of shares traded (millions)	179 025	179 308
Market capitalisation (R billion)	213.50	384.53

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), MS Bomela, JP Burger, GG Gelink, F Knoetze, RM Loubser, TS Mashego, AT Nzimande, Z Roscherr, 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
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the group

at 30 June 2020

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB13	ZAG000116286	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB14	ZAG000116294	FRB20	ZAG000135385	FRB25	ZAG000157512
FRB16	ZAG000127622	FRB21	ZAG000140856	FRB26	ZAG000159955
FRB17	ZAG000127630	FRB22	ZAG000141219	FRB27	ZAG000159963
FRB18	ZAG000135229	FRB23	ZAG000146754		
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX25	ZAG000152828
FRBZ02	ZAG000072711	FRJ26	ZAG000156969	FRX26	ZAG000112160
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX27	ZAG000142506
FRJ20	ZAG000109596	FRJ29	ZAG000156951	FRX28	ZAG000152836
FRJ21	ZAG000115858	FRJ022	ZAG000163775	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS135	ZAG000126608	FRS180	ZAG000154147
FRS37	ZAG000077793	FRS136	ZAG000126780	FRS182	ZAG000154386
FRS43	ZAG000078643	FRS137	ZAG000127549	FRS183	ZAG000154568
FRS46	ZAG000079807	FRS138	ZAG000127556	FRS184	ZAG000155490
FRS49	ZAG000081787	FRS142	ZAG000130782	FRS186	ZAG000156522
FRS51	ZAG000086117	FRS143	ZAG000130790	FRS187	ZAG000156514
FRS62	ZAG000090614	FRS145	ZAG000134263	FRS188	ZAG000156506
FRS64	ZAG000092529	FRS146	ZAG000134636	FRS194	ZAG000160516
FRS81	ZAG000100892	FRS147	ZAG000135724	FRS195	ZAG000160524
FRS85	ZAG000104985	FRS149	ZAG000136573	FRS197	ZAG000161373
FRS87	ZAG000105420	FRS150	ZAG000136615	FRS198	ZAG000161365
FRS90	ZAG000106410	FRS151	ZAG000136987	FRS199	ZAG000161381
FRS100	ZAG000111634	FRS152	ZAG000136995	FRS200	ZAG000161571
FRS101	ZAG000111774	FRS153	ZAG000137670	FRS201	ZAG000162025
FRS103	ZAG000111840	FRS158	ZAG000145012	FRS202	ZAG000162066
FRS104	ZAG000111857	FRS159	ZAG000145020	FRS204	ZAG000162538
FRS108	ZAG000113515	FRS160	ZAG000145038	FRS205	ZAG000162546
FRS109	ZAG000113564	FRS161	ZAG000145046	FRS206	ZAG000163304
FRS110	ZAG000113663	FRS162	ZAG000145111	FRS207	ZAG000164385
FRS112	ZAG000115395	FRS163	ZAG000145129	FRS208	ZAG000164377
FRS114	ZAG000116070	FRS164	ZAG000145160	FRS209	ZAG000164344
FRS119	ZAG000118951	FRS165	ZAG000145178	FRS211	ZAG000165762
FRS120	ZAG000119298	FRS167	ZAG000145764	FRS212	ZAG000166786
FRS121	ZAG000120643	FRS168	ZAG000145772	FRS213	ZAG000166802
FRS122	ZAG000121062	FRS169	ZAG000145780	FRS214	ZAG000166778
FRS123	ZAG000121328	FRS170	ZAG000145954	FRS215	ZAG000167339
FRS124	ZAG000122953	FRS171	ZAG000147448	FRS217	ZAG000167826
FRS126	ZAG000125188	FRS172	ZAG000147455	FRS218	ZAG000168527
FRS127	ZAG000125394	FRS173	ZAG000148180	FRS219	ZAG000168683
FRS129	ZAG000125865	FRS174	ZAG000148198	FRS220	ZAG000168717
FRS131	ZAG000126186	FRS175	ZAG000149451	FRS221	ZAG000169038
FRS132	ZAG000126194	FRS176	ZAG000149444	RMBI02	ZAG000052986
FRS134	ZAG000126574	FRS177	ZAG000152885		
Credit-linked notes					
FRC169	ZAG000104852	FRC221	ZAG000121229	FRC243	ZAG000135419
FRC181	ZAG000108549	FRC233	ZAG000128752	FRC245	ZAG000135468
FRC207	ZAG000117649	FRC234	ZAG000130816	FRC246	ZAG000135476
FRC208	ZAG000117656	FRC237	ZAG000135203	FRC249	ZAG000135542
FRC209	ZAG000118613	FRC239	ZAG000135245	FRC250	ZAG000135559
FRC213	ZAG000121047	FRC240	ZAG000135252	FRC251	ZAG000141813

Listed financial instruments of the group continued

at 30 June 2020

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes *continued*					
FRC252	ZAG000142225	FRC293	ZAG000158783	FRC317	ZAG000163551
FRC256	ZAG000145806	FRC294	ZAG000158791	FRC318	ZAG000163684
FRC261	ZAG000147653	FRC296	ZAG000159369	FRC319	ZAG000163700
FRC262	ZAG000147646	FRC297	ZAG000159351	FRC320	ZAG000163718
FRC265	ZAG000149485	FRC298	ZAG000159427	FRC321	ZAG000163759
FRC267	ZAG000150004	FRC299	ZAG000159575	FRC323	ZAG000163874
FRC271	ZAG000151556	FRC300	ZAG000159674	FRC324	ZAG000164021
FRC272	ZAG000151564	FRC301	ZAG000159872	FRC325	ZAG000164302
FRC274	ZAG000151952	FRC302	ZAG000160029	FRC326	ZAG000164310
FRC275	ZAG000152372	FRC303	ZAG000160425	FRC327	ZAG000164880
FRC276	ZAG000152430	FRC304	ZAG000160565	FRC328	ZAG000164898
FRC277	ZAG000153552	FRC305	ZAG000160920	FRC329	ZAG000165945
FRC279	ZAG000153578	FRC306	ZAG000160938	FRC330	ZAG000166133
FRC280	ZAG000153776	FRC307	ZAG000161597	FRC331	ZAG000166620
FRC282	ZAG000154063	FRC308	ZAG000161605	FRC332	ZAG000166687
FRC283	ZAG000154394	FRC309	ZAG000161738	FRC334	ZAG000166810
FRC284	ZAG000154642	FRC310	ZAG000161936	FRC335	ZAG000166950
FRC285	ZAG000155201	FRC311	ZAG000161977	FRC336	ZAG000166968
FRC286	ZAG000156548	FRC312	ZAG000161985	FRC337	ZAG000167297
FRC289	ZAG000157108	FRC313	ZAG000161993	FRC338	ZAG000168535
FRC290	ZAG000157447	FRC314	ZAG000162033	FRC339	ZAG000168626
FRC291	ZAG000157629	FRC315	ZAG000163155	FRC340	ZAG000168659
FRC292	ZAG000157777	FRC316	ZAG000163460	FRC341	ZAG000168675

Preference share programme

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

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1954121031 (unlisted)	XS1810806395

Other

Bond code	ISIN code
Exchange-traded funds	
DCCUSD	ZAE000234977
DCCUS2	ZAE000251179
KCCGLD	ZAE000195830

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK02	ZAE000275533	FRPT01	ZAE000205480

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code
Subordinated debt
NA000A19FKV1
NA000A19FKU3

ISIN code
Senior unsecured
NA000A188PY8
NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700
FNBB010	BW 000 000 2377

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

Listed financial instruments of the group continued

at 30 June 2020

SECURITISATIONS AND CONDUITS LISTED DEBT

Issuer: Nitro Securitisation 6 (RF) Limited

JSE

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

Issuer: Nitro Programme (RF) Limited

JSE

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

Issuer: Oak No. 2 plc

ISE

ISIN code
XS1843460442

Issuer: iVuzi

JSE

Bond code	ISIN code
IVZ002	ZAG000167545
IVZ003	ZAG000167610
IVZ004	ZAG000167651
IVZ005	ZAG000167792
IVZ006	ZAG000167909
IVZ007	ZAG000168014
IVZ008	ZAG000168188
IVZ009	ZAG000168246
IVZ010	ZAG000168451

Issuer: Turbo Finance 8 plc

Irish Stock Exchange (ISE)

ISIN code
XS1892532141
XS1892541647
XS1892541993
XS1892542298
XS1892542371
XS1894621827

Issuer: MotoPark Finance plc

ISE

ISIN code
XS1755432876
XS1755432959
XS1755433098
XS1755433171

Issuer: Oak No. 3 plc

ISE

ISIN code
XS2034869441

Issuer: iNguza

JSE

Bond code	ISIN code
ING383	ZAG000154048

NOTICE OF ANNUAL GENERAL MEETING

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Invitation to shareholders by the chairman

Dear Shareholder

FIRSTRAND LIMITED 2020 NOTICE OF ANNUAL GENERAL MEETING

The spread of COVID-19 continues to have a significant impact on daily life and has influenced the manner in which traditional meetings have been held. Due to the COVID-19 pandemic and the need for social distancing and measures to combat its spread including large public gatherings, the group's primary concern is the health and safety of all stakeholders. In accordance with the memorandum of incorporation (MOI), FirstRand Limited's upcoming 24th annual general meeting (AGM or meeting) will be held by electronic meeting participation at 09:00 on Wednesday, 2 December 2020 to consider, and if deemed fit, pass with or without modification, the resolutions as set out in the notice.

The upcoming AGM will be conducted as a virtual meeting (i.e. by electronic communication), giving shareholders the opportunity to attend the AGM and participate online, using a smartphone, tablet or computer. Voting is also expected to be effected online (through the use of the Lumi virtual meeting platform at https://web.lumiagm.com).

Steps to follow to participate in the annual general meeting:

1. Prior registration is mandatory in order to be able to participate in the meeting. Registration can take place by:
   a. registering online using the online registration portal at https://smartagm.co.za; or
   b. applying to Computershare by sending an email with proof of identification to proxy@computershare.co.za
2. Once the registration process has been approved, a username and password will be sent either via SMS or email to shareholders who have pre-registered and are entitled to participate in the meeting.
3. Shareholders can then access the online meeting platform at https://web.lumiagm.com
4. A shareholders' guide is available in the *Notice of AGM* on pages 305 to 308 or on the FirstRand website at www.firstrand.co.za to assist and provide meeting participation guidelines.

   Kindly note that registrations will still be accepted up until commencement of the meeting, but will be subject to a vetting and verification process which may delay the receipt of login credentials.

SUMMARY OF RESOLUTIONS TO BE TABLED AT THE AGM

The following will be dealt with as the ordinary business of the AGM and the ordinary resolutions below will be tabled for consideration at the AGM:

- present the audited annual financial statements of the company, as approved by the board of directors of the company (directors or board), including the reports of the external auditor, audit committee and directors, for the year ended 30 June 2020 (available on the company's website, www.firstrand.co.za) and the summary annual financial statements, which are included in the 2020 annual integrated report, of which this notice forms part, distributed to shareholders, as required by the Companies Act 71 of 2008 (the Act) and the JSE Limited Listings Requirements (Listings Requirements).
- present the report of the social, ethics and transformation committee of the company for the financial year ended 30 June 2020. This report can be accessed in the annual integrated report on pages 185 to 188 and is available on the company's website at www.firstrand.co.za;
- in terms of the provisions of the company's MOI on director rotation, the directors who retire offer themselves for re-election and their abridged curricula vitae have been included in the notice of AGM (resolutions number 1.1 to 1.2);
- in terms of the provisions of the company's MOI, the vacancy filled on the board by any person as a director during the year subsequent to the last AGM requires election by the shareholder at the AGM following such appointment (resolution number 1.3);
- to reappoint the company's joint auditors, Deloitte & Touche and PricewaterhouseCoopers Inc. (resolution number 2.1 and 2.2);
- a general authority to issue authorised but unissued ordinary shares for cash up to a maximum of 1.5% (excluding treasury shares) of the ordinary shares in issue as at date of this notice (resolution number 3); and
- to provide signing authority to the directors and/or company secretary of the company to sign documents as deemed necessary for the implementation of resolutions passed at the AGM (resolution number 4).

The advisory endorsement will be tabled for consideration at the AGM:

- To consider and, if deemed fit, to endorse, by way of separate, non-binding advisory votes, the company's remuneration policy and remuneration implementation report. The full remuneration report is available on pages 103 to 178 of the annual integrated report.

Invitation to shareholders by the chairman continued

The following special resolutions will be tabled for consideration at the AGM:

- a renewal of the authority given by shareholders at the previous AGM that will allow the repurchase of the company's shares by the company or any subsidiary during the period of the authority, should the directors deem the circumstances to be appropriate. Any repurchases will be made in accordance with the provisions of the Act and the JSE Listings Requirements (special resolution number 1);
- to provide financial assistance to directors and prescribed officers as employee share scheme beneficiaries and to provide financial assistance to related and interrelated entities. This is subject to compliance with the requirements of the MOI, the Act and any other relevant legislation and the Listings Requirements of the JSE and NSX when applicable (special resolutions number 2.1 and 2.2); and
- to approve the non-executive director's fees with effect from 1 December 2020 in accordance with the provisions of section 66(9) of the Act (special resolution number 3).

WILLIAM ROGER JARDINE
Chairman

7 October 2020

Notice of annual general meeting

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
LEI: 529900XYOP8CUZU7R671
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the 24th annual general meeting of FirstRand will be held by electronic meeting participation at 09:00 on Wednesday, 2 December 2020, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary resolutions, endorsements and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Limited Listings Requirements (Listings Requirements) and the Banks Act 94 of 1990 (the Banks Act).

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

This meeting will be conducted by electronic communication as contemplated in section 63(2)(b) of the Act and shareholders can access the meeting platform at https://web.lumiagm.com. As part of the registration process, a unique meeting ID, username and password will be sent either via SMS or email to each shareholder who has pre-registered and entitled to participate at the meeting. A shareholders' guide is available in the *Notice of AGM* on pages 305 to 308, or on the FirstRand website at www.firstrand.co.za, to assist and provide meeting participation guidelines.

RECORD DATE AND PROXIES

Record date to be eligible to receive the notice of the annual general meeting	Friday, 23 October 2020
Posting date	Thursday, 29 October 2020
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 24 November 2020
Record date to be eligible to attend and vote at the annual general meeting	Friday, 27 November 2020
Proxies due (for administrative purposes) by 09:00	Monday, 30 November 2020
Annual general meeting at 09:00*	Wednesday, 2 December 2020

Notes: The above dates and times are subject to amendment, provided that in the event of an amendment, an announcement will be released on the Stock Exchange News Service (SENS).

All dates and times indicated above are references to South African dates and times.

* *Results of AGM to be released on SENS by no later than Friday, 4 December 2020.*

Agenda

PRESENTATION OF AUDITED ANNUAL FINANCIAL STATEMENTS

The presentation of the audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors' report for the year ended 30 June 2020, and the summary financial statements, which are included in the 2020 annual integrated report, of which this notice forms part, will be presented to the shareholders as required in terms of section 30(3)(d) of the Act.

The audited AFS of the company are available on company's website, www.firstrand.co.za

PRESENTATION OF SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The report of the company's social, ethics and transformation committee report for the year ended 30 June 2020 is set out on pages 185 to 188 in the annual integrated report, as required in terms of regulation 43(5)(c) of the Act's Regulations, 2011.

This report is available on company's website, www.firstrand.co.za

ORDINARY RESOLUTIONS FOR CONSIDERATION AND ADOPTION

The percentage of voting rights required for each ordinary resolution numbered 1.1 to 1.2 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

1. ORDINARY RESOLUTIONS NUMBER 1.1 TO 1.2: ELECTION AND RE-ELECTION OF DIRECTORS

Ms AT Nzimande and Ms MS Bomela will be retiring as independent non-executive directors at the conclusion of the AGM to be held on Wednesday, 2 December 2020 and do not offer themselves for re-election. Mr RM Loubser and Ms TM Mashego, being eligible, offer themselves for re-election.

The nominations committee has considered the composition, gender diversity and balance of the board and has evaluated the independence of the directors (where applicable), taking into consideration their expertise, knowledge, performance and contribution and has recommended to the board that they these directors be proposed for re-election.

Notice of annual general meeting continued

The board has considered the proposals of the nominations committee and recommends the re-election of Mr Loubser and Ms TS Mashego.

Ordinary resolution number 1.1

Resolved that Mr RM Loubser be and is hereby elected as an independent non-executive director of the company.

Ordinary resolution number 1.2

Resolved that Ms TS Mashego be and is hereby elected as an independent non-executive director of the company.

Additional information in respect of ordinary resolutions number 1.1 to 1.2

Skills and experience of these directors are set out below for your information purposes.

Abridged curricula vitae of directors standing for election or re-election for ordinary resolutions number 1.1 to 1.2

1.1 RM LOUBSER – RUSSELL | 70

Independent non-executive director
South African
Appointed: September 2014
Qualifications: BCom (Hons), MCom (Statistics), CA(SA)
Expertise in audit, risk and banking

Skills and experience

Russell has received many awards, including honorary life membership from SAICA, and acquired recognition by way of a special award from the Investment Analysts Society of South Africa.

He has more than 15 years' board experience, having served as a member of the King Committee and Securities Regulation Panel for SA. He was also a board member for the World Federation of Exchanges for approximately 13 years.

Russell started his career as an executive director of financial markets at Rand Merchant Bank and is a seasoned banker with international experience. He spent the greater part of his career as the CEO of the JSE, and during his tenure conceptualised the demutualisation of the JSE. He is currently self-employed and serves as a non-executive director. Russell has widespread experience in governance, public policy and regulations.

FirstRand – committee memberships:

- Audit
- Directors' affairs and governance
- Large exposures – chair
- Remuneration
- Risk, capital management and compliance – chair
- Retail and Commercial* (formerly FNB Advisory Board)
- Corporate and Institutional* (formerly RMB Advisory Board)
- Retail and Commercial Audit
- Retail and Commercial Risk and Compliance – chair
- Corporate and Institutional Audit – chair
- Corporate and Institutional Risk and Compliance – chair
- FirstRand Investment Management Holdings Board – chair
- FirstRand Insurance Holdings Board – chair

* *Advisory board*

Other governing body and professional positions held:

- Honorary life membership with SAICA

External listed directorships:

None

1.2 TS MASHEGO – THANDIE | 42

Independent non-executive director
South African
Appointed: January 2017
Qualifications: BCom (Hons), CA(SA), MBL
Expertise in finance, insurance, asset management

Skills and experience

Thandie qualified as a chartered accountant in 2003 and has a master's in business leadership from the University of South Africa.

She has over 18 years' experience in corporate finance, investment management and risk management. Thandie has robust business and leadership skills.

She started her career at KPMG and Transnet Group Limited. Thereafter, she spent a significant part of her career at the IDC, where she led a number of debt and equity transactions and other key projects, including the management of the IDC's private equity portfolio in diverse sectors. She later pursued a career as group CFO of Vantage Capital Group where she had oversight of finance, human resources and compliance functions. She is currently the CFO of WDB Investment Holdings and is responsible for the overall financial management activities of the group, including reporting, budgeting, balance sheet management and risk management.

FirstRand – committee memberships:

- Directors' affairs and governance
- Large exposures
- Retail and Commercial* (formerly FNB Advisory Board)

* *Advisory board*

Other governing body and professional positions held:

- SAICA membership

External listed directorships:

None

2. ORDINARY RESOLUTION NUMBER 1.3: VACANCY FILLED BY DIRECTOR

> The percentage of voting rights required for ordinary resolution numbered 1.3 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

Vacancies on the board are filled by the appointment of directors during the year, upon the recommendation of the nominations committee and the board. Z Roscherr was appointed by the board to fill a vacancy in accordance with the Act and the company's MOI and is now recommended by the board for election by shareholders by way of separate resolution.

Ordinary resolution number 1.3

Resolved that Ms Z Roscherr, be and is hereby elected as an independent non-executive director of the company.

Additional Information in respect of ordinary resolution number 1.3

Skills and experience of this director is set out below for your information purposes.

Abridged curriculum vitae of director standing for election for ordinary resolution number 1.3

Z ROSCHERR – ZELDA | 53

Independent non-executive
South African
Appointed: 1 April 2020
Qualifications: BSc (Mathematical Sciences), BCom Hons (Econometrics)
Expertise in financial markets, leadership development, banking risks

Skills and experience

Zelda is internationally certified as a John Maxwell leadership trainer and executive coach and is currently completing her MSc in global finance at the University of London.

She is a seasoned banker with more than 25 years' experience in financial services. Specific skills include in financial markets, balance sheet management, investment risk and leadership.

Zelda started her banking career at Deloitte Financial Institutions Group and later served in various executive positions in RMB Global Markets and FirstRand Group Treasury. She has worked both locally and internationally, coaching senior executives and mentoring females in leadership positions, and senior executives in transition. She has a passion for preparing the next generation of leaders and contributes positively towards social responsibility.

FirstRand – committee memberships:

- Risk, capital management and compliance
- Social, ethics and transformation
- FirstRand Investment Management Holdings Board
- Corporate and Institutional* (formerly RMB advisory Board)

* *Advisory board*

Other governing body and professional positions held:

- International certification by John Maxwell as a leadership trainer

External listed directorships:

None

3. ORDINARY RESOLUTION NUMBER 2.1 TO 2.2: REAPPOINTMENT OF AUDITORS

> The percentage of voting rights required for ordinary resolutions numbers 2.1 to 2.2 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on each resolution.

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. and recommend their reappointment as joint auditors of the company.

Ordinary resolution number 2.1

Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be and is hereby reappointed auditors of the company in terms of section 90(1A)(b) of the Act until the next annual general meeting.

Notice of annual general meeting continued

Ordinary resolution number 2.2

Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company in terms of section 90(1A)(b) of the Act until the next annual general meeting.

Additional information in respect of ordinary resolutions numbers 2.1 to 2.2

The company's audit committee has recommended, and the directors have endorsed the proposed appointments. It is proposed that the appointments be made on a joint basis. If one of the two resolutions proposed above (being resolutions 2.1 and 2.2) is not passed, the approved resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

4. ORDINARY RESOLUTION NUMBER 3: GENERAL AUTHORITY TO ISSUE AUTHORISED BUT UNISSUED ORDINARY SHARES FOR CASH

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five per cent) of the voting rights exercised on the resolution.

Ordinary resolution number 3.1

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/ convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to the following:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half percent) representing 84 093 726 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
  - the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;
  - any such general issues are subject to exchange control regulations and approval at that point in time;
  - an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five per cent) or more of the number of shares in issue prior to the issue, in accordance with the Listings Requirements;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
  - in respect of shares which are the subject of the general issue of shares for cash:
    - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
    - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
    - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 3

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

5. ORDINARY RESOLUTION NUMBER 4: SIGNING AUTHORITY TO AUTHORISE DIRECTOR AND/OR GROUP COMPANY SECRETARY

The percentage of voting rights required for ordinary resolution number 4 to be adopted is more than 50% (fifty per cent) of the voting rights exercised on the resolution.

Ordinary resolution number 4

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to, the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 4

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

6. ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

6.1 Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on pages 104 to 124 in the remuneration report of the annual integrated report.

6.2 Endorsement of remuneration implementation report

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on pages 125 to 178 in the remuneration report of the annual integrated report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote; however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. If, either the remuneration policy or the implementation report, or both, are voted against by 25% (twenty-five per cent) or more of the voting rights exercised, the board will, as recommended by King IV and required by the Listings Requirements 3.84(j), implement certain measures to initiate engagement with the relevant shareholders. The outcome thereof will be disclosed in the 2021 annual integrated report.

7. SPECIAL RESOLUTION NUMBER 1: GENERAL AUTHORITY TO REPURCHASE ORDINARY SHARES

The percentage of voting rights required for special resolution number 1 to be adopted is more than 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 1

Resolved that the company and/or its subsidiary(ies) (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the CEO of the Prudential Authority, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
- repurchases may not be made at a price greater than 10% (ten per cent) above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% (ten per cent) of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/(ies) of the company shall not exceed 10% (ten per cent) in aggregate of the number of issued shares in the company at any time;

Notice of annual general meeting continued

- any such general repurchase will be subject to the applicable provisions of the Act, including sections 114 and 115 to the extent that section 48(8)(b) is applicable in relation to that particular repurchase;
- neither the company nor its subsidiary/(ies) will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been submitted to the JSE in writing prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the group;
- any such general repurchases are subject to exchange control regulations and approval at that time;
- when the company has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS in accordance with the Listings Requirements; and
- at any time, the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reason and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's repurchase of its shares or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay their debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and the group have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the Listings Requirements, is set out below.

For the purposes of considering special resolution number 1 and in compliance with paragraph 11.26 of the Listings Requirements, shareholders are referred to the additional information below.

1. DIRECTORS' RESPONSIBILITY STATEMENT
   The directors, whose names are given on pages 86 to 88 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the Listings Requirements.
2. MAJOR SHAREHOLDERS
   Details of major shareholders of the company are set out on page 281 of the annual integrated report.
3. SHARE CAPITAL OF THE COMPANY
   Details of the share capital of the company are set out on page 237 of the annual integrated report.
4. MATERIAL CHANGES
   There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the annual integrated report to which this notice is attached.

8. SPECIAL RESOLUTION NUMBER 2.1: FINANCIAL ASSISTANCE TO DIRECTORS AND PRESCRIBED OFFICERS AS EMPLOYEE SHARE SCHEME BENEFICIARIES

> The percentage of voting rights required for special resolution number 1 to be adopted is more than 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 2.1

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the Listings Requirements of the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this authority will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified staff of the company, and related and interrelated companies participate.

9. SPECIAL RESOLUTION NUMBER 2.2: FINANCIAL ASSISTANCE TO RELATED AND INTERRELATED ENTITIES

> The percentage of voting rights required for special resolution number 2.2 to be adopted is more than 75% (seventy five per cent) of the voting rights exercised on the resolution.

Special resolution number 2.2

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the Listings Requirements of the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

10. SPECIAL RESOLUTION NUMBER 3: REMUNERATION OF NON-EXECUTIVE DIRECTORS

> The percentage of voting rights required for special resolution number 3 to be adopted is more than 75% (seventy five per cent) of the voting rights exercised on the resolution.

The impact of the COVID-19 pandemic has had a devastating impact globally and has significantly impacted South Africa's macro-economic environment and the remuneration committee and the board of directors have unanimously agreed that in line with senior management remuneration (i.e. 0% increase in remuneration), that a 0% increase would be effective for non-executive directors' fees for the period 1 December 2020 to 30 November 2021.

Notice of annual general meeting continued

Special resolution number 3

Resolved to approve as a special resolution as recommended by the remuneration committee and the board, the remuneration of non-executive directors with 0% increase as set out in the table below:

	Note	Proposed remuneration for the 12-month period from 1 December 2020 to 30 November 2021 (excl. VAT)
Board		
Chairman	1	**6 821 802**
Director	2	**582 558**
Audit committee		
Chairman	3	**832 225**
Member		**416 113**
Risk, capital management and compliance committee		
Chairman	3	**832 225**
Member		**416 113**
Remuneration committee		
Chairman	3	**499 335**
Member		**249 667**
Directors' affairs and governance committee		
Chairman	3	**159 787**
Member		**79 893**
Large exposures committee		
Chairman	3	**587 108**
Member		**293 554**
Social, ethics and transformation committee		
Chairman	3	**451 148**
Member		**225 574**
Information technology risk and governance committee		
Chairman	3	**333 900**
Member		**166 950**
***Ad hoc* work**		
Special technical	4	**5 099**
Standard	5	**3 329**

1. *The group chairman's fees cover chairmanship and membership of all board committees.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees for board committee chairpersons are twice that of committee members' fees.*
4. *Special technical rate payable for highly specialised ad hoc work on an hourly basis at the request of the board.*
5. *Standard ad hoc rate payable for additional work on an hourly basis at the request of the responsible executive.*

Important notes regarding attendance at the annual general meeting

General

Shareholders wishing to attend the meeting should ensure beforehand with Computershare Investor Services (Proprietary) Limited that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in its stead. A proxy need not be a shareholder. Shareholders are referred to the attached form of proxy in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached form of proxy in accordance with the instructions contained therein to be received for the orderly arrangement of matters on the day of the annual general meeting by Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 or email at proxy@computershare.co.za by no later than 09:00 on Monday, 30 November 2020, for administrative purposes.

If you are a dematerialised shareholder, other than with own-name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Registration process and participation in the annual general meeting

Shareholders have the right to participate in the annual general meeting by way of electronic communication. All references in this notice to shareholders "attending" the annual general meeting (or cognate expressions) includes a reference to attendance by way of electronic communication.

The upcoming AGM will be conducted as a virtual meeting (i.e. by electronic communication), giving you the opportunity to attend the AGM and participate online, using your smartphone, tablet or computer, and voting is also expected to be effected online [through the use of the Lumi virtual meeting platform at https://web.lumiagm.com].

Steps to follow to participate in the annual general meeting:

1. Prior registration is mandatory in order to be able to participate in the meeting. Registration can take place by a. registering online using the online registration portal at https://smartagm.co.za; or b. apply to Computershare by sending an email with proof of identification to proxy@computershare.co.za
2. Once registration process has been approved, a username and password will be sent either via SMS or email to the shareholder who has pre-registered and entitled to participate in the meeting.
3. Shareholders can then access the online meeting platform at https://web.lumiagm.com
4. A shareholders' guide is available in Notice of the AGM under pages 305 to 308 or on the FirstRand website: www.firstrand.co.za to assist and provide meeting participation guidelines

* *Kindly note that registrations will still be accepted up until commencement of the meeting but will be subject to a vetting and verification process which may delay the receipt of login credentials.*

The company will bear the cost of establishing the electronic communication whilst the cost of the shareholder dialling in will be for his/her account.

Dematerialised shareholders without own-name registration

Voting at the annual general meeting

- Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.
- If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.
- If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
- You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

- In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own-name registration

Voting and attendance at the annual general meeting

- You may attend the annual general meeting and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy in relation to the annual general meeting in accordance with the instructions it contains and returning it to the (Computershare Investor Services (Proprietary) Limited to be received at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 , or email proxy@computershare.co.za by no later

Notice of annual general meeting continued

than 09:00 on Monday, 30 November 2020 for administrative purposes although proxies will still be accepted at proxy@computershare.co.za up until commencement of the meeting.

Certificated shareholders

Voting and attendance at the annual general meeting

- You may attend the annual general and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached form of proxy in relation to the annual general meeting in accordance with the instructions it contains and returning it to Computershare Investor Services (Proprietary) Limited to be received at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 , or email proxy@computershare.co.za by no later than 09:00 on Monday, 30 November 2020 for administrative purposes although proxies will still be accepted at proxy@computershare.co.za up until commencement of the meeting.

Voting requirements

Voting will be by way of a poll and every shareholder of the company present or represented by proxy shall have one vote for every share held in the company by such shareholder.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of annual financial statements

The complete annual financial statements are available for inspection at the registered office and/or downloading on the company's website www.firstrand.co.za or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C LOW
Company secretary

7 October 2020

Transfer Secretaries

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Registered office address

4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

FirstRand

Proxy form – ordinary shareholders

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (**FirstRand** or the **company**)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the annual general meeting of the company to be held electronically, on Wednesday, 2 December 2020 at 09:00 (**the annual general meeting**).

I/We

Of (address)

Email: Mobile/contact number:

being the holder(s) of (number of ordinary shares) shares in the company, appoint (see notes overleaf)

1. Or, failing him/her

2. Or, failing him/her

3. The chair of the annual general meeting as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the annual general meeting that will be held for the purpose of considering and, if deemed fit, passing with or without modification the ordinary and special resolutions to be proposed thereat and to vote for and/or against such ordinary and special resolutions and/or to abstain from voting in respect of the shares registered in my/our names, and at any adjournment thereof, in accordance with the following instructions (see notes overleaf):

	For	Against	Abstain
Ordinary resolutions Ordinary resolutions 1.1 to 1.2 – Re-election of directors of the company by way of separate resolution:			
1.1 RM Loubser			
1.2 TS Mashego			
Ordinary resolution 1.3 – Vacancy filled by director during the year 1.3 Z Roscherr			
Ordinary resolution 2 – Appointment of external auditors 2.1 Appointment of Deloitte & Touche as external auditor			
2.2 Appointment of PricewaterhouseCoopers Inc. as external auditor			
Ordinary resolution 3 – General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution 4 – Signing authority to director and/or group company secretary			
Advisory endorsement	**For**	**Against**	**Abstain**
Advisory endorsement on a non-binding basis for the remuneration policy			
Advisory endorsement on a non-binding basis for the remuneration implementation report			
Special resolutions	**For**	**Against**	**Abstain**
Special resolution 1 – General authority to repurchase ordinary shares			
Special resolution 2.1 – Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution 2.2 – Financial assistance to related and interrelated entities			
Special resolution 3 – Remuneration of non-executive directors with effect from 1 December 2020			

Signed at (place) on (date) 2020

Signature

Assisted by me

(where applicable)

Forms of proxy should (but are not required to) be received by Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132 or email proxy@computershare.co.za, or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, Fax number +264 6124 8531, by no later than 09:00 on Monday, 30 November 2020 for administrative purposes although proxies will still be accepted up until commencement of the meeting.

Forms of proxy may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

Notes to proxy form

USE OF PROXIES

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy and participate in the electronic meeting to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms should (but are not required to) be received by the Computershare Investor Services (Proprietary) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or Private Bag X9000, Saxonwold, 2132, or email proxy@computershare.co.za, or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Monday, 30 November 2020 for administrative purposes. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person.

Online shareholders' meeting guide 2020

Prior registration is mandatory for all shareholders to participate in the meeting.

Online shareholders' meeting guide 2020 continued

ATTENDING THE AGM ELECTRONICALLY

This year the group will be conducting a virtual AGM, giving shareholders the opportunity to attend the AGM and participate online, using a smartphone, tablet or computer.

If you choose to participate online, you will be able to view a live webcast of the meeting, ask the board questions and submit your votes in real time. and you will need to either:

(a) download the Lumi AGM app from the Apple App or Google Play Stores by searching for Lumi AGM; or

(b) visit https://web.lumiagm.com on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Internet Explorer 11, Edge or Firefox. Please ensure your browser is compatible.

Meeting ID: 165-422-451

To log in users must have a username and password, which must be requested from proxy@computershare.co.za.

Using the AGM online facility:

ACCESS

Once you have either downloaded the **Lumi AGM app** or entered **web.lumiagm.com** into your web browser, you'll be prompted to enter the meeting ID.

You will then be required to enter your:

a) username; and

b) password.

You will be able to log into the site from 09:00 on 2 December 2020.

To register as a member, select **'I have a login'** and enter your username and password.

If you are a visitor, select **'I am a guest'**.

As a guest, you will be prompted to complete all the relevant fields including title, first name, last name and email address.

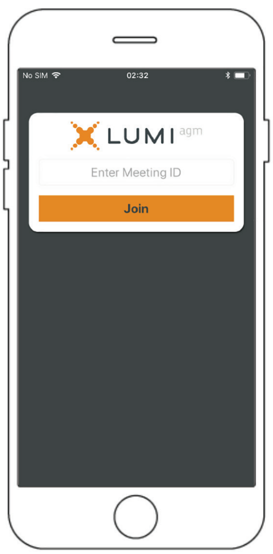
Please note: visitors will not be able to ask questions or vote at the meeting.

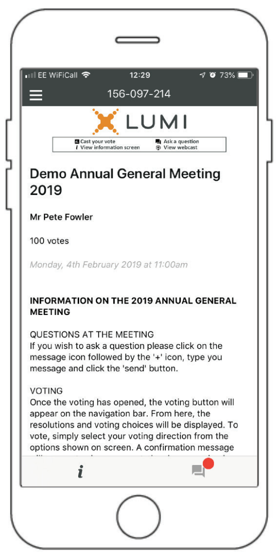
NAVIGATION

When successfully authenticated, the info screen *i* will be displayed. You can view company information, ask questions and watch the webcast.

If you would like to watch the **webcast,** press the broadcast icon at the bottom of the screen.

If viewing on a computer the webcast will automatically appear at the side once the meeting has started.





VOTING

The chairman will open voting on all resolutions at the start of the meeting. Once the voting has opened, the polling icon will appear on the navigation bar at the bottom of the screen. From here, the resolutions and voting choices will be displayed.

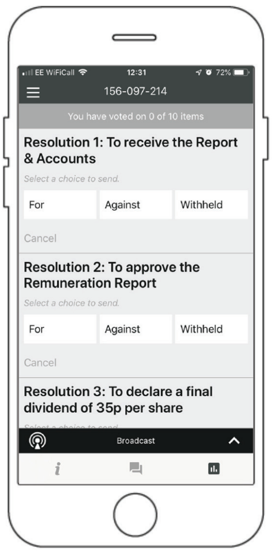
To vote, simply select your voting direction from the options shown on screen. A confirmation message will appear to show your vote has been received.

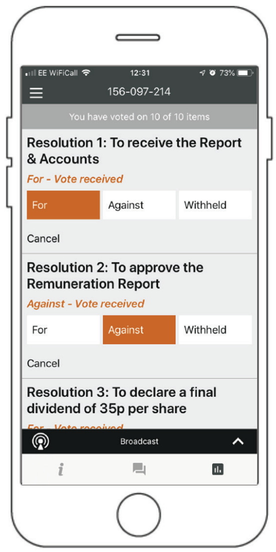
For – Vote received

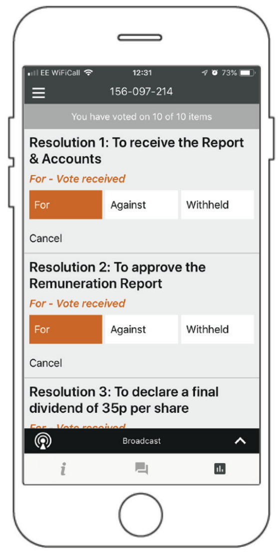
To change your vote, simply select another direction. If you wish to cancel your vote, please press Cancel.

Once the chairman has opened voting, voting can be done at any time during the meeting, until the chairman closes the voting on the resolutions. At that point your last choice will be submitted.

You will still be able to send messages and view the webcast whilst the poll is open.







Online shareholders' meeting guide 2020 continued

QUESTIONS

Any member or appointed proxy attending the meeting is eligible to ask questions.

If you would like to ask a question, select the messaging icon .

Messages can be submitted at any time during the Q&A session up until such time as the chairman closes the session.

Type your message within the chat box at the bottom of the messaging screen.

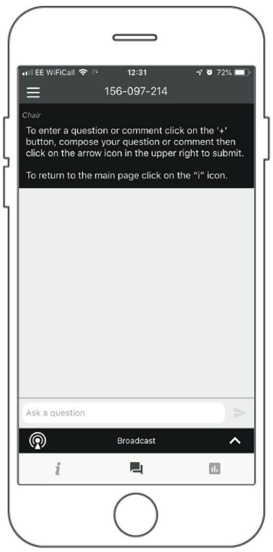
Once you are happy with your message, click the send button.

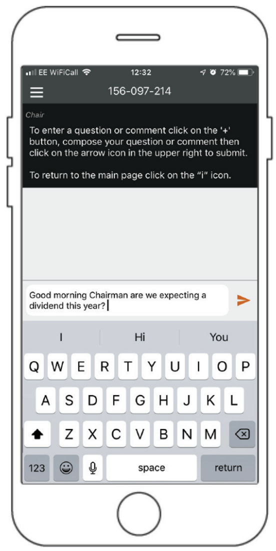
Questions sent via the Lumi AGM online platform will be moderated before being sent to the chairman. This is to avoid repetition and remove any inappropriate language.

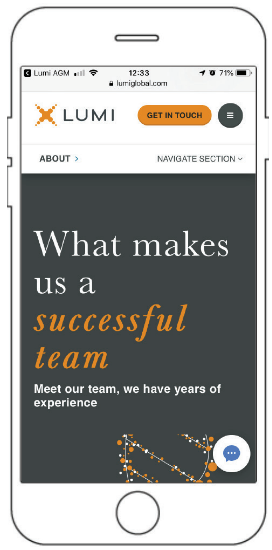
DOWNLOADS

Links are present on the info screen. When you click on a link, the selected document will open in your browser.

Data usage for streaming the annual general meeting or downloading documents via the AGM platform will vary depending on individual use, the specific device being used for streaming or downloading (Android, iPhone, etc) and the network connection (3G or 4G).







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