FirstRand Bank

2021

annual report

for the year ended 30 June

about this report

This report covers the audited financial results of FirstRand Bank based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2021.

Section A of this report includes an overview of the bank, including:

> a simplified group structure; and
> corporate governance.

An overview of the group's strategy and a detailed analysis of financial results for the year ended 30 June 2021 are provided in section B.

The audited annual financial statements are contained in section C and supplementary information in section D.

FirstRand Bank

1929/001225/06

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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a

Overview of FirstRand Bank

FirstRand Bank

FirstRand Bank (FRB or the bank) is a wholly owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. The bank has three major divisions, which are separately branded: First National Bank (FNB), Rand Merchant Bank (RMB) and WesBank. FCC represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola and Shanghai.

performance highlights

Normalised earnings
R19.0bn
2020: R13.8bn ▲ 38%

Return on equity
19.1%
2020: 14.6%

Net asset value
R105.3bn
2020: R94.3bn ▲ 12%

CET1 ratio
14.5%
2020: 12.3% ▲ 220 bps

normalised earnings

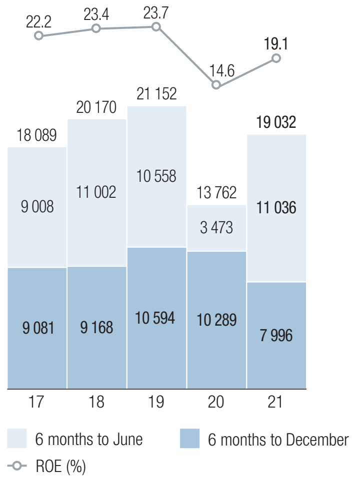
FNB
R14.5bn

RMB
R4.7bn

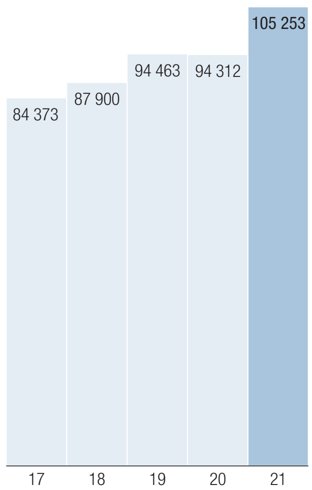
WesBank
R418m

TRACK RECORD

Normalised earnings (R million) and ROE (%)
CAGR 1%



Normalised net asset value (R million)
CAGR 6%



Note: 2017 and 2018 figures are based on IAS 39 and 2019 to 2021 figures on IFRS 9.

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

This report covers the results of FRB

100%	100%	100%	100%	100%	100%
FirstRand Bank Limited (FRB) Bond code: FRII	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand International Limited (Guernsey) (FRI)	FirstRand Insurance Holdings (Pty) Ltd	FirstRand Investment Management Holdings Limited	FirstRand Investment Holdings (Pty) Ltd (FRIHL)
SA banking	***Rest of Africa***	***UK banking and hard currency platform***	***Insurance***	***Investment management***	***Other activities***

SA banking (FRB)
- 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]

Rest of Africa (FREMA)
- **58%** FirstRand Namibia
- **70%** FNB Botswana
- **100%** FNB Eswatini
- **100%** FNB Mozambique
- **100%** FNB Zambia
- **100%** FNB Lesotho
- **100%** FNB Tanzania
- **100%** First National Bank Ghana
- **100%** RMB Nigeria

UK banking and hard currency platform (FRI)
- **100%** Aldermore Group plc
- **100%** MotoNovo Finance**
- **100%** RMB International Mauritius

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

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[#]

Other activities (FRIHL)
- **98%** RMB Private Equity Holdings
- **97%** RMB Private Equity
- **100%** RMB Securities
- **50%** RMB Morgan Stanley
- **100%** RMB Investments and Advisory
- **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.*
** *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 other special purpose vehicles (SPVs) are in FRIHL, FRI and FRB.

Group vs bank

The graphic below illustrates the differences between the group and the bank from a geographical and activity perspective.

FIRSTRAND GROUP

	Inside the bank	*Outside the bank*
Geographical presence	**Branches:** > London (including MotoNovo Finance back book – refer to page B09 for more information) > Guernsey > India **Representative offices:** > Kenya > Angola > Shanghai	**Full service banking subsidiaries:** > Namibia > Botswana > Eswatini > Lesotho > Zambia > Mozambique > Tanzania > Ghana **Corporate and investment banking subsidiary:** > Nigeria **Hard currency platform:** > Mauritius **Specialist UK bank:** > Aldermore (including MotoNovo Finance front book)
Activities	> Banking in South Africa and in the branches outlined above > Cross-border activities booked on FRB's balance sheet > Insurance (commissions)	> Banking in the subsidiaries outlined above > RMB's private equity businesses > Insurance (life licence, short-term licence, MotoVantage and cell captives) > Asset management (Ashburton Investments)

Foreign branches and representative offices

Representative offices (managed by RMB):

> **Kenya:** The corporate and investment banking (CIB) team acts as a liaison for RMB's dealmakers in South Africa. The offering ranges from debt leveraged finance to aviation, infrastructure and real estate finance, as well as structured trade and working capital solutions, and corporate finance advisory services.

> **Angola:** The CIB team offers a comprehensive range of financing products and services, as well as trade solutions, to local corporates, multinationals, governments and state-owned enterprises (SOEs).

> **Shanghai:** Facilitates trade flows between China and the African continent and supports ongoing investment and infrastructural development that China is able to provide.

Branches:

> **London:** Focuses on funding through capital and banking markets, with a strong track record in arranging and distributing Africa-based debt instruments.

> **Guernsey:** Primarily services high-income and high net worth customers, providing the bank with hard-currency deposits, further enabling funding diversification to support hard-currency lending activities.

> **India:** Following a review of FirstRand's strategy in India, the decision has been taken to convert the current branch to a representative office. FirstRand is engaging with the regulators on this proposed change. FirstRand remains committed to its presence in India and whilst it has proved difficult to build a meaningful in-country franchise, the Indian business has successfully focused on facilitating trade and investment activity in the Indo-African corridor. This has been a key enabler to FirstRand's investment banking business's strategy to grow its offering on the broader African continent, which now only requires a representative office to execute.

Corporate governance

Compliance statement

FirstRand Bank Limited is a wholly owned subsidiary of FirstRand Limited, which is listed on the Main Board of the JSE. Consequently, the bank is included in the application of the King Code by FirstRand Limited. Detailed disclosures on the group's implementation of the King Code and its corporate governance practices and the bank's specific corporate governance disclosures are included in the group's *Annual integrated report*, which will be available at www.firstrand.co.za/investors/annual-reporting/ in early October 2021. The bank is also required to comply with the JSE Debt Listings Requirements.

FirstRand Limited is a bank-controlling company for the purposes of the South African Banks Act (1990). The governance structures for the bank were constituted at a group level in terms of authority received from the South African Registrar of Banks. The directors of the group ensure compliance with all relevant regulations, including the South African Banks Act, South African Companies Act, Basel Committee on Banking Supervision (BCBS) and Financial Stability Board requirements and other best practice regulations flowing from both local and international authorities.

In accordance with section 94(2)(b) of the Companies Act, the audit committee of the group performs the functions under this section on behalf of the bank. The roles of the chairman, lead independent director and chief executive officer are clearly defined in the board charter, demonstrating the clear balance of power and authority at board level to ensure that no single director has unfettered powers of decision-making.

Board changes

Changes to the directorate are outlined below.

		Effective date
Retirements		
MS Bomela	Independent non-executive director	2 December 2020
AT Nzimande	Independent non-executive director	2 December 2020
Appointment		
SP Sibisi*	Independent non-executive director	15 April 2021

* *SP Sibisi was appointed to fulfil a board vacancy.*

Other board committee changes include SP Sibisi's appointment to the information technology, risk and governance; risk, capital management and compliance; and social, ethics and transformation committees, effective 7 June 2021; and JP Burger's appointment to the social, ethics and transformation committee, effective 7 June 2021. These appointments were made to enhance the skills set of the various committees.

RESPONSIBILITIES OF DIRECTORS

The board of directors of the bank (the board) is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditure, acquisitions and disposals, information technology and stakeholder relations, while retaining full and effective control over the bank. The bank has a unitary board and the chairman is an independent non-executive, in terms of the King IV definition. King IV is a voluntary code of recommendations to ensure good corporate governance practices in South Africa. The code is, however, mandatory for all JSE-listed entities as per the JSE Listings Requirements. The board comprises 13 directors of whom three serve in an executive capacity.

The board steers and sets direction for the group and brings independent, informed and effective leadership and judgement to bear on the decisions and deliberations reserved for the board whilst ensuring that strategy, risk, performance and sustainable developments are effectively integrated and appropriately balanced.

COMPOSITION AND FREQUENCY OF MEETINGS

A common, unitary board serves the group and the bank. William Rodger (Roger) Jardine is the independent non-executive chairman of the board since 1 April 2018. Roger has extensive experience and has served as an independent non-executive director on the bank and group boards. His experience and knowledge of the group make him appropriate to fulfil the role of chairman efficiently and effectively. 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. It is also the view of the directors that a strong independent element of non-executive directors exists on the board and that this provides the necessary objectivity and independence of mind essential for its effective functioning. The roles of chairman and CEO are separate, and they have segregated duties. The group's audit committee is constituted in respect of its duties in terms of section 94(7) of the Companies Act. No 71 of 2008 and section 64 of the Banks Act (1990).

The board comprises 13 directors of whom three serve in an executive capacity. Ten of the directors are non-executive, and eight are independent. The directors of the bank are listed on page A09. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise. This ensures that their views carry significant weight in the board's deliberations and decisions.

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 board operates in terms of an approved charter which includes a formal schedule of matters it oversees. The board meets quarterly. Two further meetings are scheduled to approve the annual financial statements and to review strategic plans and resulting budgets. Additional meetings are convened as and when necessary.

The board adopted the FirstRand code of conduct which is aligned to best practice. Board members have access to accurate, relevant and timely information. Any director may call on the advice and professional services of the company secretary, who gives guidance on legislative and procedural matters. Directors are also entitled to seek independent professional advice, at the bank's expense, in support of their duties.

An annual assessment of the board is conducted and identified actions are referred to the board.

Corporate governance continued

LIMITATION TO APPOINTMENT PERIOD

There is a formal and transparent board nomination process. Non-executive directors that are appointed to the company must satisfy Companies Act requirements. Non-executive directors (other than the chairperson) are subject to re-election and shall rotate every three years at each annual general meeting of the company. The re-election of the non-executive directors (other than the chairperson) is in terms of the Memorandum of Incorporation (MOI) of the company and the Companies Act provisions and JSE Listings Requirements.

The retirement age of non-executive directors (other than the chairperson) is set at age 70 and shall be eligible for re-election. Such directors shall vacate his/her 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.

Company secretary

The company secretary is suitably qualified and experienced. She is, *inter alia*, responsible for the duties stipulated in section 88 of the Companies Act 71 of 2008, as amended. The certificate required to be signed in terms of subsection (2)(e) thereof appears on page C06.

Board of directors

Chairman

WILLIAM RODGER (ROGER) JARDINE | 55

Independent non-executive chairman since 1 April 2018
BSc, MSc
Appointed: January 2004
Appointed chairman: April 2018

Executive directors

ALAN PATRICK PULLINGER | 55

Chief executive officer
MCom, CA(SA), CFA
Appointed: October 2015

HETASH SURENDRAKUMAR (HARRY) KELLAN | 49

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

MARY VILAKAZI | 44

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

Independent non-executive directors

GRANT GLENN GELINK | 71

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

RUSSELL MARK LOUBSER | 71

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

THANDIE SYLVIA MASHEGO | 43

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

ZELDA ROSCHERR | 54

Independent non-executive director
BSc, BCom (Hons), MSc
Appointed: April 2020

SIBUSISO PATRICK SIBISI | 54

Independent non-executive director
BSc, PhD
Appointed April 2021

LOUIS LEON VON ZEUNER | 60

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

THOMAS (TOM) WINTERBOER | 65

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

Non-executive directors

JOHAN PETRUS BURGER | 62

Non-executive director since 1 September 2018
BCom (Hons), CA(SA)
Appointed: May 1998

FRANCOIS (FAFFA) KNOETZE | 58

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

Retired independent non-executive directors

MARY SINA BOMELA | 47

Independent non-executive director
BCom (Hons), CA(SA), MBA
Appointed September 2011 (retired 2 December 2020)

AMANDA TANDIWE (TANDI) NZIMANDE | 50

Independent non-executive director
CTA, CA(SA), HDip Co Law
Appointed: February 2008 (retired 2 December 2020)

For comprehensive CVs of the directors, refer to pages 90 to 115 of the *FRB issuer disclosure document – June 2021*, which is available on the group website at www.firstrand.co.za/media/investors/prospectus/FRB-issuer-disclosure-document-30-June-2021.pdf.

b

Analysis of financial results

overview of results

Key financial and operational results, ratios and statistics – normalised

The commentary provided in this section is based on normalised results unless indicated otherwise. The normalised results have been derived from the IFRS results. Detailed reconciliations of normalised to IFRS results are provided on pages B112 and B113.

R million	2021	2020	% change
Earnings performance			
Attributable earnings – IFRS (refer page C65)	**19 295**	13 739	40
Headline earnings	**19 310**	13 803	40
Normalised earnings	**19 032**	13 762	38
Normalised net asset value	**105 253**	94 312	12
Average normalised net asset value	**99 783**	94 388	6
Ratios and key statistics			
ROE (%)	**19.1**	14.6	
ROA (%)	**1.35**	1.02	
Diversity ratio (%)	**42.6**	42.6	
Credit impairment charge	**11 115**	18 269	(39)
Credit loss ratio (%)	**1.23**	2.00	
Stage 3/NPLs as % of advances	**5.22**	5.22	
Total impairment coverage ratio (%)	**82.2**	79.9	
Specific coverage ratio (%)	**46.4**	44.7	
Performing book coverage ratio (%)	**1.98**	1.94	
Cost-to-income ratio (%)	**54.0**	54.8	
Effective tax rate (%)	**25.5**	17.8	
Balance sheet			
Normalised total assets	**1 415 029**	1 414 712	–
Advances (net of credit impairment)	**857 955**	867 940	(1)
Average gross loan-to-deposit ratio (%)	**81.0**	85.1	
Deposits	**1 135 585**	1 088 952	4
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**17.8**	15.7	
Tier 1 ratio (%)	**15.2**	12.8	
Common Equity Tier 1 ratio (%)	**14.5**	12.3	
Leverage – IFRS*			
Leverage ratio (%)	**7.4**	6.7	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**117**	124	
Net stable funding ratio (%)	**122**	116	

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

Key financial and operational results, ratios and statistics – normalised continued

	2021	2020	% change
Operational statistics			
Number of ATMs (including ADTs)	**4 848**	5 622	(14)
Number of branches	**599**	604	(1)
Number of employees	**37 741**	40 174	(6)
– South Africa	**37 043**	38 803	(5)
– Rest of Africa	**154**	452	(66)
– FirstJob graduate programme	**544**	919	(41)
FNB customer numbers (millions)	**8.65**	8.23	5
– Retail	**7.52**	7.20	4
– Commercial	**1.13**	1.03	10
FNB channel volumes (thousands of transactions)			
– ATM/ADT	**219 360**	224 141	(2)
– Internet banking	**174 627**	176 280	(1)
– Banking app	**382 233**	303 503	26
– Mobile (excluding prepaid)	**36 275**	41 260	(12)
– Point of sale merchants	**649 967**	587 152	11
– Card swipes*	**871 350**	814 099	7

* *2020 restated to exclude Discovery card swipes.*

Summary income statement – normalised

for the year ended 30 June

R million	2021	2020	% change
Net interest income before impairment of advances	**47 815**	46 484	3
Impairment charge	**(11 115)**	(18 269)	(39)
Net interest income after impairment of advances	**36 700**	28 215	30
Non-interest revenue	**35 549**	34 447	3
– Fee and commission income	**26 377**	25 110	5
– Insurance income	**468**	449	4
– Trading and other fair value income	**3 574**	4 049	(12)
– Investment income	**8**	130	(94)
– Other non-interest revenue	**5 122**	4 709	9
Income from operations	**72 249**	62 662	15
Operating expenses	**(44 990)**	(44 343)	1
Income before indirect tax	**27 259**	18 319	49
Indirect tax	**(1 008)**	(810)	24
Profit before income tax	**26 251**	17 509	50
Income tax expense	**(6 694)**	(3 118)	>100
Profit for the year	**19 557**	14 391	36
Other equity instrument holders	**(525)**	(629)	(17)
Normalised earnings attributable to ordinary equityholders of the bank	**19 032**	13 762	38

Summary statement of other comprehensive income – normalised

for the year ended 30 June

R million	2021	2020	% change
Profit for the year	**19 557**	14 391	36
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(727)**	1 219	(>100)
Gains arising during the year	**881**	657	34
Reclassification adjustments for amounts included in profit or loss	**(1 890)**	1 036	(>100)
Deferred income tax	**282**	(474)	>100
FVOCI debt reserve	**256**	(82)	>100
Gains/(losses) arising during the year	**375**	(115)	>100
Reclassification adjustments for amounts included in profit or loss	**(20)**	1	(>100)
Deferred income tax	**(99)**	32	(>100)
Exchange differences on translating foreign operations	**(1 127)**	1 246	(>100)
(Losses)/gains arising during the year	**(1 085)**	1 207	(>100)
Deferred income tax	**(42)**	39	(>100)
Items that may not subsequently be reclassified to profit or loss			
Equity investments designated at fair value through other comprehensive income	**(235)**	(140)	(68)
Losses arising during the year	**(303)**	(180)	(68)
Deferred income tax	**68**	40	70
Remeasurements on defined benefit post-employment plans	**(93)**	652	(>100)
(Losses)/gains arising during the year	**(129)**	906	(>100)
Deferred income tax	**36**	(254)	>100
Other comprehensive (loss)/income for the year	**(1 926)**	2 895	(>100)
Total comprehensive income for the year	**17 631**	17 286	2
Attributable to			
Ordinary equityholders	**17 106**	16 657	3
Other equity instrument holders	**525**	629	(17)
Total comprehensive income for the year	**17 631**	17 286	2

Summary statement of financial position – normalised
as at 30 June

R million	2021	2020
ASSETS		
Cash and cash equivalents	**99 646**	99 781
Derivative financial instruments	**70 774**	120 511
Commodities	**18 641**	21 344
Investment securities	**273 766**	209 026
Advances	**857 955**	867 940
– Advances to customers	**786 643**	796 627
– Marketable advances	**71 312**	71 313
Other assets	**4 928**	5 149
Non-current assets and disposal groups held for sale	**–**	1 558
Current tax asset	**32**	–
Amounts due by holding company and fellow subsidiaries	**67 108**	67 309
Property and equipment	**16 865**	17 691
Intangible assets	**338**	692
Investment properties	**249**	–
Deferred income tax asset	**4 727**	3 711
Total assets	**1 415 029**	1 414 712
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**18 660**	4 786
Derivative financial instruments	**70 722**	134 488
Creditors, accruals and provisions	**15 814**	14 350
Current tax liability	**896**	368
Deposits	**1 135 585**	1 088 952
Employee liabilities	**9 859**	7 814
Liabilities directly associated with disposal groups classified as held for sale	**–**	85
Other liabilities	**5 087**	5 255
Amounts due to holding company and fellow subsidiaries	**27 214**	36 254
Tier 2 liabilities	**18 813**	22 322
Total liabilities	**1 302 650**	1 314 674
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**88 445**	77 504
Capital and reserves attributable to ordinary equityholders	**105 253**	94 312
Other equity instruments	**7 126**	5 726
Total equity	**112 379**	100 038
Total equities and liabilities	**1 415 029**	1 414 712

Note: There are no reconciling items between the summarised IFRS and normalised statements of financial position.

Flow of funds analysis – normalised

R million	June 2021 vs June 2020 12-month movement	June 2020 vs June 2019 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**12 341**	610
Working capital movement	**(4 324)**	(9 681)
Short trading positions and derivative financial instruments	**(155)**	8 536
Deposits and long-term liabilities	**43 124**	30 407
Total	**50 986**	29 872
Inflow/(outflow) in deployment of funds		
Advances	**9 985**	26 603
Investments	**3 634**	(2 497)
Cash and cash equivalents	**135**	(21 894)
Investment securities (e.g. liquid asset portfolio)	**(64 740)**	(32 084)
Total	**(50 986)**	(29 872)

"The level of improvement in the bank's performance demonstrates the quality of its portfolio of businesses and their ability to capitalise on the economic rebound that is taking place.

Normalised earnings grew 38% to R19.0 billion. Pleasingly, pre-provision operating profit increased 4%.

The bank also produced a good ROE of 19.1% reflecting the quality of its earnings."

Alan Pullinger ~ CEO

Group strategy

FirstRand Limited (FirstRand or the group) is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and the UK. Many of these businesses are leaders in their respective segments and markets, and offer a broad range of transactional, lending, investment and insurance products and services.

SOUTH AFRICA

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand Bank'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 bank remains focused on protecting this large and profitable revenue stream through:

> growing profitable market share;

> cross-sell and up-sell;

> disciplined allocation of financial resources; and

> leveraging the group's building blocks (i.e. customer bases, distribution channels and systems).

At the same time, FirstRand is working hard to find other sources of less capital-intensive 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 platform-based 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.

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 build competitive advantage and scale over time.

In addition to the group's hard currency platform, RMB Mauritius, the bank's balance sheet is also utilised in RMB's cross-border lending and trade finance activities in the rest of Africa. The group's subsidiaries in the rest of Africa form part of FREMA (refer to the simplified group structure on page A04, which outlines the group's various legal entities, including FRB) and thus fall outside the bank.

UK

In the UK, the group aims to build further franchise value through scaling, digitisation and disciplined financial resource allocation to enhance economic profit generation.

Effective May 2019, the operations of MotoNovo were sold to the Aldermore group as part of the process to integrate the two businesses. All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as by leveraging market securitisations and warehouse transactions with international banks.

Aldermore Group and its subsidiaries are part of FRI and thus fall outside the bank. Loan originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London branch (but managed by MotoNovo), and will continue to be funded through existing funding mechanisms but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the bank.

Operating environment

During the year to 30 June 2021, the reopening of major economies provided the foundation for a solid rebound in global economic activity. This in turn provided support to South Africa's export sectors which, combined with a gradual recovery in domestic activity, contributed to a lift in GDP. Inflation remains low by historical standards and this, together with accommodative global policy rates, allowed the Monetary Policy Committee (MPC) to maintain low short-term interest rates. Whilst this resulted in endowment pressure, it provided support to the real economy.

Overall transactional volumes normalised, however, there were material differences across industries. Card spend in sectors such as travel and hospitality remained muted. This was to some degree offset, at an aggregate level, by higher activity levels in online and IT services, groceries, hardware, small freight transport, and essential goods and services.

After increasing considerably in the second half of 2020, private sector savings began to level off towards the end of the financial year. There was some uplift in household demand for secured credit while corporate credit extension remained low.

Notwithstanding the pick-up in economic activity, the impact of Covid-19 remains deep, with ongoing uncertainty regarding the risk of further waves of infection and new strains of the virus. The economy has been structurally weakened by the pandemic, with a constrained ability to deal with further shocks. However, the vaccine rollout is expected to gain momentum, which will support a further opening up of the economy and result in improved business and consumer confidence.

The UK economy steadily recovered into 2021, bolstered by the progress in the country's vaccination programme.

The countries in Africa where the group operates benefited to some degree from increased commodity prices and the resultant improvement in economic activity. This was further supported by the recovery in global demand.

Financial performance

When interpreting the results for the year to 30 June 2021, it's important to note that the comparative period, in particular the second half of the year to 30 June 2020, included the first three months of the pandemic and the lockdown introduced in March 2020. This resulted in increased impairments and reduced volumes, leading to a significantly depressed performance for that financial year. As a result of that base effect, the bank's normalised earnings increased 38%, with this performance also reflecting the sharp rebound in economic activity levels. The bank produced a good normalised ROE of 19.1%, reflecting the underlying quality of the bank's earnings.

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2021**	**% composition**	2020	% composition	% change
FNB	**14 537**	**76**	10 224	75	42
RMB	**4 679**	**25**	4 398	32	6
WesBank	**418**	**2**	305	2	37
MotoNovo (back book)*	**(390)**	**(2)**	(244)	(2)	(60)
FCC (including Group Treasury)*,**	**313**	**2**	(292)	(2)	>100
Other equity instrument holders	**(525)**	**(3)**	(629)	(5)	17
Normalised earnings	**19 032**	**100**	13 762	100	38

* *MotoNovo back book is included under FCC in the segment report.*

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

In order to appropriately navigate the economic crisis brought about by the pandemic, for the year to 30 June 2021 the group anchored execution of its strategy to the following financial resource management (FRM) principles:

> 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) – the deployment of capital to reflect the updated cost of equity.
> Emerge from Covid-19 with limited vulnerabilities, with capital for growth.

Adherence to these principles supported the bank over the year under review. Earnings recovered faster than expected and the bank's Common Equity Tier 1 (CET1) ratio increased 220 bps to 14.5% (2020: 12.3%).

The level of improvement in the bank's performance reflects the quality of it's portfolio, the strength of its customer franchise and its ability to capitalise on the economic rebound that is taking place. The following tables provide a rolling six-month view of the bank's performance and that of its operating businesses.

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

R million	Six months ended				Jun 2021 vs Dec 2020 % change	Dec 2020 vs Jun 2020 % change	Jun 2020 vs Dec 2019 % change
	30 June 2021	31 December 2020	30 June 2020	31 December 2019			
NII	**24 348**	23 467	22 560	23 924	4	4	(6)
NIR	**17 916**	17 633	16 488	17 959	2	7	(8)
Operating expenses	**(22 425)**	(22 565)	(21 489)	(22 854)	(1)	5	(6)
Impairment charge	**(3 954)**	(7 161)	(13 380)	(4 889)	(45)	(46)	>100
Normalised earnings	**11 036**	7 996	3 473	10 289	38	>100	(66)
Gross advances	**896 424**	889 051	905 712	907 165	1	(2)	–
Credit loss ratio (%)	**0.89**	1.60	2.95	1.07			
NPLs as a % of advances	**5.22**	5.35	5.22	4.21			

SOURCES OF NORMALISED EARNINGS

R million	Six months ended				Jun 2021 vs Dec 2020 % change	Dec 2020 vs Jun 2020 % change	Jun 2020 vs Dec 2019 % change
	30 June 2021	31 December 2020	30 June 2020	31 December 2019			
FNB	**8 155**	6 382	2 533	7 691	28	>100	(67)
RMB	**2 509**	2 170	2 327	2 071	16	(7)	12
WesBank	**121**	297	(247)	552	(59)	(>100)	(>100)
MotoNovo*	**(185)**	(205)	(289)	45	10	29	(>100)
FCC/Group Treasury*	**720**	(407)	(547)	255	>100	26	(>100)
Other equity instrument holders	**(284)**	(241)	(304)	(325)	(18)	21	6
FirstRand Bank	**11 036**	7 996	3 473	10 289	38	>100	(66)

* *MotoNovo back book is included in FCC in the segment report.*

PRE-PROVISION OPERATING PROFIT

R million	Year ended 30 June 2021	2020	% change
FNB	**28 381**	27 152	5
RMB	**7 351**	8 185	(10)
WesBank	**2 592**	3 372	(23)
MotoNovo (back book)	**(494)**	(161)	(>100)
FCC/Group Treasury	**(464)**	(2 770)	83
Total bank pre-provision operating profit	**37 366**	35 778	4

Pre-provision operating profit increased 4%, demonstrating the resilient underlying performances from FNB and Group Treasury.

FNB's pre-provision profit performance demonstrates its operational adaptability and strong franchise. As South Africa's leading digital bank, FNB continues to fulfil origination, account service and liability gathering digitally. Deposit growth remained strong with retail and commercial segments benefiting from active customer base growth.

RMB's pre-provision operating profit of R7.4 billion declined 10% given the sustained economic disruption brought about by the pandemic. In addition, RMB continued to invest in core platform modernisation and variable staff costs increased, which resulted in costs increasing 13%, also impacting pre-provision operating profit.

WesBank's pre-provision operating profit declined due to lower advances and revenue, and higher costs.

MotoNovo's pre-provision operating loss of £23.9 million (2020: £8.2 million) reflects the wind-down of the back book, the non-repeat of securitisation-related income and higher costs.

Group Treasury's improved performance resulted from better rand and foreign exchange liquidity mismatch management compared to the disruptive impacts of the prior year. Other drivers included lower funding costs from the improved funding mix due to the ongoing growth in the bank's deposit franchise, and improved asset and liability management (ALM).

Revenue and cost overview

Overall net interest income (NII) increased 3%, despite the negative endowment impact resulting from the 300 bps cuts in interest rates since December 2019. This impact was partially offset by higher capital levels and deposit volumes, and the benefit of Group Treasury's ALM mitigation strategies to protect earnings. Lending NII decreased due to the decline in advances and increased competition, which was to some extent offset by mix change.

Net interest margin (NIM) improved 7 bps to 472 bps, driven mainly by the positive impact of the Group Treasury activities which offset the negative endowment impact.

Advances decreased year-on-year, due to low demand for credit as well as the group's cautious risk appetite for most of the financial year, given ongoing uncertainty. The deposit franchise, however, performed strongly, growing 8%.

FNB's advances increased marginally during the year, reflecting the business's continued prudent risk appetite and lower demand given the ongoing impact of Covid-19 on its customer base. Across all segments, deposit growth benefited from strong momentum in savings and investment products. Commercial customers continued to maintain liquidity to support cash flow demands given the prevailing uncertainty.

RMB's core advances contracted due to low levels of corporate activity and business confidence, and paydowns from clients as their liquidity requirements normalised compared to the Covid-19 drawdowns in the previous financial year. In addition, there was a negative impact of currency appreciation from the cross-border book. Deposit growth remained healthy, with some margin contraction.

WesBank advances declined 3% as the business adjusted its approach to origination given the competitive lending environment.

MotoNovo advances continued to decline from £177 million to £92 million as all new origination is now written on the Aldermore Group's balance sheet, which is not part of the bank.

Growth in advances and deposits is unpacked by operating business below.

	Growth in advances %	**Growth in deposits %**
FNB	**1**	**8**
– Retail	**–**	**7**
– Commercial	**3**	**9**
WesBank	**(3)**	**n/a**
RMB*	**(14)**	**5**
MotoNovo (back book)**	**(52)**	**n/a**

* *Advances growth for RMB based on core advances, which exclude assets under agreements to resell.*

** *MotoNovo back book £92 million (2020: £176 million).*

Total bank non-interest revenue (NIR) increased 3%, mainly driven by resilient growth in fee and commission, and trading income.

FNB's NIR increased 8%, benefiting from good growth in transactional volumes, up 6% year-on-year, with particularly strong volumes on the banking app (+26%). Customer growth was robust at 5%.

RMB's fee and commission income grew 3%, underpinned by advisory mandates, although this was partially offset by lower structuring income. Trading activities delivered another strong performance (+12%) supported by the fixed income desk and the commodities business.

Growth in operating expenses was contained at 1%, reflecting the continued focus on cost management across the business. It was also achieved despite ongoing investment strategies in:

> insurance and asset management with a portion of these costs recognised in the bank;
> build-out and consolidation of the enterprise platform; and
> build-out of the group's footprint in the rest of Africa, with a large portion of this expense recognised in the bank.

Additional costs associated with managing employee and customer well-being on premises and in branches, and the facilitation of remote working for a significant proportion of employees, continue to be incurred. Overall cost growth continued to benefit from lower travel and related costs as well as lower cooperation agreement costs. The cost-to-income ratio improved marginally to 54.0% (2020: 54.8%).

Credit performance

As required under IFRS 9, FirstRand revised its macroeconomic forward-looking outlook, with positive revisions to key economic variables compared to the prior year given the rebound in the economy. Overall performing coverage reduced given this change. However, the bank included an additional stress scenario given the ongoing uncertainty in the system, resulting in only a marginal increase in performing coverage. The decline of 1% in non-performing loans (NPLs) was better than expected, benefiting from a 30% increase in write-offs. This drove the 39% reduction in the overall impairment charge to R11.1 billion (2020: R18.3 billion) as analysed in the table below.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				Jun 2021 vs Dec 2020 % change	Dec 2020 vs Jun 2020 % change	Jun 2020 vs Dec 2019 % change
R million	**30 June 2021**	31 December 2020	30 June 2020	31 December 2019			
Performing book provisions	**(1 261)**	1 404	5 226	(203)	(>100)	(73)	(>100)
NPL provision	**(301)**	855	3 906	1 540	(>100)	(78)	>100
Credit provision (decrease)/increase	**(1 562)**	2 259	9 132	1 337	(>100)	(75)	>100
Modification	**309**	291	273	485	6	7	(44)
Gross write-off* and other**	**6 304**	5 577	4 770	4 357	13	17	9
Post write-off recoveries	**(1 097)**	(966)	(795)	(1 290)	14	22	(38)
Total impairment charge	**3 954**	7 161	13 380	4 889	(45)	(46)	>100
Credit loss ratio (%)	**0.89**	1.60	2.95	1.07			

* *Write-off of gross balances excluding prior year provisions held.*
** *Net interest recognised on stage 3 advances of R3 059 million (2020: R2 851 million) is excluded from write-off and other.*

The above table also demonstrates the move in impairments on a rolling six-month view, based on movements in the balance sheet. Provisions for the six months to June 2020 reflect the significant impact of the negative macros. For the six months to December 2020, the performing book coverage increased despite the improving macro environment, largely due to judgemental out-of-model provisions recognised, given the ongoing uncertainties at that time. The provision release of R1.3 billion for the performing book for the six months to June 2021 was driven by the improvement in macro assumptions, relatively lower levels of uncertainty and the release of Covid-19-related provisions. The NPL provision release reflects the relative improvement in mix, with a larger portion of paying NPLs.

The next table deals with the rolling six-month change in bank NPL balances. It is pleasing to see that the reduction in operational NPLs continued in the second half of the financial year. Collection efforts resulted in paying NPLs increasing R2.9 billion year-on-year. MotoNovo experienced a decrease in NPLs (-48%), which resulted in a consistent NPL contribution of 5.22% of advances (2020: 5.22%).

Overall NPL coverage increased marginally to 46.4% (2020: 44.7%), mainly driven by mix change but partially offset by a higher proportion of paying NPLs. Product coverage was largely maintained.

The table below unpacks all movements in NPLs.

DECREASE IN NPLs

	30 June 2021 vs 30 June 2020			30 June 2021 vs 31 December 2020		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(3 113)**	**(9)**	**(6)**	(1 225)	(4)	(4)
Covid-19 relief paying NPLs**	**1 765**	**76**	**4**	694	20	2
Other paying NPLs#	**1 133**	**14**	**2**	(142)	(1)	–
NPLs (excluding MotoNovo)	**(215)**	**–**	**–**	(673)	(1)	(2)
MotoNovo (back book)	**(264)**	**(48)**	**(1)**	(121)	(30)	–
Total bank NPLs	**(479)**	**(1)**	**(1)**	(794)	(2)	(2)

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans < 90 days in arrears still subject to curing criteria.*

\# *Include debt-review and other advances < 90 days in arrears still subject to curing criteria.*

Retail NPLs as a percentage of advances grew to 9.16% (2020: 8.54%), driven mainly by the increase in residential mortgage NPLs given the ongoing pressures on consumers.

Corporate and commercial NPLs as a percentage of advances decreased marginally, benefiting from the reduction in operational NPLs.

With regard to the relief books, overall gross advances decreased from R147.9 billion to R97.6 billion, given that no further relief was extended and customers commenced repayments. Corporate and commercial reflected the largest decline as counterparties paid off their facilities as liquidity improved. The proportion of the portfolio under relief was at 11% of advances at 30 June 2021 (2020: 16%).

Financial resource management

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk appetite, is a critical enabler of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite. Group Treasury is mandated to execute on FRM strategic initiatives.

Group Treasury also manages market risk associated with balance sheet activities within regulatory and management limits, and the group's risk appetite. The aim is to protect and enhance earnings without adding to the overall risk profile.

RISK APPETITE

The group annually reviews its risk-return framework and assesses performance relative to its stated targets, as well as the bottom-up portfolio risk appetite relative to aggregated constraints.

Against the backdrop of the Covid-19 pandemic, the framework has proven to be robust, especially in respect of measures of resilience relating to funding, liquidity and capital. Returns and earnings volatility were outside of appetite, reflecting the severe nature of the Covid-19 crisis. The group subsequently embarked on a comprehensive assessment of risk appetite for the recovery period, designed to guide the group back to its long-term growth and return targets. This translated into portfolio mix and tilt objectives, and risk actions.

The risk-return framework also includes qualitative principles designed to support the risk culture of the group. The principles support appropriate decision-making which cannot always be adequately captured through policies, frameworks and limits. The qualitative risk principles were updated to align the group's culture, strategy and approach more closely to emerging risks.

CAPITAL POSITION

Capital ratios for the bank are summarised below.

CAPITAL POSITION*

%	Internal targets	As at 30 June 2021	As at 30 June 2020
CET1	11.0 – 12.0	**14.5**	12.3
Tier 1	>12.0	**15.2**	12.8
Total	>14.25	**17.8**	15.7

* *FRB including foreign branches. Ratios include unappropriated profits.*

The Prudential Authority (PA) temporarily reduced the Pillar 2A capital requirement from 1% to 0% in response to the pandemic in 2020. The PA published a directive in May 2021, reinstating the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's domestic systemically important bank (D-SIB) add-on to be met with CET1 capital. The group's internal targets remain appropriate as a maximum D-SIB and fully phased-in Pillar 2A requirement are assumed in the target assessment. The internal targets were also not adjusted for any temporary Covid-19 relief measures.

The bank's CET1 ratio strengthened further to 14.5% (2020: 12.3%), which is well above its internal target range of 11.0% to 12.0%. In line with FRM principles, both NAV and CET1 have been accretive over the year as the group increased its focus on risk-weighted assets (RWA) optimisation and efficient use of financial resources.

Key factors impacting the CET1 ratio year-on-year:

> positive earnings partly offset by the payment of an interim dividend for the 2021 financial year;
> capital preservation measures introduced by the PA in 2020;
> a decrease in the foreign currency translation reserve given the rand appreciation;
> successful financial resource optimisation strategies;
> a decrease in RWA mainly from credit and counterparty credit risk driven by rand appreciation and muted advances growth; and
> the incorporation of the IFRS 9 transitional impact.

The bank continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 levels with its internal targets. During the year under review, the bank issued R1.4 billion AT1 instruments and R3.1 billion Tier 2 instruments in the domestic market to optimise its capital stack and manage the rollover of existing Tier 2 instruments. AT1 and Tier 2 instruments are treated as funding, and not used to support risk in the group. It remains the bank's intention to continue optimising its regulatory capital composition by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

LIQUIDITY POSITION

Due to the liquidity risk introduced by its business activities, the bank optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The bank entered the Covid-19 crisis in a strong liquidity position. The diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis and thereafter. The bank remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%, which the bank did not utilise. The requirement for the net stable funding ratio (NSFR) remained unchanged. The pandemic continues to negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The bank regularly forecasts its liquidity position and uses scenario analysis in its decision-making. FirstRand continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

The bank's portfolio of high-quality liquid assets (HQLA) provides a liquidity buffer against unexpected liquidity stress events or market disruptions and serves to facilitate the changing liquidity needs of the operating businesses. The composition and quantum of available liquid assets are defined behaviourally by considering both the funding liquidity-at-risk and the market liquidity depth of these instruments. Additional liquidity overlays in excess of prudential requirements are determined based on stress testing and scenario analysis of cash inflows and outflows, and are used to manage the bank's funding cyclicality and seasonality.

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The increase in HQLA (mainly in SA government treasury bills) was not due to a requirement for larger buffers. Due to changes in market liquidity conditions, the group's markets business increased its client financing activities, which resulted in larger holdings of securities and a related increase in HQLA. The HQLA portfolios are continually assessed and actively managed to ensure optimal composition, cost and quantum.

Key prudential liquidity ratios are summarised below.

LIQUIDITY POSITIONS*

	As at 30 June	
%	**2021**	2020
LCR		
Regulatory minimum	**80**	80
Actual**	**117**	124
Average available HQLA (R billion)	**287**	249
NSFR		
Regulatory minimum	**100**	100
Actual**	**122**	116

* *The bank's LCR, NSFR and average available HQLA reflect South African operations only.*

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

REGULATORY UPDATE

The South African resolution framework contained in the Financial Sector Laws Amendment Bill is still pending parliamentary promulgation, therefore, the full scope, timeframe and impact of resolution planning is unclear at this point. To date, the South African Reserve Bank (SARB) has released discussion papers outlining key elements of an effective resolution regime, namely:

- the establishment of a privately funded deposit insurance scheme (DIS); and
- the introduction of a new class of instruments, i.e. first loss after capital (Flac) instruments, which will be subject to bail-in after regulatory capital instruments but before any other unsecured liabilities.

The bank's initial impact assessments suggest an annual cost of R250 million for a covered deposit balance of R100 billion, which will be incorporated in the group's ALM strategies and pricing.

Covid-19 regulatory update

LCR: *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (Covid-19) pandemic stress period*, was issued to mitigate the potential liquidity strain on the banking sector, assist in sustaining the local economy, and maintain financial stability. The PA temporarily reduced the LCR requirement from 100% to 80%, effective 1 April 2020. The PA released a proposed directive on 1 September 2021 to withdraw the temporary relief measures and phase in the LCR requirement as follows:

- 1 January 2022: minimum LCR of 90%; and
- 1 April 2022: minimum LCR of 100%.

Capital: *Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the Covid-19 pandemic*, was issued to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. The PA temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. The PA published *Directive 5 of 2021, Capital framework for South Africa based on the Basel III framework,* reinstating the Pillar 2A requirement of 1% in 2022.

Restructured credit exposures: *Directive 3 of 2020, Matters related to the treatment of restructured credit exposures due to the Coronavirus (Covid-19) pandemic*, was issued to provide temporary relief on the minimum capital requirements for banks relating to credit risk, specifically the treatment of restructured credit exposures related to Covid-19. The PA released a proposed directive on 7 September 2021 to withdraw Directive 3 of 2020, with effect from 1 April 2022. Directive 3 of 2020 will also no longer apply to any restructured credit exposures (new or reapplications) granted from 1 January 2022 onwards. Although the bank did make use of this relief measure, the impact of the withdrawal of this directive on CET1 capital will not be material.

Prospects

Looking forward, in South Africa the bank expects a modest credit cycle to emerge, mainly driven by recovery in consumer and corporate incomes, a gradual lift in business and consumer confidence and pent-up private sector demand. These trends will underpin some advances growth, with a slowdown in deposit growth as consumers draw down on precautionary savings. Advances growth will be driven by the retail portfolios, with commercial advances likely to follow thereafter. Corporate advances growth is expected to remain weak given low demand and excess capacity. Recent momentum in transactional activity is expected to grow as the economy continues to open up.

Whilst a fourth domestic Covid-19 wave remains probable towards the end of the 2021 calendar year, the severity of this wave is expected to be reduced given the levels of vaccination rates in the vulnerable age groups.

The bank previously expected to reach peak earnings during the 2023 financial year. However, the speed, extent and breadth of the rebound have exceeded expectations and the resultant momentum has carried into the new financial year.

Consequently, the bank expects peak earnings to be achieved earlier than previously thought. Capital generation is likely to exceed demand in the 2022 financial year.

Events after reporting period

Civil unrest occurred in the KwaZulu-Natal and Gauteng provinces of South Africa shortly after the bank's balance sheet date, resulting in theft and damage to property. Losses suffered by the bank were not taken into consideration for the financial results at 30 June 2021, as these are considered to be non-adjusting post-balance sheet events. The physical damage losses are not material to the bank on a gross basis. In addition, the bank has insurance cover for some of these losses.

Board changes

Changes to the directorate are outlined below.

		Effective date
Retirements		
MS Bomela	Independent non-executive director	2 December 2020
AT Nzimande	Independent non-executive director	2 December 2020
Appointment		
SP Sibisi	Independent non-executive director	15 April 2021

Debt officer appointment

		Effective date
Appointment		
B Singh	Debt officer	1 November 2020

WR JARDINE ~ Chairman

AP PULLINGER ~ CEO

H KELLAN ~ CFO

C LOW ~ Company Secretary

15 September 2021

review of operations

FNB

FNB represents the bank's retail and commercial activities. FNB's strategy is underpinned by:

- a main-banked client strategy anchored to growing and retaining customer relationships using core transactional accounts as a key lever;
- a digital platform providing market-leading interfaces to deliver contextual, cost-effective, innovative and integrated financial services offerings to its customers on either an assisted (in-person) or unassisted (self-service) basis;
- using its deep customer relationships, extensive data and sophisticated data analytics to cross-sell a broad range of relevant financial services products, including banking, insurance and investments;
- applying disciplined credit origination strategies that appropriately support customer requirements and affordability;
- providing innovative products to grow customer savings and, in turn, the retail deposit franchise;
- utilising eBucks to reward desired customer behaviours, and drive platform adoption and appropriate cross-sell;
- leveraging its mobile virtual network operator (MVNO) to augment customer value propositions, as well as to provide affordable telecommunication services to customers; and
- strategically managing physical points of presence that are right-sized, have appropriate coverage and offer cost-efficient assisted engagements with customers on platform.

FNB FINANCIAL HIGHLIGHTS

R million	**2021**	2020	% change
Normalised earnings	**14 537**	10 224	42
Normalised profit before tax	**20 195**	14 202	42
– South Africa	**20 528**	14 663	40
– Rest of Africa*	**(333)**	(461)	28
Pre-provision operating profit	**28 381**	27 152	5
Total assets	**420 010**	419 250	–
Total liabilities	**404 819**	409 810	(1)
Stage 3/NPLs as a % of advances	**7.98**	7.60	
Credit loss ratio (%)	**1.94**	3.12	
Cost-to-income ratio (%)	**51.4**	51.7	
Advances margin (%)	**4.21**	4.27	

* *Relates to head office costs. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank.*

FNB continued to successfully navigate the challenges presented by the Covid-19 pandemic. Total FNB normalised earnings increased 42%. This performance was characterised by a significant reduction in year-on-year impairments and the negative endowment impact on NII due to the significant rate cuts. FNB also benefited from Group Treasury's ALM mitigation strategies. Despite no overall headline fee increases, FNB delivered solid non-interest revenue growth of 8%, with good customer acquisition and a rebound in customer activity. Cost increases were well managed at 4%, despite continued investment in growth strategies.

FNB continued to attract deposits as customers managed their personal balance sheets conservatively in response to the pandemic. Deposits grew 8%.

FNB's muted advances growth is a reflection of the tough macroeconomic environment as well as the credit risk appetite response, which focused on utilising financial resources to support the in-force credit portfolio, whilst also bolstering collections. New origination concentrated on replacing the net repayment of the book with good credit quality supported by customer affordability.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**7**	**19 191**	**–**	**(907)**
– Consumer	**5**	**4 507**	**(10)**	**(6 366)**
– Premium	**8**	**14 684**	**2**	**5 459**
Commercial	**9**	**25 181**	**3**	**3 207**
Total FNB	**8**	**44 372**	**1**	**2 300**

CHANNEL VOLUMES

Thousands of transactions	2021	2020	% change
ATM/ADT	**219 360**	224 141	(2)
Internet banking	**174 627**	176 280	(1)
Banking app	**382 233**	303 503	26
Mobile banking (USSD)	**36 275**	41 260	(12)
Point-of-sale merchants	**649 967**	587 152	11
Card swipes*	**871 350**	814 099	7

** 2020 figures were restated to exclude Discovery card swipes.*

Transaction volumes were severely affected by the pandemic in the last quarter of the prior financial year and this continued into the first quarter of this year. FNB, however, experienced a rebound in transaction volumes particularly on the banking app, at point-of-sale merchants and in card swipes. This is evidence of FNB's platform evolution and its strategy to drive customer take-up of digital interfaces.

SEGMENT RESULTS

R million	2021	2020	% change
Normalised PBT			
Retail	**10 133**	7 018	44
Commercial	**10 395**	7 645	36
Rest of Africa*	**(333)**	(461)	28
Total FNB	**20 195**	14 202	42

* *Relates to head office costs. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank.*

Good growth in NIR in the retail core transactional business, supported by translation volume and customer growth, provided overall earnings growth.

FNB commercial delivered solid earnings growth on the back of customer gains. Earnings are above the pre-pandemic levels on a pre- and post-impairment basis. NIR reflected the good recovery in transactional and forex activity, and merchant acquiring volumes, despite industry sectors such as tourism, leisure and hospitality and commercial property being severely affected by lockdown restrictions.

Focus is placed on platform adoption by customers and driving usage of the platform on both an assisted (in branch on its devices) and unassisted (self-service on customer device) basis.

FNB's ongoing strategy of ensuring retail customers are receiving the right service offering resulted in ongoing migration from the consumer segment to the premium segment. The refocus of retail on the entry segment with a zero-fee offering has resulted in good net customer growth in this segment. Commercial continued to attract new customers.

ACTIVE CUSTOMERS AND PLATFORM USERS

	Number of customers as at 30 June		
Millions	2021	2020	% change
Retail	**7.52**	7.20	4
– Consumer	**5.92**	5.74	3
– Premium	**1.60**	1.46	10
Commercial	**1.13**	1.03	10
Total SA customer base	**8.65**	8.23	5
eWallet platform users*	**5.61**	5.16	9
Total platform users	**14.26**	13.39	7

* *Represent all eWallets without another FNB relationship/product that had at least one transaction in the past six months. In addition, there are 1.55 million eWallets belonging to FNB customers. FNB customer eWallets represent 22% of the total active eWallet base of 7.16 million.*

Retail customer subsegments have been expanded and enhanced using more granular data on customer income bands. Going forward, retail customer disclosure will change from the premium and consumer subsegment disclosed previously, to entry banking, retail banking, private banking, and active customers without an FNB transactional account.

SEGMENTATION OF ACTIVE RETAIL CUSTOMERS

	Number of customers			VSI	
	As at 30 June			As at 30 June	
Millions	2021	2020	% change	2021	2020
Entry (≤ R36k income per annum)	**1.64**	1.45	13	**1.70**	1.64
Retail banking (>R36k to R450k income per annum)	**2.89**	2.91	(1)	**3.35**	3.30
Private banking (>R450k income per annum)	**1.58**	1.52	4	**5.34**	5.36
Total retail customers without a FNB transactional account	**1.41**	1.32	7	**1.06**	1.10
Total retail customers	**7.52**	7.20	4	**2.98**	3.00
Platform users not included in above					
– eWallet	**5.61**	5.16	9		
Total retail platform users	**13.13**	12.36	6		

During the year under review, efforts to cross- and up-sell into the retail and commercial bases continued. Customer growth did outstrip product growth, which resulted in the vertical sales index (VSI) reducing marginally to 2.89 (2020: 2.92). (New customer VSI is initially 1.)

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2021**	2020	% change
Performing book provisions	**(109)**	3 813	(>100)
NPL provision	**1 438**	3 625	(60)
Credit provision increase	**1 329**	7 438	(82)
Modification	**464**	759	(39)
Gross write-off* and other	**8 161**	6 424	27
Post write-off recoveries	**(1 768)**	(1 671)	6
Total impairment charge	**8 186**	12 950	(37)

* *Write-off of gross balances excluding prior year provisions held.*

FNB's credit impairment charge reduced to R8.2 billion (2020: R13.0 billion), with the credit loss ratio dropping to 194 bps (2020: 312 bps). This was driven primarily by:

> the curing in FNB's debt relief portfolios and release of the related provisions;

> net release of provisions due to improved forward-looking information (FLI) effects;

> good collections; and

> additional judgemental post-model adjustments to cater for the uncertainty around the severity and impact of the third and potential fourth Covid-19 waves in SA.

The approach to provisioning has remained prudent, given the economic cycle and event risk uncertainty. It is possible that credit models may not capture all of the nuances and possible new scenarios, so portfolio post-model adjustments were created to ensure adequate coverage for the current stressed environment, the uncertainty relating to loss given default (LGD) levels in secured portfolios and industry-specific stress in the commercial segment. An additional stress scenario was introduced into the credit FLI models. This led to a reallocation and reduction of the central post-model adjustments from R620 million (December 2020) to c. R260 million at 30 June 2021.

Overall, collections across all product portfolios performed extremely well. The repayment behaviour on the debt relief books was better than expected in the commercial segment, and in line with expectations in retail.

Balance sheet credit provisions increased R1 329 million year-on-year, with performing coverage reduced (stage 1 and 2) to 2.71% (2020: 2.74%). NPLs increased 6% year-on-year, which was better than expected (lower inflows and better collections). NPL coverage increased to 49.6% (2020: 47.9%). The key drivers of NPL levels relate to:

> underlying strain in the retail unsecured and secured portfolios;

> an increase in the paying Covid-19 relief book, especially in residential mortgages and retail unsecured, as well as partial curing of the relief book. The 12-month curing rule on the relief book will result in most of the expected curing to occur in the next reporting period;

> higher write-offs in SA on the back of improvement in internal and external operational processes (i.e. deeds office administration);

> work-outs in the agric book in commercial; and

> the continued build-up of technical cures, i.e. paying NPLs, in retail.

Platform strategy

FNB continues to invest in its enterprise-wide platform strategy and customers can perform most of their financial service requirements digitally. The platform strategy allows customers to engage either via assisted interfaces (e.g. points of presence and call centres) or unassisted interfaces (mobile banking (USSD), online banking, the app, ATMs and ADTs), but regardless of the interface, the platform used in all interactions is the same.

Furthermore, the platform offers contextual customer experiences through an ecosystem of offerings called "nav". These are designed to assist customers to manage key financial and lifestyle needs. The platform also enables customers to digitally and efficiently access other non-banking services such as electricity, mobile data and digital vouchers.

Key platform highlights during the past year are outlined below.

> The virtual card launch on the FNB app resulted in the activation of more than 260k virtual cards to date and >R460 million in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.

> nav»Money provides customers with simple, easy-to-use money management tools, which help them track their spend, view credit scores, etc. It currently has 2.1 million users, increasing >100% year-on-year (1 million users have joined since the smart budget tool launch). The customer rating on "overall experience" was 4 (on a 5-point rating scale).

> nav»Home has paid out R26.8 billion in loans since inception. Estate agent functionality is now live on the app, with 970 current listings.

> nav»Car loaded 667k vehicles and delivered 60k vehicle licences during Covid-19, and WesBank has financed R38.5 million in vehicle loans. The launch of MotoVantage products on nav»Car continues to show good growth.

> Digitally active customers grew to 6.09 million from 5.90 million (digital includes mobile banking (USSD), online banking and the app).

> The banking app active transacting base exceeded 4.2 million customers and reached new monthly records of 78.4 million logins in March 2021, and more than 78.1 million in June 2021 (72% higher than June 2019 and 40% higher than June 2020).

> Digital logins totalled 1.48 billion for the year, with online and mobile banking (USSD) logins of 181 million and 460 million, respectively. The app contributed 842 million logins.

> Total transactional volumes through digital interfaces included 174.6 million for online banking, 382.2 million for the banking app and 36.2 million for mobile banking (USSD), highlighting the scalability of FNB's platform.

> Purchases and fulfilment on platform, i.e. electricity, mobile and digital vouchers sold, amounted to R17.2 billion, up 5%.

> FNB customers used the platform to opt in for payment arrangements totalling R1.3 billion during the 2021 financial year.

RMB

RMB represents the bank's corporate and investment banking activities. RMB leverages an entrenched origination franchise, a strong market-making and growing distribution product offering, a competitive transactional banking platform and a class-leading private equity track record, which is largely part of FRIHL and not reported in the bank, 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 superior returns.

RMB FINANCIAL HIGHLIGHTS

R million	2021	2020	% change
Normalised earnings	**4 679**	4 398	6
Normalised profit before tax	**6 499**	6 108	6
Pre-provision operating profit	**7 351**	8 185	(10)
Total assets	**536 353**	579 024	(7)
Total liabilities	**531 248**	574 599	(8)
Credit loss ratio (%)	**0.27**	0.64	
Cost-to-income ratio (%)	**53.5**	47.8	

RMB delivered a pleasing performance with normalised profit before tax (PBT) increasing 6%, mainly driven by lower credit impairments year-on-year.

The uplift in PBT was driven by:

> a lower impairment charge;
> an excellent markets contribution;
> sustained annuity income growth; and
> core deposit growth of 5% year-on-year, with average core deposits up 13%.

Total costs increased 13%, reflecting continued investment in core platform modernisation and an increase in variable staff costs, in part linked to performance.

The business continues to be prudently provided in response to the constrained macroeconomic environment and specifically against the ongoing uncertainty in sectors directly impacted by the pandemic, with the performing book coverage ratio at 128 bps (2020: 112 bps).

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	2021	2020	% change
Performing book provisions	**473**	1 470	(68)
NPL provision	**(849)**	218	(>100)
Credit provision increase	**(376)**	1 688	(>100)
Modification	**–**	–	–
Gross write-off* and other	**1 233**	395	>100
Post write-off recoveries	**(5)**	(6)	(17)
Total impairment charge	**852**	2 077	(59)

* *Write-off of gross balances excluding prior year provisions held.*

Performing provisions increased given the continued tough environment and conservative provisions for high-risk industries. NPL provisions decreased following the work-out of a significant client.

BREAKDOWN OF PBT CONTRIBUTION BY ACTIVITY

R million	2021	2020	% change
Banking	**4 570**	4 953	(8)
Markets	**1 943**	1 288	51
Private equity	**(72)**	(91)	(21)
Other*	**58**	(42)	(>100)
Total RMB	**6 499**	6 108	6

* *Other includes support and head office activities.*

The banking business's performance decreased 8%, reflecting a tough operating environment. There were further increases in credit provisioning, given adverse trading conditions in specific pandemic-affected industries, albeit at lower levels. Investment banking's contribution to performance was lower, due to muted structuring revenue given slower deal origination. This was partially offset by robust fee income from advisory mandates. Corporate transactional banking's performance reflected lower-margin income due to multiple rate cuts. The domestic franchise was further affected by the extended lockdown periods during the year driving transactional volumes lower.

The markets business delivered an excellent performance, with PBT up 51%. The performance was driven by a significant rebound from fixed income, specifically the inflation desk, which benefited from normalisation of market conditions, market making and client facilitation. This was offset by reduced activity in nominal bonds and options. Secured financing benefited from hedging flows emanating from Nigeria. The commodities business performance was driven by increased gold demand from India together with revenue earned from hedging client flows.

WesBank

WesBank represents the bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments. WesBank's strategy remains centered on protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. Of the 36 original equipment manufacturers (OEM) brands currently active in South Africa, WesBank has participation arrangements with 24. This partnership model delivers the following channels:

> direct to dealer through a point-of-sale presence;

> joint venture arrangements with industry players; and

> participation in OEM-captive arrangements through servicing and equity agreements.

This is further augmented by a digital presence via WesBank online, the WesBank app and FNB's nav»Car.

WESBANK FINANCIAL HIGHLIGHTS

R million	2021	2020	% change
Normalised earnings	**418**	305	37
Normalised profit before tax	**581**	424	37
Pre-provision operating profit	**2 592**	3 372	(23)
Total assets	**115 572**	119 441	(3)
Total liabilities	**116 116**	120 151	(3)
Stage 3/NPLs as a % of advances	**8.75**	8.82	
Credit loss ratio (%)	**1.69**	2.42	
Cost-to-income ratio (%)	**61.3**	53.6	
Net interest margin (%)	**3.16**	3.39	

Vehicle sales increased year-on-year, given the base effect of lockdowns in the prior year, however, sales still remain below 2019 levels. The current year has been particularly challenging for new car sales with OEMs affected by stock shortages and delays in new model launches.

New business increased 2% on the prior year in a subdued market. WesBank remains committed to appropriate credit risk whilst adapting to customer demand for higher loan to value (LTV) levels and balloons.

Digital channels continue to show activity, however, whilst customers are searching for and assessing affordability online, they still prefer to conclude a transaction at the vehicle point of sale. Popular digital features are private-to-private (P2P), the finance calculator and repossession auction previews.

WesBank corporate and commercial also experienced a positive recovery from an arrears and improving new business levels perspective, however, certain industry segments remain under pressure. The dealer funding solutions business continues to support the industry through the provision of floor plans and has shown moderate growth over the financial year.

WesBank's normalised PBT increased 37% to R581 million. The year-on-year recovery in impairments relates to a marked improvement in new arrears since the first lockdown, which triggered a significant deterioration in arrears in the quarter ending 30 June 2020, and improved macro assumptions. WesBank showed strong recovery in arrear inflows in the current year, and Covid-19 second and third wave arrears have had a relatively muted effect in comparison.

The rebound in the economy and a focus on collections resulted in an overall improvement in debit order success rates year-on-year, and a high portion of accounts that were previously in arrears that are now making payments on a consistent basis. With the conclusion of the retail payment relief programme, the focus remains on collections to clear arrears on relief accounts and the collection of other defaulted accounts. WesBank also has a strong focus on resolving defaulted accounts and accordingly higher levels of write-offs have been experienced.

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

R million	2021	2020	% change
Normalised PBT			
Retail VAF	**331**	182	82
Corporate and commercial	**250**	242	3
Total WesBank	**581**	424	37

* *Refer to additional segmental disclosure on page B42.*

Retail vehicle asset finance (VAF) profit before tax increased 82% to R331 million, assisted by the improvement in impairment charges. Corporate and commercial PBT benefited from the improvement in the impairment charge, which was partly offset by higher expenditure.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	2021	2020	% change
Performing book provisions	**6**	36	(83)
NPL provision	**93**	1 598	(94)
Credit provision increase	**99**	1 634	(94)
Modification	**135**	(1)	(>100)
Gross write-off* and other	**2 029**	1 652	23
Post write-off recoveries	**(252)**	(337)	(25)
Total impairment charge	**2 011**	2 948	(32)

* *Write-off of gross balances excluding prior year provisions held.*

The reduction in the arrears book was primarily due to a decrease in arrear inflows and an increase in accounts curing out of arrear status. This led to a 73 bps drop in the credit loss ratio from 2.42% to 1.69%. Write-offs increased, mainly driven by the acceleration of delayed repossessions (affected by court closures in the first lockdown). The curing in defaulted accounts continued with a recovery back to performing status expected in the next financial year. Auctions (online and physical) continue, with strong demand for used vehicles supporting recovery rates.

Operating costs increased 7%, which include the impact of accelerated expenditure of software costs. This together with lower revenues resulted in a deterioration in the cost-to-income ratio to 61.3% (2020: 53.6%).

MotoNovo

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group, a fellow subsidiary of the group, as part of the process to integrate the two businesses. All business written by MotoNovo post migration occurs in the Aldermore group and no longer in bank.

Loans originated prior to the integration (the back book) are still housed in FirstRand Bank London branch, but continue to be managed by MotoNovo. MotoNovo's back book produced a loss driven by lower NII due to the wind down of the book and the lack of securitisation-related income. The costs associated with running the back book (both securitised and unsecuritised) is recognised in the bank.

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2021	% composition	2020	% composition	% change
Retail	**7 291**	38	4 851	35	50
– FNB*	**7 053**		4 720		49
– WesBank	**238**		131		82
Commercial	**7 664**	40	5 678	41	35
– FNB	**7 484**		5 504		36
– WesBank	**180**		174		3
Corporate and investment banking	**4 679**	25	4 398	32	6
– RMB	**4 679**		4 398		6
MotoNovo (back book)	**(390)**	(2)	(244)	(2)	60
Other	**(212)**	(1)	(921)	(6)	77
– FCC (including Group Treasury)	**313**		(292)		>100
– Other equity instrument holders	**(525)**		(629)		17
Normalised earnings	**19 032**	100	13 762	100	38

* *Includes FNB rest of Africa, which relates to head office costs.*

Segment report
for the year ended 30 June 2021

R million	Retail and commercial					
	FNB					
	Retail					
	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	5 036	2 993	6 544	6 883	**21 456**	12 557
Impairment charge	(577)	(1 428)	(3 600)	(1 302)	**(6 907)**	(1 307)
Net interest income after impairment of advances	4 459	1 565	2 944	5 581	**14 549**	11 250
Non-interest revenue	121	2 605	739	12 212	**15 677**	9 202
Income from operations	4 580	4 170	3 683	17 793	**30 226**	20 452
Operating expenses	(1 805)	(2 446)	(2 592)	(12 593)	**(19 436)**	(10 009)
Income before indirect tax	2 775	1 724	1 091	5 200	**10 790**	10 443
Indirect tax	(15)	(38)	(79)	(525)	**(657)**	(48)
Profit before income tax	2 760	1 686	1 012	4 675	**10 133**	10 395
Income tax expense	(773)	(472)	(284)	(1 311)	**(2 840)**	(2 911)
Profit for the year	1 987	1 214	728	3 364	**7 293**	7 484
Attributable to:						
Ordinary equityholders	1 987	1 214	728	3 364	**7 293**	7 484
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	1 987	1 214	728	3 364	**7 293**	7 484
Attributable earnings to ordinary shareholders	1 987	1 214	728	3 364	**7 293**	7 484
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 987	1 214	728	3 364	**7 293**	7 484
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 987	1 214	728	3 364	**7 293**	7 484

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

* *Include DirectAxis (R413 million earnings) and Covid-19 debt-relief loans (R442 million loss).*

** *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A04) and are not reported in bank.*

\# *Refer to additional segmental disclosure on page B42.*

† *FCC represents group-wide functions and include MotoNovo.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa**	Total FNB	WesBank#	Retail and commercial	RMB	FCC (including Group Treasury) and other†	FRB – normalised	Normalised adjustments	FRB – IFRS
(10)	34 003	4 303	38 306	7 281	2 228	47 815	(811)	47 004
28	(8 186)	(2 011)	(10 197)	(852)	(66)	(11 115)	–	(11 115)
18	25 817	2 292	28 109	6 429	2 162	36 700	(811)	35 889
942	25 821	2 574	28 395	8 888	(1 734)	35 549	1 136	36 685
960	51 638	4 866	56 504	15 317	428	72 249	325	72 574
(1 291)	(30 736)	(4 218)	(34 954)	(8 645)	(1 391)	(44 990)	36	(44 954)
(331)	20 902	648	21 550	6 672	(963)	27 259	361	27 620
(2)	(707)	(67)	(774)	(173)	(61)	(1 008)	–	(1 008)
(333)	20 195	581	20 776	6 499	(1 024)	26 251	361	26 612
93	(5 658)	(163)	(5 821)	(1 820)	947	(6 694)	(98)	(6 792)
(240)	14 537	418	14 955	4 679	(77)	19 557	263	19 820
(240)	14 537	418	14 955	4 679	(602)	19 032	263	19 295
–	–	–	–	–	525	525	–	525
(240)	14 537	418	14 955	4 679	(77)	19 557	263	19 820
(240)	14 537	418	14 955	4 679	(602)	19 032	263	19 295
–	–	–	–	–	–	–	15	15
(240)	14 537	418	14 955	4 679	(602)	19 032	278	19 310
–	–	–	–	–	–	–	(176)	(176)
–	–	–	–	–	–	–	(102)	(102)
(240)	14 537	418	14 955	4 679	(602)	19 032	–	19 032

Segment report continued
for the year ended 30 June 2021

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	35.0	43.7	35.6	65.9	**52.3**	46.0
Diversity ratio (%)	2.3	46.5	10.1	64.0	**42.2**	42.3
Credit loss ratio (%)	0.26	4.65	8.83	8.03	**2.21**	1.19
Stage 3/NPLs as a % of advances (%)	5.92	12.91	19.01	15.86	**8.78**	5.74
Income statement includes						
Depreciation	(7)	(9)	(51)	(2 364)	**(2 431)**	(175)
Amortisation	–	(25)	(6)	(7)	**(38)**	–
Impairment charges	–	–	–	(3)	**(3)**	–
Statement of financial position includes						
Advances (before impairments)	225 666	31 249	39 686	15 712	**312 313**	111 121
Stage 3/NPLs	13 356	4 034	7 546	2 492	**27 428**	6 378
Total deposits	573	7 423	2	296 754	**304 752**	312 742
Total assets	221 417	26 679	31 215	33 032	**312 343**	107 484
Total liabilities†	220 895	26 644	33 072	20 868	**301 479**	102 822
Capital expenditure	3	17	6	2 322	**2 348**	185

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A04) and are not reported in bank.*

** *Refer to additional segmental disclosure on page B42.*

FCC represents group-wide functions and includes MotoNovo.

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	51.4	61.3	52.4	53.5	>100	54.0	–	53.7
>100	43.2	37.4	42.6	55.0	(>100)	42.6	–	43.8
–	1.94	1.69	1.88	0.27	0.17	1.23	–	1.23
–	7.98	8.75	8.15	0.75	0.75	5.22	–	5.22
(1)	(2 607)	(866)	(3 473)	(123)	(4)	(3 600)	–	(3 600)
–	(38)	(19)	(57)	(156)	2	(211)	–	(211)
–	(3)	(14)	(17)	(11)	–	(28)	(10)	(38)
–	423 434	117 502	540 936	317 131	38 357	896 424	–	896 424
–	33 806	10 285	44 091	2 394	289	46 774	–	46 774
–	617 494	47	617 541	225 487	292 557	1 135 585	–	1 135 585
183	420 010	115 572	535 582	536 353	343 094	1 415 029	–	1 415 029
518	404 819	116 116	520 935	531 248	250 467	1 302 650	–	1 302 650
1	2 534	1 208	3 742	264	16	4 022	–	4 022

Segment report continued

for the year ended 30 June 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages*	Card*	Total personal loans*, **	Retail other*	**Retail**	Commercial*
Net interest income before impairment of advances	4 819	2 728	7 115	7 124	**21 786**	11 540
Impairment charge	(1 411)	(1 997)	(4 899)	(1 666)	**(9 973)**	(2 949)
Net interest income after impairment of advances	3 408	731	2 216	5 458	**11 813**	8 591
Non-interest revenue	160	1 949	829	11 530	**14 468**	8 585
Income from operations	3 568	2 680	3 045	16 988	**26 281**	17 176
Operating expenses	(1 897)	(2 213)	(2 768)	(11 929)	**(18 807)**	(9 481)
Income before indirect tax	1 671	467	277	5 059	**7 474**	7 695
Indirect tax	(13)	(34)	(50)	(359)	**(456)**	(50)
Profit before income tax	1 658	433	227	4 700	**7 018**	7 645
Income tax expense	(464)	(122)	(64)	(1 316)	**(1 966)**	(2 141)
Profit for the year	1 194	311	163	3 384	**5 052**	5 504
Attributable to:						
Ordinary equityholders	1 194	311	163	3 384	**5 052**	5 504
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	1 194	311	163	3 384	**5 052**	5 504
Attributable earnings to ordinary shareholders	1 194	311	163	3 384	**5 052**	5 504
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 194	311	163	3 384	**5 052**	5 504
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 194	311	163	3 384	**5 052**	5 504

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

* *The segment has been restated. Please refer to pages B34 to B41 for additional information on internal restructures.*

** *Include DirectAxis loss (R52 million earnings) and Covid-19 debt-relief loans (R293 million loss).*

[#] *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A04) and are not reported in bank.*

† *Refer to additional segmental disclosure on page B42.*

‡ *FCC represents group-wide functions and include MotoNovo.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa#	Total FNB*	WesBank†	Retail and commercial	RMB*	FCC (including Group Treasury) and other*,‡	FRB – normalised	Normalised adjustments	FRB – IFRS
(43)	33 283	4 777	38 060	7 050	1 374	46 484	490	46 974
(28)	(12 950)	(2 948)	(15 898)	(2 077)	(294)	(18 269)	–	(18 269)
(71)	20 333	1 829	22 162	4 973	1 080	28 215	490	28 705
928	23 981	2 587	26 568	8 981	(1 102)	34 447	(880)	33 567
857	44 314	4 416	48 730	13 954	(22)	62 662	(390)	62 272
(1 315)	(29 603)	(3 946)	(33 549)	(7 668)	(3 126)	(44 343)	358	(43 985)
(458)	14 711	470	15 181	6 286	(3 148)	18 319	(32)	18 287
(3)	(509)	(46)	(555)	(178)	(77)	(810)	–	(810)
(461)	14 202	424	14 626	6 108	(3 225)	17 509	(32)	17 477
129	(3 978)	(119)	(4 097)	(1 710)	2 689	(3 118)	9	(3 109)
(332)	10 224	305	10 529	4 398	(536)	14 391	(23)	14 368
(332)	10 224	305	10 529	4 398	(1 165)	13 762	(23)	13 739
–	–	–	–	–	629	629	–	629
(332)	10 224	305	10 529	4 398	(536)	14 391	(23)	14 368
(332)	10 224	305	10 529	4 398	(1 165)	13 762	(23)	13 739
–	–	–	–	–	–	–	64	64
(332)	10 224	305	10 529	4 398	(1 165)	13 762	41	13 803
–	–	–	–	–	–	–	77	77
–	–	–	–	–	–	–	(118)	(118)
(332)	10 224	305	10 529	4 398	(1 165)	13 762	–	13 762

Segment report continued

for the year ended 30 June 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages*	Card*	Total personal loans*	Retail other*	**Retail**	Commercial*
Cost-to-income ratio (%)	38.1	47.3	34.8	63.9	**51.9**	47.1
Diversity ratio (%)	3.2	41.7	10.4	61.8	**39.9**	42.7
Credit loss ratio (%)	0.64	6.85	12.06	9.62	**3.24**	2.77
Stage 3/NPLs as a % of advances (%)	5.20	12.16	17.73	13.19	**7.97**	6.51
Income statement includes						
Depreciation	(7)	(10)	(63)	(2 163)	**(2 243)**	(165)
Amortisation	–	(15)	(18)	(16)	**(49)**	–
Impairment charges	–	–	–	6	**6**	(1)
Statement of financial position includes						
Advances (before impairments)	224 404	30 210	41 874	16 732	**313 220**	107 914
Stage 3/NPLs	11 662	3 675	7 424	2 207	**24 968**	7 030
Total deposits	559	5 683	5	279 314	**285 561**	287 561
Total assets	220 550	26 092	33 642	34 169	**314 453**	104 518
Total liabilities‡	220 855	26 980	36 134	23 645	**307 614**	101 457
Capital expenditure	7	22	46	2 307	**2 382**	208

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

* *The segment has been restated. Please refer to pages B34 to B41 for additional information on internal restructures.*

** *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page A04) and are not reported in bank.*

Refer to additional segmental disclosure on page B42.

† *FCC represents group-wide functions and includes MotoNovo.*

‡ *Total liabilities are net of interdivisional balances.*

	Retail and commercial				Corporate and institutional				
	FNB								
	FNB rest of Africa**	Total FNB*	WesBank#	Retail and commercial	RMB*	FCC (including Group Treasury) and other*,†	FRB – normalised	Normalised adjustments	FRB – IFRS
	>100	51.7	53.6	51.9	47.8	>100	54.8	–	54.6
	>100	41.9	35.1	41.1	56.0	(>100)	42.6	–	41.7
	–	3.12	2.42	2.96	0.64	0.55	2.00	–	2.00
	–	7.60	8.82	7.87	1.20	1.69	5.22	–	5.22
	(1)	(2 409)	(852)	(3 261)	(125)	(5)	(3 391)	–	(3 391)
	–	(49)	(21)	(70)	(123)	–	(193)	–	(193)
	–	5	(15)	(10)	(10)	(67)	(87)	(7)	(94)
	–	421 134	121 138	542 272	322 237	41 203	905 712	–	905 712
	–	31 998	10 684	42 682	3 876	695	47 253	–	47 253
	–	573 122	68	573 190	214 544	301 218	1 088 952	–	1 088 952
	279	419 250	119 441	538 691	579 024	296 997	1 414 712	–	1 414 712
	739	409 810	120 151	529 961	574 599	210 114	1 314 674	–	1 314 674
	(13)	2 577	2 338	4 915	246	–	5 161	–	5 161

Additional information on internal restructure

for the year ended 30 June 2020

Internal restructures took place during the year to better facilitate the execution of group strategy. These do not impact like-for-like comparisons at a bank level, but they are material to certain individual segments. The changes relate to the following:

> credit life insurance-related income and profit share previously included in each FNB segment have been reallocated to the retail other segment to align to a more customer-centric approach;

> an update of the points-of-presence cost recovery methodology; and

> the allocation of investment management activities to the relevant customer segment.

R million	**Residential mortgages previously published**	Insurance move to retail other	Other	**Residential mortgages after reallocation**	**Card previously published**	Insurance move to retail other	Other	**Card after reallocation**
Net interest income before impairment of advances	**4 819**	–	–	**4 819**	**2 728**	–	–	**2 728**
Impairment charge	**(1 411)**	–	–	**(1 411)**	**(1 997)**	–	–	**(1 997)**
Net interest income after impairment of advances	**3 408**	–	–	**3 408**	**731**	–	–	**731**
Non-interest revenue	**355**	(130)	(65)	**160**	**2 055**	(58)	(48)	**1 949**
Income from operations	**3 763**	(130)	(65)	**3 568**	**2 786**	(58)	(48)	**2 680**
Operating expenses	**(1 896)**	–	(1)	**(1 897)**	**(2 248)**	–	35	**(2 213)**
Income before indirect tax	**1 867**	(130)	(66)	**1 671**	**538**	(58)	(13)	**467**
Indirect tax	**(16)**	–	3	**(13)**	**(33)**	–	(1)	**(34)**
Profit before income tax	**1 851**	(130)	(63)	**1 658**	**505**	(58)	(14)	**433**
Income tax expense	**(519)**	36	19	**(464)**	**(142)**	16	4	**(122)**
Profit for the year	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**
Attributable to								
Ordinary equityholders	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**
Other equity instrument holders	**–**	–	–	**–**	**–**	–	–	**–**
Profit for the year	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**
Attributable earnings to ordinary equityholders	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**
Headline earnings adjustments	**–**	–	–	**–**	**–**	–	–	**–**
Headline earnings	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**
TRS and IFRS 2 liability remeasurement	**–**	–	–	**–**	**–**	–	–	**–**
IAS 19 adjustment	**–**	–	–	**–**	**–**	–	–	**–**
Normalised earnings	**1 332**	(94)	(44)	**1 194**	**363**	(42)	(10)	**311**

	Personal loans previously published	Insurance move to retail other	Other	Personal loans after reallocation	Retail other previously published	Insurance move	Updated cost recovery	Other	Retail other after reallocation
	7 115	–	–	**7 115**	**7 122**	–	–	2	**7 124**
	(4 899)	–	–	**(4 899)**	**(1 666)**	–	–	–	**(1 666)**
	2 216	–	–	**2 216**	**5 456**	–	–	2	**5 458**
	1 257	(428)	–	**829**	**10 715**	(616)	–	1 431	**11 530**
	3 473	(428)	–	**3 045**	**16 171**	(616)	–	1 433	**16 988**
	(2 704)	–	(64)	**(2 768)**	**(11 591)**	–	(243)	(95)	**(11 929)**
	769	(428)	(64)	**277**	**4 580**	(616)	(243)	1 338	**5 059**
	(50)	–	–	**(50)**	**(364)**	–	–	5	**(359)**
	719	(428)	(64)	**227**	**4 216**	(616)	(243)	1 343	**4 700**
	(201)	120	17	**(64)**	**(1 180)**	172	68	(376)	**(1 316)**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**
	–	–	–	**–**	**–**	–	–	–	**–**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**
	–	–	–	**–**	**–**	–	–	–	**–**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**
	–	–	–	**–**	**–**	–	–	–	**–**
	–	–	–	**–**	**–**	–	–	–	**–**
	518	(308)	(47)	**163**	**3 036**	(444)	(175)	967	**3 384**

Additional information on internal restructure continued

for the year ended 30 June 2020

R million	Residential mortgages previously published	Insurance move to retail other	Other	Residential mortgages after reallocation	Card previously published	Insurance move to retail other	Other	Card after reallocation
Cost-to-income ratio (%)	**36.6**			**38.1**	**47.0**			**47.3**
Diversity ratio	**6.9**			**3.2**	**43.0**			**41.7**
Credit loss ratio (%)	**0.64**			**0.64**	**6.85**			**6.85**
Stage 3/NPLs as a percentage of advances (%)	**5.20**			**5.20**	**12.16**			**12.16**
Income statement includes:								
Depreciation	**(7)**	–	–	**(7)**	**(5)**	–	(5)	**(10)**
Amortisation	**–**	–	–	**–**	**(15)**	–	–	**(15)**
Net impairment charge	**–**	–	–	**–**	**–**	–	–	**–**
Statement of financial position includes:								
Advances (before impairments)	**224 404**	–	–	**224 404**	**30 210**	–		**30 210**
Stage 3/NPLs	**11 662**	–	–	**11 662**	**3 675**	–	–	**3 675**
Total deposits (including non-recourse deposits)	**559**	–	–	**559**	**5 683**	–	–	**5 683**
Total assets	**220 550**	–	–	**220 550**	**26 062**	–	30	**26 092**
Total liabilities	**220 693**	130	32	**220 855**	**26 807**	58	115	**26 980**
Capital expenditure	**7**	–	–	**7**	**22**	–	–	**22**

	Personal loans previously published	Insurance move to retail other	Other	Personal loans after reallocation	Retail other previously published	Insurance move	Updated cost recovery	Other	Retail other after reallocation
	32.3			**34.8**	**65.0**				**63.9**
	15.0			**10.4**	**60.1**				**61.8**
	12.06			**12.06**	**9.62**				**9.62**
	17.73			**17.73**	**13.19**				**13.19**
	(63)	–	–	**(63)**	**(2 171)**	–	–	8	**(2 163)**
	(18)	–	–	**(18)**	**(16)**	–	–	–	**(16)**
	–	–	–	**–**	**6**	–	–	–	**6**
	41 874	–	–	**41 874**	**16 732**	–	–	–	**16 732**
	7 424	–	–	**7 424**	**2 207**	–	–	–	**2 207**
	5	–	–	**5**	**281 539**	–	–	(2 225)	**279 314**
	33 642	–	–	**33 642**	**34 219**	–	–	(50)	**34 169**
	35 654	428	52	**36 134**	**24 119**	616	243	(1 333)	**23 645**
	46	–	–	**46**	**2 307**	–	–	–	**2 307**

Additional information on internal restructure continued

for the year ended 30 June 2020

R million	FNB commercial previously published	Updated cost recovery	Migration from RMB and other	FNB commercial after reallocation	FNB previously published	Migration from RMB and other	FNB after reallocation
Net interest income before impairment of advances	**11 526**	–	14	**11 540**	**33 267**	16	**33 283**
Impairment charge	**(2 949)**	–	–	**(2 949)**	**(12 950)**	–	**(12 950)**
Net interest income after impairment of advances	**8 577**	–	14	**8 591**	**20 317**	16	**20 333**
Non interest revenue	**8 666**	–	(81)	**8 585**	**23 976**	5	**23 981**
Income from operations	**17 243**	–	(67)	**17 176**	**44 293**	21	**44 314**
Operating expenses	**(9 851)**	243	127	**(9 481)**	**(29 605)**	2	**(29 603)**
Income before indirect tax	**7 392**	243	60	**7 695**	**14 688**	23	**14 711**
Indirect tax	**(43)**	–	(7)	**(50)**	**(509)**	–	**(509)**
Profit before income tax	**7 349**	243	53	**7 645**	**14 179**	23	**14 202**
Income tax expense	**(2 058)**	(68)	(15)	**(2 141)**	**(3 971)**	(7)	**(3 978)**
Profit for the year	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**
Attributable to							
Ordinary equityholders	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**
Other equity instrument holders	**–**	–	–	**–**	**–**	–	**–**
Profit for the year	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**
Attributable earnings to ordinary equityholders	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**
Headline earnings adjustments	**–**	–	–	**–**	**–**	–	**–**
Headline earnings	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**
TRS and IFRS 2 liability remeasurement	**–**	–	–	**–**	**–**	–	**–**
IAS 19 adjustment	**–**	–	–	**–**	**–**	–	**–**
Normalised earnings	**5 291**	175	38	**5 504**	**10 208**	16	**10 224**

	RMB previously published	Reallocation of investment management activities from FCC	Migration to FNB and other	RMB after reallocation	Total FCC previously published	Reallocation of investment management activities	Other	FCC after reallocation	Total restructure FNB	RMB	FCC	FirstRand Bank
	7 064	1	(15)	7 050	1 376	(1)	(1)	1 374	16	(14)	(2)	–
	(2 077)	–	–	(2 077)	(294)	–	–	(294)	–	–	–	–
	4 987	1	(15)	4 973	1 082	(1)	(1)	1 080	16	(14)	(2)	–
	8 934	52	(5)	8 981	(1 050)	(52)	–	(1 102)	5	47	(52)	–
	13 921	53	(20)	13 954	32	(53)	(1)	(22)	21	33	(54)	–
	(7 494)	(183)	9	(7 668)	(3 298)	183	(11)	(3 126)	2	(174)	172	–
	6 427	(130)	(11)	6 286	(3 266)	130	(12)	(3 148)	23	(141)	118	–
	(176)	(2)	–	(178)	(79)	2	–	(77)	–	(2)	2	–
	6 251	(132)	(11)	6 108	(3 345)	132	(12)	(3 225)	23	(143)	120	–
	(1 749)	37	2	(1 710)	2 721	(37)	5	2 689	(7)	39	(32)	–
	4 502	(95)	(9)	4 398	(624)	95	(7)	(536)	16	(104)	88	–
	4 502	(95)	(9)	4 398	(1 253)	95	(7)	(1 165)	16	(104)	88	–
	–	–	–	–	629	–	–	629	–	–	–	–
	4 502	(95)	(9)	4 398	(624)	95	(7)	(536)	16	(104)	88	–
	4 502	(95)	(9)	4 398	(1 253)	95	(7)	(1 165)	16	(104)	88	–
	–	–	–	–	–	–	–	–	–	–	–	–
	4 502	(95)	(9)	4 398	(1 253)	95	(7)	(1 165)	16	(104)	88	–
	–	–	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–	–	–
	4 502	(95)	(9)	4 398	(1 253)	95	(7)	(1 165)	16	(104)	88	–

Additional information on internal restructure continued

for the year ended 30 June 2020

R million	FNB commercial previously published	Updated cost recovery	Migration from RMB and other	FNB commercial after reallocation	FNB previously published	Migration from RMB and other	FNB after reallocation
Cost-to-income ratio (%)	**48.8**			**47.1**	**51.7**		**51.7**
Diversity ratio	**42.9**			**42.7**	**41.9**		**41.9**
Credit loss ratio (%)	**2.77**			**2.77**	**3.12**		**3.12**
Stage 3/NPLs as a percentage of advances (%)	**6.51**			**6.51**	**7.60**		**7.60**
Income statement includes:							
Depreciation	**(162)**	–	(3)	**(165)**	**(2 409)**	–	**(2 409)**
Amortisation	**–**	–	–	**–**	**(49)**	–	**(49)**
Net impairment charge	**(1)**	–	–	**(1)**	**5**	–	**5**
Statement of financial position includes:							
Advances (before impairments)	**107 914**	–	–	**107 914**	**421 134**	–	**421 134**
Stage 3/NPLs	**7 030**	–	–	**7 030**	**31 998**	–	**31 998**
Total deposits (including non-recourse deposits)	**285 448**	–	2 113	**287 561**	**573 234**	(112)	**573 122**
Total assets	**104 498**	–	20	**104 518**	**419 251**	(1)	**419 250**
Total liabilities	**101 821**	(243)	(121)	**101 457**	**409 835**	(25)	**409 810**
Capital expenditure	**208**	–	–	**208**	**2 577**	–	**2 577**

								Total restructure			
RMB previously published	Reallocation of investment management activities from FCC	Migration to FNB and other	**RMB after reallocation**	**FCC previously published**	Reallocation of investment management activities	Other	**FCC after reallocation**	FNB	**RMB**	FCC	FirstRand Bank
46.8			**47.8**	**>100**			**>100**				
55.8			**56.0**	**(>100)**			**(>100)**				
0.64			**0.64**	**0.54**			**0.55**				
1.20			**1.20**	**1.68**			**1.69**				
(125)	–	–	**(125)**	**(5)**	–	–	**(5)**	–	–	–	–
(123)	–	–	**(123)**	**–**	–	–	**–**	–	–	–	–
(10)	–	–	**(10)**	**(67)**	–	–	**(67)**	–	–	–	–
								–	–	–	–
322 114	123	–	**322 237**	**41 326**	(123)	–	**41 203**	–	123	(123)	–
3 876	–	–	**3 876**	**695**	–	–	**695**	–	–	–	–
209 588	4 844	112	**214 544**	**306 062**	(4 844)	–	**301 218**	(112)	4 956	(4 844)	–
572 592	6 433	(1)	**579 024**	**303 428**	(6 433)	2	**296 997**	(1)	6 432	(6 431)	–
568 013	6 565	21	**574 599**	**216 675**	(6 565)	4	**210 114**	(25)	6 586	(6 561)	–
246	–	–	**246**	**–**	–	–	**–**	–	–	–	–

Additional segmental disclosure – WesBank

R million	Year ended 30 June 2021 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	**3 725**	**578**	**4 303**
Impairment of advances	**(1 905)**	**(106)**	**(2 011)**
Normalised profit before tax	**331**	**250**	**581**
Normalised earnings	**238**	**180**	**418**
Advances	**90 516**	**26 986**	**117 502**
Stage 3/NPLs	**9 471**	**814**	**10 285**
Advances margin (%)	**3.47**	**2.06**	**3.16**
Stage 3/NPLs as a % of advances (%)	**10.46**	**3.02**	**8.75**
Credit loss ratio (%)	**2.06**	**0.39**	**1.69**

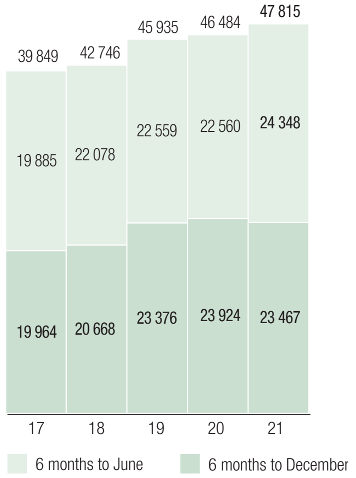
R million	Year ended 30 June 2020 Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 191	586	4 777
Impairment of advances	(2 699)	(249)	(2 948)
Normalised profit before tax	182	242	424
Normalised earnings	131	174	305
Advances	94 024	27 114	121 138
Stage 3/NPLs	9 810	874	10 684
Advances margin (%)	3.77	2.15	3.39
Stage 3/NPLs as a % of advances (%)	10.43	3.22	8.82
Credit loss ratio (%)	2.86	0.90	2.42

income statement analysis

Net interest income (before impairment of advances)

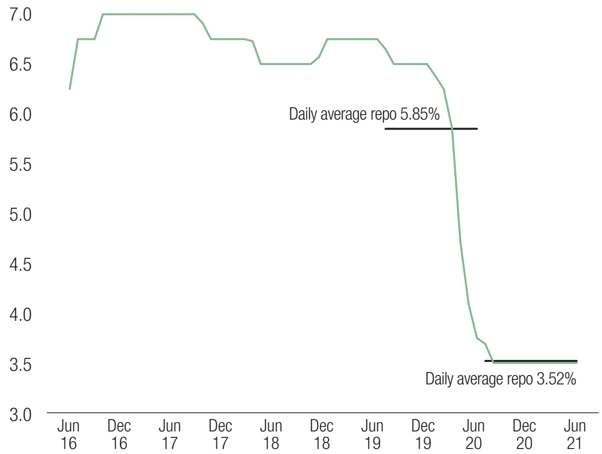
Net interest income (before impairment of advances) – up 3%

Net interest income
R million
CAGR 5%



Note: 2017 and 2018 figures are based on IAS 39 and 2019 to 2021 figures on IFRS 9.

Repo rate – South Africa
%



Note: R307 billion = average endowment book for the year. Rates were lower by 233 bps on average in the current year, which translate into a negative endowment impact of approximately R7.1 billion for the year on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets (%)	Year ended 30 June 2021	2020
Opening normalised margin	**4.65**	4.97
Change in asset base*	**(0.07)**	(0.27)
Capital endowment	**(0.18)**	0.03
– Volume	**0.05**	0.11
– Average rate	**(0.23)**	(0.08)
Lending interest-earning assets	**(0.08)**	(0.08)
– Change in volume and mix	**0.07**	0.17
– Asset pricing	**(0.12)**	(0.13)
– Interest suspended	**(0.03)**	(0.12)
Liabilities	**0.06**	0.10
– Deposit endowment	**(0.17)**	(0.07)
– Change in composition and volume	**0.21**	0.27
– Deposit pricing	**0.02**	(0.10)
Group Treasury activities	**0.34**	(0.10)
– Accounting mismatches (MTM vs accrual on term issuance)	**0.05**	(0.02)
– Financial resource pricing and management	**(0.02)**	(0.16)
– ALM (interest rate and FX management)	**0.31**	0.08
Closing 2021 normalised margin	**4.72**	4.65

** Calculated as follows:*

R million	*Net interest income*	*Average balance sheet*	*% NIM*
June 2020 NII	*46 484*	*999 673*	*4.65*
Average balance sheet increase	*–*	*14 178*	*(0.07)*
June 2020 margin rebased	*46 484*	*1 013 851*	*4.58*

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

R million	Year ended 30 June 2021	2020*	% change
Net interest income			
Lending	**20 684**	21 598	(4)
Transactional**	**17 270**	16 790	3
Deposits	**3 563**	3 459	3
Capital endowment	**3 856**	5 658	(32)
Group Treasury	**2 731**	(273)	>100
Other (negative endowment, e.g. fixed assets)	**(289)**	(748)	(61)
Total net interest income	**47 815**	46 484	3

** 2020 numbers were restated in order to provide better attribution of NII by nature of activity.*

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

Net interest income (before impairment of advances) continued

KEY DRIVERS
> Overall NII growth of 3% reflects contraction in gross advances of 1% and overall deposit growth of 4%, driven by 8% growth in the deposit franchise partly offset by lower institutional deposits, resulting in a comparatively cheaper cost of funding. > NII was also affected by the lower average interest rates year-on-year following the 300 bps cuts since December 2019, resulting in a decrease of 233 bps in the average repo rate for the year. This resulted in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes and further benefited from Group Treasury's ALM mitigation strategies. > Lending NII decreased 4%. CIB margins were up and FNB commercial margins were flat. Retail lending margins, however, decreased due to Covid-19 relief loans with lower pricing compared to the pre-pandemic back book, as well as risk cuts in unsecured lending and a marginal increase in suspended interest on the back of higher NPLs. This resulted in a decrease of 6 bps on FNB advances margins. > WesBank's retail VAF margins decreased 30 bps due to competitive pricing since the onset of the pandemic, lower customer rates, higher acquisition costs and higher suspended interest from elevated NPL levels. Together with WesBank corporate, overall margins decreased 23 bps. > RMB's NII increased 3%, benefiting from a decrease in funding costs and risk repricing in the early part of the financial year, as well as strong average deposit growth, albeit at lower margins following the rate cuts. > FNB's deposit margins decreased, affected by negative endowment (despite the benefit of the ALM mitigation) growth in lower-margin deposit products and increased competition for term deposits. Average deposits benefited from strong growth in cash investments and transactional product deposits of 14%. These factors mitigated some of the margin reduction, with overall FNB deposit NII declining 14%. > Group Treasury margin was impacted by the following factors: – Improvements in market liquidity conditions due to lower credit growth and strong deposit growth which resulted in a reduction in institutional funding requirements and lower market funding spreads. – There was an increase in short-term liquidity instruments, particularly treasury bills and reverse repos. This supported NII albeit at a lower margin. – The group's ALM strategies provided some protection against the negative endowment impact.

AVERAGE BALANCE SHEET

	June 2021			June 2020		
R million	**Average balance**	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS						
Average prime rate			**7.02**			9.35
Balances with central banks	**27 496**	**–**		25 780	–	
Cash and cash equivalents	**37 467**	**972**	**2.59**	34 598	1 597	4.62
Liquid assets portfolio*	**218 297**	**9 976**	**4.57**	165 742	11 619	7.01
Loans and advances to customers (Note 1)	**730 591**	**58 626**	**8.02**	773 554	77 359	10.00
Interest-earning assets	**1 013 851**	**69 574**	**6.86**	999 674	90 575	9.06
INTEREST-BEARING LIABILITIES						
Average JIBAR			**3.52**			5.85
Deposits due to customers (Note 2)	**(760 250)**	**(20 112)**	**2.65**	(668 898)	(29 662)	4.43
Group Treasury funding	**(272 008)**	**(12 268)**	**4.51**	(326 705)	(21 170)	6.48
Interest-earning liabilities	**(1 032 258)**	**(32 380)**	**3.14**	(995 603)	(50 832)	5.11
ENDOWMENT AND TRADING BOOK						
Other assets**	**242 836**	**–**	**–**	207 027	–	–
Other liabilities#	**(114 296)**	**–**	**–**	(107 217)	–	–
NCNR preference shareholders	**(6 543)**	**–**	**–**	(5 767)	–	–
Equity	**(103 590)**	**–**	**–**	(98 114)	–	–
Endowment and trading book	**18 407**	**10 621**	**57.70**	(4 071)	6 741	(165.59)
Total interest earning liabilities, endowment and trading book	**(1 013 851)**	**(21 759)**	**2.15**	(999 674)	(44 091)	4.41
Net interest margin on average interest earning assets	**1 013 851**	**47 815**	**4.72**	999 674	46 484	4.65

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

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

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

Include trading liabilities.

Net interest income (before impairment of advances) continued

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2021		June 2020	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**7.02**		9.35
ADVANCES				
Retail – secured	**326 721**	**2.02**	345 372	1.91
Residential mortgages	**226 274**	**1.91**	224 054	1.81
VAF	**100 447**	**2.27**	121 318	2.08
Retail – unsecured	**88 373**	**10.91**	92 805	11.21
Card	**31 108**	**7.70**	33 604	7.23
Personal loans	**41 524**	**14.17**	41 398	15.50
Retail other	**15 741**	**8.64**	17 803	8.73
Corporate and commercial	**315 497**	**2.88**	335 377	2.76
FNB commercial	**105 958**	**3.55**	105 232	3.55
– Mortgages	**29 154**	**2.23**	27 885	2.27
– Overdrafts	**36 215**	**5.27**	39 401	5.03
– Term loans	**40 589**	**2.98**	37 946	2.95
WesBank corporate	**26 493**	**2.06**	28 756	2.15
RMB CIB*	**183 046**	**2.12**	201 389	2.03
Total advances	**730 591**	**3.47**	773 554	3.39

* *Assets under agreements to resell and preference share advances are excluded from loans and advances to customers.*

Note: Margins are calculated using total net interest as a percentage of gross advances before impairments. Average balances are daily averages for FNB and WesBank and monthly averages for RMB.

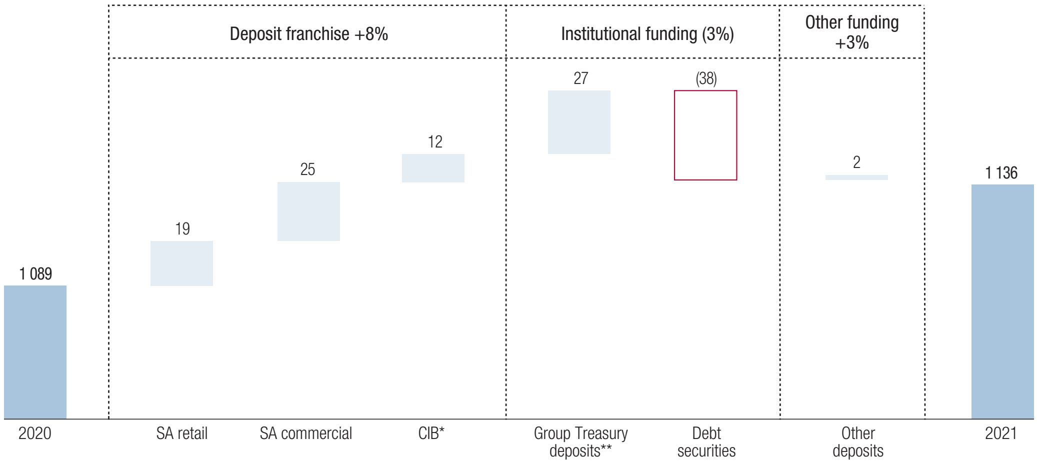
Margin analysis is based on net interest income as a percentage of average advances/deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the transfer pricing rate (earned or paid by Group Treasury). The average margin is, therefore, net of funds transfer pricing.

The bank operates a transfer pricing framework that incorporates base interest rate, statutory costs, liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of the individual business units with the liquidity risk exposure created for the bank as a whole.

Where fixed-rate commitments are undertaken (fixed-rate loans or fixed deposits), transfer pricing will also include the cost of transferring the interest rate risk.

Deposits – up 4%

Deposit growth by segment
R billion

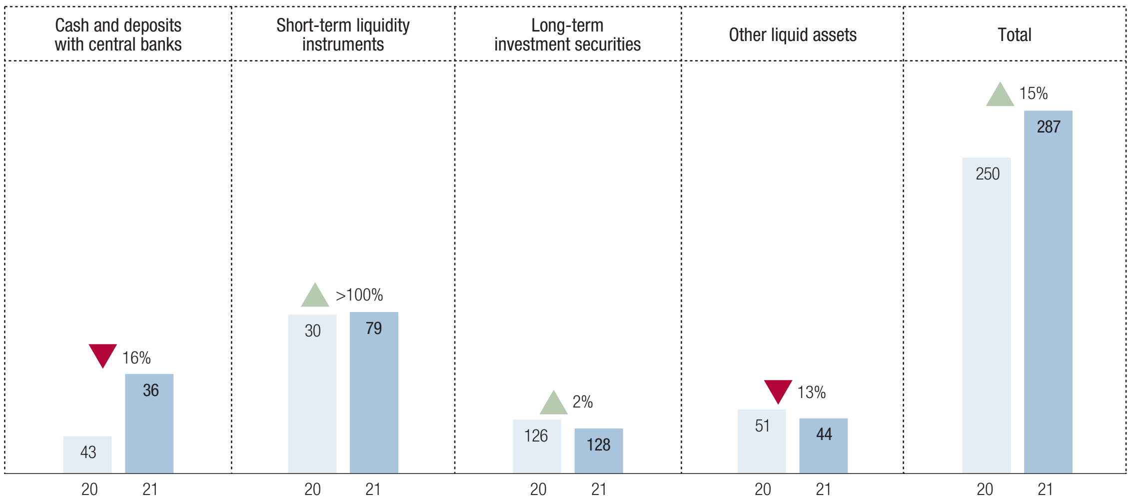


* *CIB deposits include South Africa and the London and India branches.*
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.*

LIQUIDITY MANAGEMENT

Excess liquidity created through higher deposit levels and lower advances growth was invested in short-term liquidity instruments (mainly treasury bills and reverse repos). These investments yield a lower margin, which negatively affected the bank's overall margin in the current financial year.

Liquidity management by investment type
R billion



Note: The chart is based on rand liquid assets in FirstRand Bank South Africa held by Group Treasury only.

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2021		June 2020*	
	Average balance	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**3.64**		6.51
DEPOSITS				
Retail	**271 846**	**1.45**	241 859	2.04
Current and savings	**77 041**	**3.49**	66 530	5.26
Call	**105 975**	**0.81**	91 624	0.88
Term	**88 830**	**0.44**	83 705	0.74
Commercial	**314 276**	**1.84**	272 715	2.32
Current and savings	**119 413**	**3.35**	98 578	4.80
Call	**98 746**	**1.40**	88 937	1.33
Term	**96 117**	**0.42**	85 200	0.48
Corporate and investment banking	**174 128**	**0.82**	154 324	0.93
Current and savings	**87 609**	**1.20**	80 288	1.32
Call	**50 659**	**0.50**	43 923	0.66
Term	**35 860**	**0.33**	30 113	0.29
Total deposits	**760 250**	**1.47**	668 898	1.90

* *Restatements are due to refinements in FNB's processes.*

Note: Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

KEY DRIVERS

> FNB's deposit base grew 8%:

- Retail deposits in premium increased due to growth in the customer base and better economic conditions in the second half of the financial year with the easing of lockdown measures. Premium cash investment growth was driven by savings products with improved customer experience. Premium fixed and notice deposit growth also reflects a positive response to repricing.
- Retail cash investment deposit growth was supported by ongoing new client acquisition and specific interventions to encourage customers to continue to save. Reduced cumulative spending and lower withdrawals from notice products since the pandemic also contributed to growth.
- FNB continues to hold the largest market share of household deposits per the June 2021 BA900 returns.
- Commercial deposits (excluding the public sector) increased due to product innovation, proactive client engagement and digitisation. Deposit growth also benefited from customer demand for liquidity available during the pandemic.
- Public sector deposit growth was driven by an increase in deposits from new customer acquisition as well as higher deposit balances from existing customers.

> The growth in RMB CIB's core deposits reflects the continued strategic focus on the implementation of the deposit strategy, which focuses on deposit relevance to main-banked and focus clients through new products and compelling rates designed to target these client sets in order to further entrench them in the FirstRand ecosystem. Average core deposits increased 13% year-on-year.

> The overall decline in institutional funding was a result of continued optimisation of the bank's funding profile, which benefited from improved retail and commercial deposit growth and lower advances growth as a direct consequence of the Covid-19 crisis resulting in:

- reduced appetite for institutional funding leading to lower issuance of negotiable certificates of deposit (NCDs) and floating rate notes (FRNs); and
- marginally lower debt issuance.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

		Year ended 30 June		
R million	Notes	2021	2020	% change
Total gross advances	1 on p.B64	**896 424**	905 712	(1)
– Stage 1		**772 215**	782 667	(1)
– Stage 2		**77 435**	75 792	2
– Stage 3/NPLs	3 on p.B76	**46 774**	47 253	(1)
Stage 3/NPLs as a % of advances	3 on p.B76	**5.22**	5.22	
Advances (net of impairment)		**857 955**	867 940	(1)
Impairment charge	5 on p.B84	**11 115**	18 269	(39)
Credit loss ratio (%)	5 on p.B84	**1.23**	2.00	
Total impairments	4 on p.B82	**38 469**	37 772	2
Portfolio impairments	2 on p.B74	**16 788**	16 645	1
– Stage 1		**7 493**	8 047	(7)
– Stage 2		**9 295**	8 598	8
Stage 3 impairments		**21 681**	21 127	3
Specific coverage ratio (%)*		**46.4**	44.7	
Total impairment coverage ratio (%)**	4 on p.B82	**82.2**	79.9	
Performing book coverage ratio (%)#	2 on p.B74	**1.98**	1.94	

* *Specific impairments as a % of stage3/NPLs.*

** *Total impairments as a % of stage3/NPLs.*

\# *Portfolio impairments as a % of the performing book (stage 1 and stage 2).*

In summary

The bank's credit performance reflects positive underlying trends. Advances growth remained muted across most portfolios as a cautious underwriting approach was followed for most of the financial year. There were pockets of advances growth in selected products and industries. Refer to pages B52 and B53 for more detail on advances growth.

The stage distribution of the book deteriorated marginally from stage 1 into stage 2 and 3 as the bank followed a conservative approach to stage 2 migration and rolls into stage 3, which was expected as relief periods expired and economic strain continued, exacerbated by declining advances. However, 79% of retail and commercial stage 2 advances are paying, and paying NPLs increased. Operational NPLs reflect ongoing strong collections and higher write-offs. Refer to page B57 for more information.

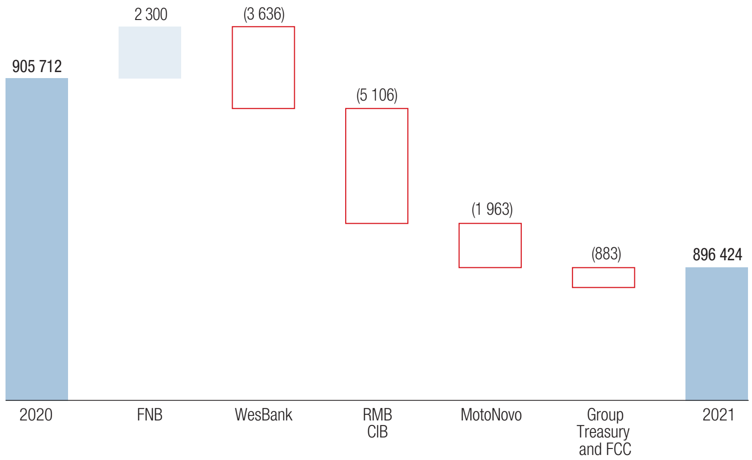
Impairment coverage remains prudent across stages, with the incorporation of an additional temporary short-term stress scenario and other post-model adjustments to capture the uncertain environment and lag effects. Refer to pages B58 to B59 for a detailed analysis.

The bank's credit loss ratio continues to reduce with all segments at or approaching through-the-cycle levels. Refer to pages B59 to B60 for additional insight.

Credit continued

Gross advances – down 1%

Gross advances growth by business
R million



ADVANCES

The table below unpacks core advances growth showing the impact of the growth in assets under agreements to resell.

R million	As at 30 June 2021	As at 30 June 2020	% change	As at 31 December 2020	Jun 2021 vs Dec 2020 % change
Total advances	**896 424**	905 712	(1)	889 051	1
Assets under agreements to resell	**(65 058)**	(26 618)	>100	(55 484)	17
Core advances	**831 366**	879 094	(5)	833 567	–

Advances growth

Pandemic-related risk cuts resulted in a slowdown in asset origination, but improved the overall risk profile of the bank. Advances growth was impacted by these cuts as risk-adjusted returns were insufficient, especially in corporate where the bank's hurdle rates were not met. Whilst elevated risk remains in specific industries, general consumer and business income continues to recover with certain industries reflecting positive economic activity and recovery. The bank continues to follow a targeted approach to origination, with data analytics providing improved insights into customer income sources and industry sectors. Credit risk appetite refinements continue to be made to support responsible advances growth, which will only manifest in the next financial year.

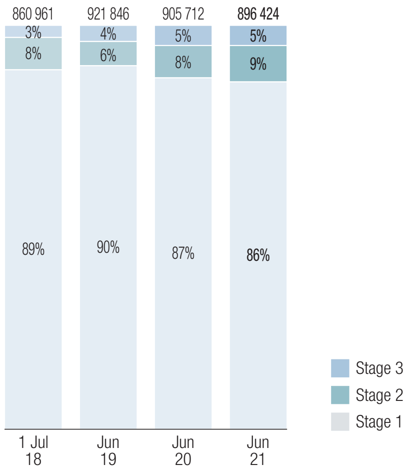
FNB advances increased marginally with 1% growth in residential mortgages offset by a 2% decline in unsecured advances, specifically the 8% contraction in the personal loans portfolio, excluding the Covid-19 relief advances. This was primarily due to the cautious underwriting approach maintained throughout most of the financial year, with a moderate easing in the last quarter of the financial year. In residential mortgages, the moderate easing in the fourth quarter, coupled with service propositions and the base impact of lockdown in the prior year, resulted in instruction levels being 14% higher than in the comparable period in 2019. The personal loans book run-down outpaced the origination, given a more cautious approach against a backdrop of unemployment and income uncertainty. In the direct marketing channels, lower response rates also contributed to the decline. Card advances grew 3%, with stronger growth in the second half of the financial year as consumer card spending recovered. Retail other contracted due to lower overdraft advances.

WesBank retail VAF advances were down 4% as the rate at which the book ran down (including higher levels of write-offs) exceeded new business inflows. There was also an increase in market demand for higher LTV levels and balloon values across all risk bands, and not all demand was met given the measured approach to risk underwriting.

FNB commercial advances grew 2% (excluding the government-guaranteed loan scheme for SMEs), which reflects strain in the economy and lower risk appetite. Growth in commercial property finance (+5%), asset-based finance (+10%), fleet card (+>100%) and Islamic banking (+23%) was partially offset by a 1% decline in the specialised finance portfolio. The agric portfolio was stable and there was generally lower demand for working capital and a switch to the government-guaranteed loan scheme for SMEs, which grew R1.3 billion to R1.6 billion.

RMB's core advances declined 14% year-on-year. This reflects the stabilisation of clients' liquidity needs during the current financial year following significant Covid-19-related support provided to clients after the first lockdown in March 2020, which resulted in a reduction in Covid-19 relief provided to clients, from R53 billion at 30 June 2020 to R17 billion at 30 June 2021. In addition, large settlements were received on various local and cross-border exposures during the year and the rand appreciated 18% against the dollar, contributing to the RMB cross-border advances book declining 39% in rand terms (26% in dollar terms). RMB continued its cautious approach to new origination, in part reflecting the economy's slow recovery, the ongoing pressure in sectors of the economy hardest hit by the pandemic, and the ongoing focus on protecting the return profile against new business origination given significant market-driven margin pressure in the latter half of the financial year.

Gross advances by stages
R million



Credit continued

Stage distribution

STAGE 2

SA retail and commercial stage 2 advances increased as the significant increase in credit risk (SICR) indicators were refined to incorporate behaviour emerging from data and models, like customers using savings and supporting or relying on family members, etc. The SICR refinement intends to specifically cater for performing customers, given the uncertainty of the length and severity of the third and future Covid-19 waves, and the fact that many customers, particularly in the most severely affected sectors, have already utilised their emergency savings over the last year. Therefore their safety buffers would be exhausted or close to exhausted. The strain of this would not yet have been observable at 30 June 2021, but will become evident over the next three to four months. This resulted in a total of R11 billion (R6 billion in retail and R5 billion in commercial) advances migrating to stage 2.

Given the unprecedented event-driven uncertainty in South Africa's already fragile economy, and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the pandemic, and the recent social and political unrest, the bank applied a short-term stress scenario at 30 June 2021 as a temporary measure to capture this extreme uncertainty. Refer to pages C52 to C56 for more detailed macroeconomic information. The application of this stress scenario resulted in an additional R1.2 billion of retail advances migrating out of stage 1 into stage 2. The short-term stress scenario was only applied to South Africa. Refer to page B85 for the product-specific information of the stage 2 migration.

Residential mortgage stage 2 advances increased R1 038 million (7%), reflecting the above, however, of the advances that received extended relief at 31 December 2020, R2.7 billion either cured to stage 1 or rolled into stage 3 out of stage 2. Card stage 2 advances and personal loans stage 2 advances increased 22% and 15%, respectively, with card increasing 14% and personal loans decreasing 4% since December 2020, reflecting the improvement in the last half of the financial year. WesBank VAF stage 2 increased 9%, primarily due to the refined SICR indicators and the stress scenario.

FNB commercial stage 2 advances grew R2 billion (25%), excluding the government-guaranteed loan scheme for SMEs, due to the watch list increasing to address high-risk industries, specifically those impacted by the pandemic and lockdowns. The stress scenario added a further R99 million to stage 2 advances. The model-based portfolio in commercial also reflects the refinement of SICR indicators.

While absolute stage 2 advances increased in retail and commercial, arrears (one missed instalment but fewer than three missed instalments) declined 25%. This decline is across all products except residential mortgages and FNB card, which increased 21% and 10% respectively. Furthermore, 79% of total stage 2 advances are still paying (current status). The table below reflects the status of the stage 2 retail and commercial advances.

RMB corporate and investment banking stage 2 advances decreased R4.8 billion, reflecting the benefit of partial settlements and the curing to stage 1 of a number of counterparties partially offset by the migration of a limited number of counterparties to stage 3.

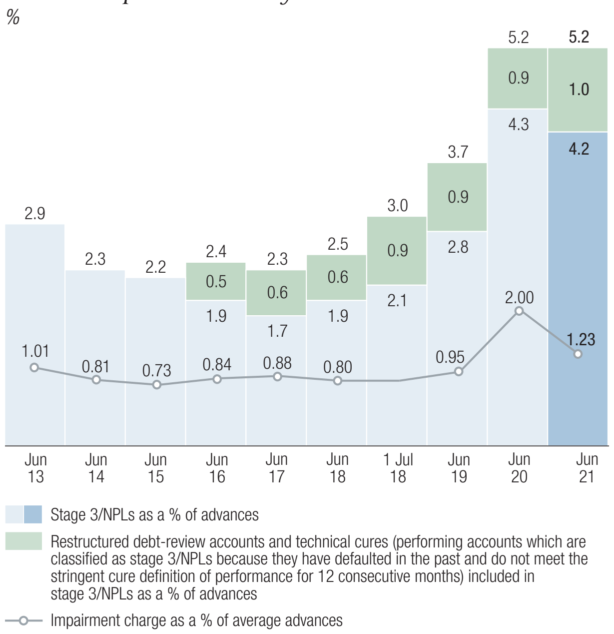
STAGE 2 ADVANCES

R million	As at 31 June 2021				As at 30 June 2020			
	Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2	Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2
Residential mortgages	3 209	2 957	9 769	15 935	2 646	3 058	9 193	14 897
WesBank VAF	3 380	1 787	6 763	11 930	5 764	946	4 105	10 815
FNB card	488	621	1 553	2 662	444	221	1 518	2 183
Personal loans	1 814	893	4 280	6 987	2 048	1 128	2 903	6 079
Retail other	445	210	1 986	2 641	827	101	718	1 646
Total retail	9 336	6 468	24 351	40 155	11 729	5 454	18 437	35 620
FNB commercial	1 053	694	8 478	10 225	1 785	826	5 634	8 245
WesBank corporate	470	328	1 200	1 998	1 051	61	743	1 855
Total commercial	1 523	1 022	9 678	12 223	2 836	887	6 377	10 100
Total retail and commercial	10 859	7 490	34 029	52 378	14 565	6 341	24 814	45 720

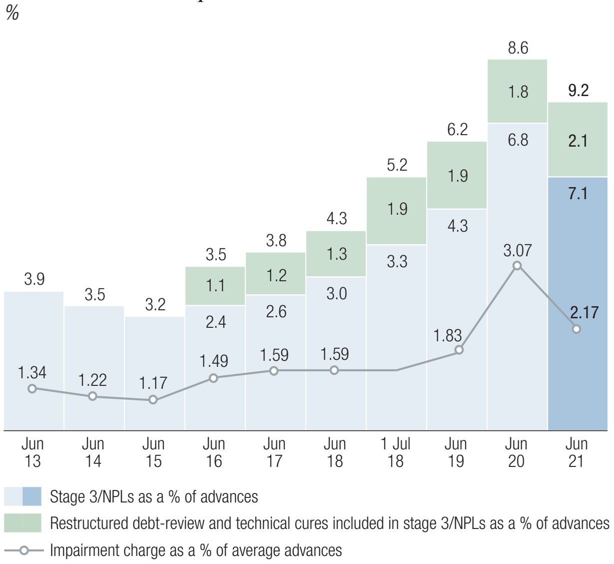
Credit continued

Non-performing loans

NPL and impairment history

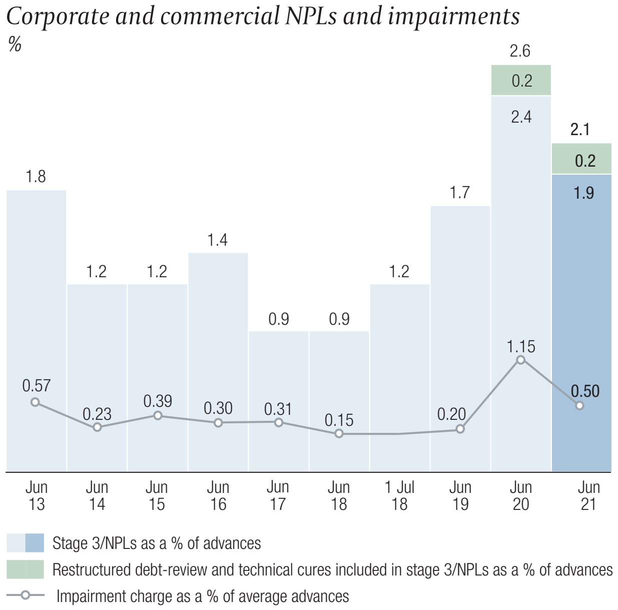


Retail NPLs and impairments*



* Include MotoNovo back book.

Corporate and commercial NPLs and impairments



Note: 2013 to 2018 figures were based on IAS 39 and 2019 to 2021 on IFRS 9.

DECREASE IN NPLS

	30 June 2021 vs 30 June 2020			30 June 2021 vs 31 December 2020		
	R million	% change	Percentage point contribution to overall NPL increase	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(3 113)**	**(9)**	**(6)**	(1 225)	(4)	(4)
Covid-19 relief paying NPLs**	**1 765**	**76**	**4**	694	20	2
Other paying NPLs#	**1 133**	**14**	**2**	(142)	(1)	–
NPLs (excluding MotoNovo)	**(215)**	**–**	**–**	(673)	(1)	(2)
MotoNovo (back book)	**(264)**	**(48)**	**(1)**	(121)	(30)	–
Total bank NPLs	**(479)**	**(1)**	**(1)**	(794)	(2)	(2)

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans <90 days in arrears still subject to curing criteria.*

Include debt-review and other advances < 90 days in arrears still subject to curing criteria.

Retail NPLs increased from R34.8 billion in June 2020 to R36.9 billion at June 2021 (December 2020: R36.9 billion), but remained flat since December 2020. NPLs as a percentage of advances increased to 9.16% (2020: 8.54%) largely due to contracting advances. Operational NPLs decreased, primarily driven by the work-out of NPLs as backlogs in legal processes after court closures during the lockdown started to clear, as well as the tightening of lending criteria leading to lower new business origination, the curing of Covid-19 relief clients and improved collection performance. There was an increase in paying advances classified as stage 3 (technical cures, being customers who are paying and are <90 days in arrears but have not yet met the 12-month consecutive payment cure definition), with the largest increase resulting from advances previously making use of relief.

Residential mortgage NPLs increased R1.7 billion, personal loans NPLs (excluding Covid-19 relief advances) contracted R293 million and card NPLs increased R359 million. Operational NPLs declined in all portfolios, while paying NPLs increased in all portfolios. NPLs increased in residential mortgages and card since December 2020 as expected, given the expiry of relief periods and ongoing customer strain. NPLs reduced in personal loans, reflecting the benefit of prior risk cuts implemented. An earlier write-off point of three missed instalments was applied to the Covid-19 relief portfolio, which also assisted.

WesBank VAF NPLs decreased due to lower inflows and increased write-offs as the backlog following court closures was addressed, in addition to improved curing. The worsening NPL ratio reflects the contracting advances.

FNB commercial NPLs declined 9% to 5.74% of advances (2020: 6.51%), but remain relatively elevated. Agric NPLs contracted due to significant recoveries made on overdraft facilities and term loans following a recovery from previous drought conditions. The drop in the specialised finance NPLs was due to curing of Covid-19 relief loans and recoveries on large exposures. These were partially offset by an increase in asset-based finance, mainly due to the ongoing impact of the pandemic and lockdowns affecting the ability of customers in certain sectors to generate income.

RMB corporate and investment banking NPLs decreased 38% to 0.80% of advances (2020: 1.28%), following partial settlement and write-off of large exposures.

The table below reflects the movement in balance sheet impairments per stage.

BALANCE SHEET IMPAIRMENT

	30 June 2021				30 June 2020			
R million	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Balance sheet impairment as at 1 July	**37 772**	**8 047**	**8 598**	**21 127**	27 303	5 959	5 663	15 681
Transfers between stages	**–**	**668**	**(2 907)**	**2 239**	–	484	(2 161)	1 677
ECL provided on new business*	**3 582**	**1 651**	**1 018**	**913**	6 100	2 107	1 538	2 455
ECL provided/(released) on back book*	**11 575**	**(3 064)**	**2 470**	**12 169**	16 347	(400)	3 561	13 186
Gross write-off** and other*	**(14 940)**	**(62)**	**(67)**	**(14 811)**	(11 978)	(103)	(3)	(11 872)
Temporary stress scenario	**480**	**253**	**183**	**44**	–	–	–	–
Balance sheet impairment as at 30 June	**38 469**	**7 493**	**9 295**	**21 681**	37 772	8 047	8 598	21 127

* *Net interest recognised on stage 3 advances of R3 059 million (2020: R2 851 million) is included in the ECL provided/(released) amounts, but is excluded from write-off and other.*

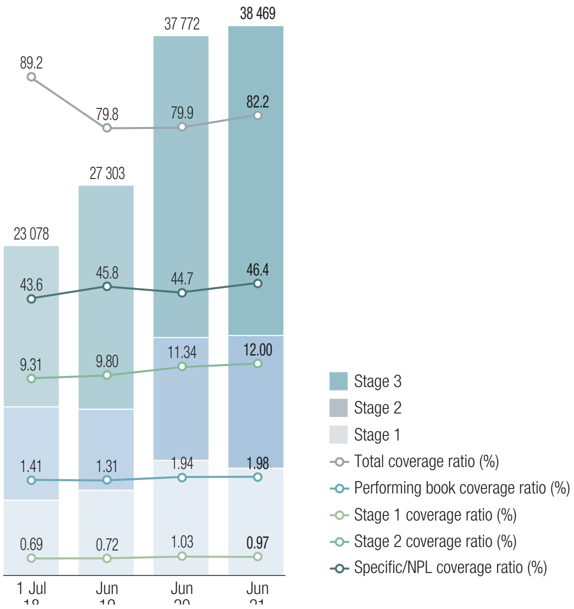
** *Write-off of gross balances excluding prior year provisions held.*

Note: The basis of preparation of this reconciliation can be found in Note 10 – Advances in the annual financial statements.

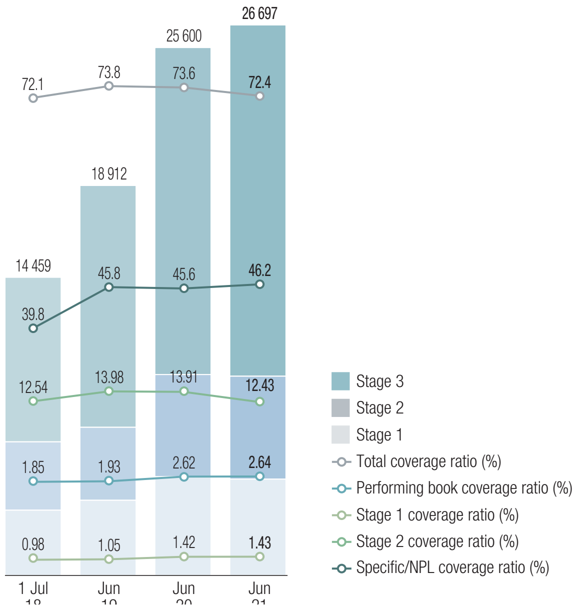
Credit continued

Balance sheet impairments and coverage ratios

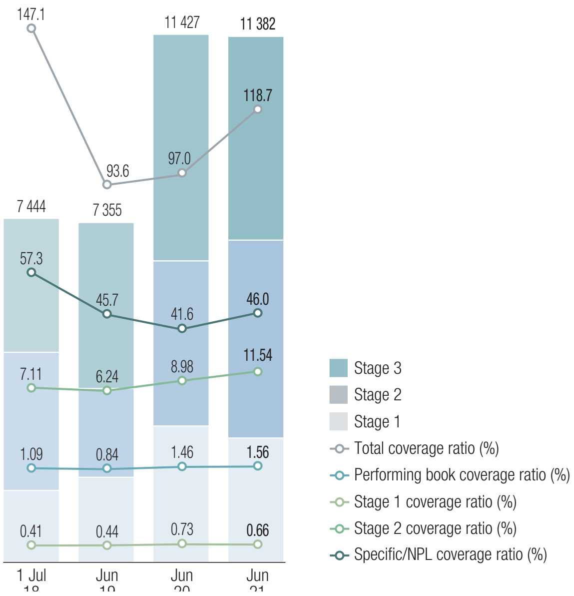
Balance sheet impairments and coverage ratios
R million and %



Retail balance sheet impairments and coverage ratios
R million and %



Corporate and commercial balance sheet impairments and coverage ratios
R million and %



PERFORMING COVERAGE

The retail performing impairment coverage ratio (stage 1 and 2) marginally increased (2.64% in the current year vs 2.62% in the prior year), reflecting the bank's continued prudent approach to balance sheet provisioning. Coverage was maintained due to the uncertainty in the current environment, which was incorporated through the application of refined SICR indicators and the severe stress scenario, as explained previously on page B54. This was partially offset by the unwind of the Covid-19 relief-related provisions as relief periods expired and the general improvement in the macroeconomic FLI and LGD levels in the secured portfolios. The severe stress scenario increased portfolio provisions by R288 million (R129 million at stage 1 and R159 million at stage 2).

Commercial performing coverage reduced from 2.33% to 2.24% due to the Covid-19 relief-related provisions being released as payment holidays expired and the general improvement in FLI, partially offset by industry-specific post-model adjustments. The application of the severe stress scenario increased performing coverage by R148 million (R124 million stage 1 and R24 million stage 2).

Corporate performing coverage was impacted by R36.5 billion (>100%) growth in agreements to resell, which have no coverage due to their short-term and highly collateralised nature. Corporate performing coverage, excluding this repo book, increased from 1.20% to 1.58%, reflecting deterioration of certain counterparties and increased coverage on exposures in high-risk industries, such as hotel and leisure (including gaming) and certain sectors in real estate (office, hospitality and rental). This was partially offset by the improved macro forecast, which resulted in lower modelled provisions and partial settlements.

STAGE 3 COVERAGE

FNB retail stage 3 impairment coverage reduced marginally, driven by mix change towards residential mortgages and proportionally higher paying NPLs, which have lower coverage. Coverage for stage 3 residential mortgages increased from 20.6% to 21.1%, driven by expected longer work-out periods.

FNB commercial coverage increased reflecting ageing NPLs and higher judgemental coverage for high-risk sectors.

Corporate stage 3 coverage declined due to the work-out of a high-value counter.

Impairment charge

The credit loss ratio remained elevated, but continues to reduce from the June 2020 peak, with encouraging underlying trends.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended						
R million	**30 June 2021**	31 December 2020	30 June 2020	31 December 2019	Jun 2021 vs Dec 2020 % change	Dec 2020 vs Jun 2020 % change	Jun 2020 vs Dec 2019 % change
Performing book provisions	**(1 261)**	1 404	5 226	(203)	(>100)	(73)	(>100)
NPL provision	**(301)**	855	3 906	1 540	(>100)	(78)	>100
Credit provision (decrease)/ increase	**(1 562)**	2 259	9 132	1 337	(>100)	(75)	>100
Modification	**309**	291	273	485	6	7	(44)
Gross write-off* and other**	**6 304**	5 577	4 770	4 357	13	17	9
Post write-off recoveries	**(1 097)**	(966)	(795)	(1 290)	14	22	(38)
Total impairment charge	**3 954**	7 161	13 380	4 889	(45)	(46)	>100
Credit loss ratio (%)	**0.89**	1.60	2.95	1.07			

* *Write-off of gross balances excluding prior year provisions held.*

** *Net interest recognised on stage 3 advances of R3 059 million (2020: R2 851 million) is excluded from write-off and other.*

The significant reduction in the FNB retail credit loss ratio to 2.21% (down from 3.24% at June 2020) was primarily driven by the improvement in the macroeconomic FLI relative to June 2020, and favourable collections experienced over the year. A cautious approach to impairment coverage levels continued to underpin the income statement outcome.

The WesBank retail VAF credit loss ratio (CLR) decreased from 2.86% to 1.99% reflecting a significant improvement in arrears on the back of collection initiatives, offset by higher levels of write-offs.

As explained on pages C53 and C54, in light of South Africa's fragile macroeconomic backdrop, the bank applied a short-term stress scenario at 30 June 2021 as a temporary measure to capture the extreme uncertainty, which added R480 million (retail R332 million and commercial R148 million) to the impairment charge.

Credit continued

Below are the definitions and key drivers of the income statement components based on the movements in the total balance sheet credit provisions included in the table that follows.

> Change in stage 1 advances (volume) assumes the same coverage as in the prior year, applied to the movement from prior year to current year advances, reflecting low origination and higher rolls into stage 2 in retail. This was offset by increased stage 1 advances in corporate and commercial.

> Change in stage 1 coverage, which is calculated as the difference in coverage multiplied by the 30 June 2021 advances, decreased in total. Coverage increased in retail to capture the increased uncertain environment offset by lower stage 1 coverage in commercial due to improving FLIs.

> Volume change in stage 2 advances decreased due to large stage 2 settlements and cure in corporate together with migration of retail exposures to stage 3. Retail and commercial portfolios increased given higher roll rates due to expiration of relief periods, the application of SICR indicators and the severe stress scenario.

> Change in stage 2 coverage reflects lower coverage for the retail and commercial portfolios as the refinement of the SICR indicators and application of the stress scenario carries net lower coverage than arrear stage 2 advances. Corporate retained conservative coverage to address specific high-risk industries.

> Stage 3 increased as a consequence of the growth in NPLs with coverage increasing in all portfolios, which reflects the significant write-offs of higher provisioned exposure during the year.

> Modification losses reduced as the number of distressed restructures declined, particularly as the Covid-19 relief measures ceased.

> Write-offs and other reflect the gross advances written off and, increased R2.8 billion (30%) to R11.9 billion (2020: R9.1 billion). The increase was due to the backlog from the court process starting to clear and the earlier write-off point applied to the Covid-19 relief loans (R395 million written off). This amount is not reduced by provisions previously held as the impact of these provisions are held within total NPLs.

INCOME STATEMENT ANALYSIS

	Year ended 30 June 2021			
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
Retail	**(306)**	**191**	**347**	**(312)**
– Secured	**(36)**	**113**	**171**	**(330)**
– Unsecured	**(270)**	**(51)**	**176**	**(141)**
– Temporary stress scenario	**–**	**129**	**–**	**159**
Commercial	**189**	**(432)**	**317**	**(97)**
Corporate	**21**	**(38)**	**(387)**	**877**
Rest of Africa	**–**	**–**	**–**	**–**
MotoNovo (back book)	**(23)**	**(18)**	**(49)**	**(7)**
FCC	**6**	**(144)**	**–**	**8**
Total bank	**(113)**	**(441)**	**228**	**469**

	Year ended 30 June 2020			
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail	(334)	1 476	1 715	(298)
– Secured	(40)	365	438	(155)
– Unsecured	(294)	1 111	1 277	(143)
– Temporary stress scenario	–	–	–	–
Commercial	(3)	686	(12)	619
Corporate	(42)	468	457	587
Rest of Africa	–	–	–	–
MotoNovo (back book)	(162)	10	(123)	28
FCC	(76)	65	(36)	(2)
Total bank	(617)	2 705	2 001	934

* *Write-off of gross balances excluding prior year provisions held. Net interest recognised on stage 3 advances of R3 059 million (2020: R2 851 million) is excluded from write-off and other.*

Year ended 30 June 2021					
Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Gross write-off and other***	**Post write-off recoveries**	**Total**
1 177	**1 097**	**607**	**9 033**	**(1 925)**	**8 812**
452	**370**	**166**	**2 183**	**(305)**	**2 414**
681	**395**	**441**	**6 850**	**(1 620)**	**6 066**
44	**332**	**–**	**–**	**–**	**332**
354	**331**	**(8)**	**1 185**	**(95)**	**1 413**
(849)	**(376)**	**–**	**1 233**	**(5)**	**852**
–	**–**	**–**	**(28)**	**–**	**(28)**
(12)	**(109)**	**1**	**194**	**(38)**	**48**
(116)	**(246)**	**–**	**264**	**–**	**18**
554	**697**	**600**	**11 881**	**(2 063)**	**11 115**

Year ended 30 June 2020					
Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*	Post write-off recoveries	Total
4 129	6 688	758	7 153	(1 927)	12 672
2 233	2 841	39	1 630	(400)	4 110
1 896	3 847	719	5 523	(1 527)	8 562
–	–	–	–	–	–
1 094	2 384	–	895	(81)	3 198
218	1 688	–	395	(6)	2 077
–	–	–	28	–	28
10	(237)	–	415	–	178
(5)	(54)	–	241	(71)	116
5 446	10 469	758	9 127	(2 085)	18 269

Credit continued

Update on Covid-19 relief

Most of the SA retail relief arrangements terminated in September 2020, with the extended relief periods terminating in March 2021. At 30 June 2021 there were no clients still receiving relief. Retail and commercial customers, however, remain classified as being in relief until the settlement of the full relief amounts (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis, i.e. all prior/closed relief advances.

Refer to pages B68 to B73 for more detail on advances where relief was provided, which includes detail of the underlying advance, the staging and the coverage. Sixteen per cent of retail Covid-19 advances that received relief were in stage 2 and 16% were in stage 3. Additional information on the paying stage 3 relief advances is provided on pages B78 and B79. Ten per cent of commercial advances that received relief are in stage 2, and 3% are in stage 3. Forty-three per cent of retail and 29% of commercial stage 3 Covid-19 relief advances are paying customers who have not yet qualified for migration to stage 2 due to the 12-month curing rule.

The table below unpacks the number of customers who utilised Covid-19 relief.

	As at 30 June 2021				
	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	186.5	660.9	57 401	402 829	14
Commercial	17.3	31.1	22 627	138 107	16
Corporate	**	**	17 260	317 131	5
MotoNovo (back book)	3.6	3.6	292	1 819	16
Total bank	207.4	695.6	97 580	896 424	11

* *Total bank portfolio includes FCC advances.*

** *Fewer than 100.*

Accounts that received relief reflect higher roll rates and lower cure rates, indicating that some strain is still evident. The 12-month cure rate is applied to relief loans, however, non-paying relief loans are written off earlier than the 12- to 15-month write-off point in the other retail portfolios. Collection rates on expired relief have been within expectation for retail and have been better than expected in commercial.

Because corporate relief was provided largely through covenant waivers, facility increases or new advances, corporate reflects only active relief. The inflow of Covid-19 relief applications dropped significantly, with the relief portfolio dropping from c. R53 billion (94 active counters) to c. R17 billion (23 active counters) at 30 June 2021.

As at 30 June 2020				
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
188.4	653.7	63 529	407 244	16
16.7	31.0	30 832	135 028	23
**	**	53 098	322 237	16
22.5	22.5	423	3 782	11
227.6	707.2	147 882	905 712	16

Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June			As at 30 June		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
RETAIL	**402 829**	407 244	(1)	**325 775**	**40 155**	**36 899**
Retail – secured	**316 182**	318 428	(1)	**265 599**	**27 756**	**22 827**
Residential mortgages	**225 666**	224 404	1	**196 375**	**15 935**	**13 356**
WesBank VAF	**90 516**	94 024	(4)	**69 224**	**11 821**	**9 471**
Retail – unsecured	**86 647**	88 816	(2)	**61 386**	**11 189**	**14 072**
FNB card	**31 249**	30 210	3	**24 553**	**2 662**	**4 034**
Personal loans	**39 686**	41 874	(5)	**25 153**	**6 987**	**7 546**
– FNB and DirectAxis*	**36 551**	39 546	(8)	**22 970**	**6 450**	**7 131**
– Covid-19 relief	**3 135**	2 328	35	**2 183**	**537**	**415**
Retail other	**15 712**	16 732	(6)	**11 680**	**1 540**	**2 492**
Temporary stress scenario	**–**	–	–	**(1 210)**	**1 210**	**–**
CORPORATE AND COMMERCIAL	**455 238**	457 265	–	**408 529**	**37 123**	**9 586**
FNB commercial	**111 121**	107 914	3	**94 518**	**10 225**	**6 378**
– FNB commercial	**109 522**	107 569	2	**93 046**	**10 126**	**6 350**
– SME government-guaranteed loan scheme	**1 599**	345	>100	**1 571**	**–**	**28**
– Temporary stress scenario	**–**	–	–	**(99)**	**99**	**–**
WesBank corporate	**26 986**	27 114	–	**24 174**	**1 998**	**814**
RMB investment and corporate banking,#**	**300 282**	302 217	(1)	**272 988**	**24 900**	**2 394**
– Lending	**299 995**	301 878	(1)	**272 701**	**24 900**	**2 394**
– Loans to private equity investee companies	**287**	339	(15)	**287**	**–**	**–**
HQLA corporate advances#,†	**16 849**	20 020	(16)	**16 849**	**–**	**–**
FCC (INCLUDING GROUP TREASURY)	**36 538**	37 421	(2)	**36 488**	**50**	**–**
Securitisation notes	**25 363**	26 419	(4)	**25 363**	**–**	**–**
Other	**11 175**	11 002	2	**11 125**	**50**	**–**
Total advances excluding MotoNovo	**894 605**	901 930	(1)	**770 792**	**77 328**	**46 485**
MotoNovo (back book)^	**1 819**	3 782	(52)	**1 423**	**107**	**289**
Total advances including MotoNovo‡	**896 424**	905 712	(1)	**772 215**	**77 435**	**46 774**
Of which:						
Accrual book	**803 450**	839 788	(4)	**681 912**	**74 920**	**46 618**
Fair value book	**92 974**	65 924	41	**90 303**	**2 515**	**156**

* *Include DirectAxis advances of R13.9 billion (2020: R16.1 billion).*

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

\# *Corporate and investment banking including HQLA advances total R317.1 billion (2020: R322.2 billion).*

† *Managed by the Group Treasurer.*

‡ *Included in advances are assets under agreements to resell of R65.1 billion (2020: R26.6 billion).*

^ *MotoNovo back book is in run off as all new origination occurs in the Aldermore group.*

Advances			
As at 30 June			% composition
2020			
Stage 1	Stage 2	Stage 3	**2021**
336 846	35 620	34 778	**45**
271 244	25 712	21 472	**35**
197 845	14 897	11 662	**25**
73 399	10 815	9 810	**10**
65 602	9 908	13 306	**10**
24 352	2 183	3 675	**4**
28 371	6 079	7 424	**4**
26 043	6 079	7 424	**4**
2 328	–	–	**–**
12 879	1 646	2 207	**2**
–	–	–	**–**
405 713	39 772	11 780	**51**
92 639	8 245	7 030	**12**
92 331	8 208	7 030	**12**
308	37	–	**–**
–	–	–	**–**
24 385	1 855	874	**3**
268 669	29 672	3 876	**34**
268 330	29 672	3 876	**34**
339	–	–	**–**
20 020	–	–	**2**
37 235	44	142	**4**
26 419	–	–	**3**
10 816	44	142	**1**
779 794	75 436	46 700	**100**
2 873	356	553	**–**
782 667	75 792	47 253	**100**
720 723	71 990	47 075	**90**
61 944	3 802	178	**10**

Credit continued

CIB ADVANCES BREAKDOWN

R million	Advances			
	As at 30 June		% change	% composition 2021
	2021	2020		
RMB corporate and investment banking core advances	**241 605**	279 994	(14)	**76**
– South Africa	**214 651**	235 598	(9)	**68**
– Cross-border (rest of Africa) – $ million	**1 890**	2 558	(26)	
– Cross-border (rest of Africa)	**26 954**	44 396	(39)	**8**
HQLA corporate advances*	**16 849**	20 020	(16)	**5**
CIB total core advances	**258 454**	300 014	(14)	**81**
CIB total lending advances	**258 167**	299 675	(14)	**81**
CIB shareholder loans to private equity investee companies	**287**	339	(15)	**–**
CIB total core advances	**258 454**	300 014	(14)	**81**
CIB core advances – South Africa**	**231 500**	255 618	(9)	**73**
CIB core advances – rest of Africa#	**26 954**	44 396	(39)	**8**
CIB total core advances	**258 454**	300 014	(14)	**81**
Assets under agreements to resell	**58 677**	22 223	>100	**19**
CIB total advances	**317 131**	322 237	(2)	**100**

* *Managed by the Group Treasurer.*

** *CIB core advances – South Africa is the sum of RMB IB core advances and HQLA corporate advances.*

\# *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

R million	Advances			
	As at 30 June			
	2021	2020	% change	**% composition 2021**
Sector analysis				
Agriculture	**40 334**	40 930	(1)	**4**
Banks	**41 854**	13 626	>100	**5**
Financial institutions*	**146 001**	145 528	–	**16**
Building and property development	**54 824**	55 268	(1)	**6**
Government, Land Bank and public authorities	**20 672**	20 491	1	**2**
Individuals	**388 808**	396 396	(2)	**44**
Manufacturing and commerce	**103 816**	110 855	(6)	**12**
Mining	**7 599**	21 694	(65)	**1**
Transport and communication	**21 930**	22 895	(4)	**2**
Other services	**70 586**	78 029	(10)	**8**
Total advances	**896 424**	905 712	(1)	**100**
Geographic analysis				
South Africa	**818 048**	831 552	(2)	**91**
Rest of Africa	**19 132**	34 081	(44)	**2**
UK	**42 058**	13 895	>100	**5**
Other Europe	**7 559**	11 528	(34)	**1**
North America	**2 169**	6 675	(68)	**–**
South America	**2**	3	(33)	**–**
Australasia	**4**	3	33	**–**
Asia	**7 452**	7 975	(7)	**1**
Total advances	**896 424**	905 712	(1)	**100**

* *Investment holding companies are included in the financial institutions sector.*

Credit continued

DISTRIBUTION OF ADVANCES BETWEEN RELIEF PROVIDED AND NO RELIEF PROVIDED

The tables that follow provide additional information on Covid-19 relief provided to customers. It details:

> advances for which no relief was provided; and

> advances which received relief.

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	345 428	286 551	31 134	27 743
Residential mortgages	195 749	173 125	12 021	10 603
WesBank VAF	78 879	62 135	9 321	7 423
FNB card	26 573	21 635	1 896	3 042
Personal loans	31 384	20 765	5 597	5 022
Retail other	12 843	8 891	2 299	1 653

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	57 401	39 224	9 021	9 156
Residential mortgages	29 917	23 250	3 914	2 753
WesBank VAF	11 637	6 980	2 609	2 048
FNB card	4 676	2 918	766	992
Personal loans	5 167	2 205	853	2 109
Personal loans – Covid-19 relief*	3 135	2 183	537	415
Retail other	2 869	1 688	342	839

Total retail advances	402 829	325 775	40 155	36 899

* *Coverage based on EAD.*

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	21 046	8 057	12 989	75.9	2.54	46.8
	3 693	1 212	2 481	34.8	0.65	23.4
	4 871	1 551	3 320	65.6	2.17	44.7
	3 708	1 243	2 465	121.9	5.28	81.0
	6 227	2 710	3 517	124.0	10.28	70.0
	2 547	1 341	1 206	154.1	11.98	73.0

	Balance sheet impairments			Coverage			Liquidity facility	
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Utilised	Committed undrawn
	5 651	1 606	4 045	61.7	3.33	44.2	3 135	–
	611	275	336	22.2	1.01	12.2	558	–
	826	258	568	40.3	2.69	27.7	353	–
	975	272	703	98.3	7.38	70.9	751	–
	1 809	367	1 442	85.8	12.00	68.4	621	–
	594	256	338	143.1	9.41	81.5	–	–
	836	178	658	99.6	8.77	78.4	852	–
	26 697	9 663	17 034	72.4	2.64	46.2		

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

R million	Underlying gross advance	Stage of underlying gross advance		
		Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	95 451	81 022	8 523	5 906
Overdrafts	18 922	14 113	2 705	2 104
Agricultural	32 324	29 974	928	1 422
Asset-based finance	11 623	9 830	1 356	437
Specialised finance	7 935	7 427	278	230
Commercial property finance	18 177	16 467	469	1 241
SME government-guaranteed loan scheme	1 599	1 571	–	28
Other	4 871	1 640	2 787	444
WesBank corporate	20 029	17 786	1 530	713
Total commercial	115 480	98 808	10 053	6 619

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

R million	Underlying gross advance	Stage of underlying gross advance		
		Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	15 670	13 496	1 702	472
Overdrafts	230	200	19	11
Agricultural	765	726	10	29
Asset-based finance	2 405	1 556	706	143
Specialised finance	1 505	1 268	226	11
Commercial property finance	10 480	9 463	739	278
Other	285	283	2	–
WesBank corporate	6 957	6 388	468	101
Total commercial	22 627	19 884	2 170	573

Total commercial advances	138 107	118 692	12 223	7 192

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
6 006	2 528	3 478	101.7	2.82	58.9
3 143	1 290	1 853	149.4	7.67	88.1
640	178	462	45.0	0.58	32.5
312	135	177	71.4	1.21	40.5
342	173	169	148.7	2.25	73.5
605	224	381	48.8	1.32	30.7
104	76	28	371.4	4.84	100.0
860	452	408	193.7	10.21	91.9
471	182	289	66.1	0.94	40.5
6 477	2 710	3 767	97.9	2.49	56.9

Balance sheet impairments			Coverage			SME government-guaranteed scheme			
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions	Total coverage
304	177	127	64.4	1.16	26.9	1 599	35	103	6.3
17	9	8	154.5	4.11	72.7	–	–	–	–
4	3	1	13.8	0.41	3.4	–	–	–	–
90	41	49	62.9	1.81	34.3	–	–	–	–
39	29	10	354.5	1.94	90.9	301	26	19	5.8
153	94	59	55.0	0.92	21.2	–	–	–	–
1	1	–	–	0.35	–	1 298	9	84	6.4
84	48	36	83.2	0.70	35.6	–	–	–	–
388	225	163	67.7	1.02	28.4	1 599	35	103	6.3

6 865	2 935	3 930	95.5	2.24	54.6

Credit continued

CORPORATE AND INVESTMENT BANKING ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

R million	Underlying gross advance	Stage of underlying gross advances Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	299 871	278 259	19 218	2 394

CORPORATE AND INVESTMENT BANKING ADVANCES WHICH RECEIVED RELIEF

R million	Underlying gross advance	Stage of underlying gross advances Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	17 260	11 578	5 682	–
Total corporate and investment banking	317 131	289 837	24 900	2 394

MOTONOVO ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

£ million	Underlying gross advance	Stage of underlying gross advance Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo (back book)	77	68	1	8

MOTONOVO ADVANCES WHICH RECEIVED RELIEF

£ million	Underlying gross advance	Stage of underlying gross advance Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo (back book)	15	4	4	7
Total MotoNovo (back book)	92	72	5	15

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	4 042	3 563	479	168.8	1.20	20.0

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	475	475	–	–	2.75	–	3 627	92	11 705
	4 517	4 038	479	188.7	1.28	20.0			

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	7	–	7	90.7	0.52	86.0

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	6	1	5	86.2	7.00	78.2
	13	1	12	88.6	1.18	82.4

Credit continued

Note 2: Analysis of balance sheet impairments (stage 1 and 2)

	Total portfolio impairments						
	As at 30 June			As at 30 June			
				2021		2020	
R million	2021	2020	% change	Stage 1	Stage 2	Stage 1	Stage 2
RETAIL	**9 663**	9 743	(1)	**4 673**	**4 990**	4 788	4 955
Retail – secured	**3 234**	3 316	(2)	**1 354**	**1 880**	1 277	2 039
Residential mortgages	**1 487**	1 508	(1)	**646**	**841**	731	777
WesBank VAF	**1 747**	1 808	(3)	**708**	**1 039**	546	1 262
Retail – unsecured	**6 141**	6 427	(4)	**3 190**	**2 951**	3 511	2 916
FNB card	**1 515**	1 479	2	**861**	**654**	917	562
Personal loans	**3 333**	3 465	(4)	**1 611**	**1 722**	1 812	1 653
– FNB and DirectAxis*	**3 077**	3 081	–	**1 520**	**1 557**	1 428	1 653
– Covid-19 relief	**256**	384	(33)	**91**	**165**	384	–
Retail other	**1 293**	1 483	(13)	**718**	**575**	782	701
Temporary stress scenario	**288**	–	–	**129**	**159**	–	–
CORPORATE AND COMMERCIAL	**6 973**	6 523	7	**2 690**	**4 283**	2 950	3 573
FNB commercial	**2 705**	2 733	(1)	**1 157**	**1 548**	1 394	1 339
– FNB commercial	**2 481**	2 685	(8)	**957**	**1 524**	1 350	1 335
– SME government-guaranteed loan scheme	**76**	48	58	**76**	**–**	44	4
– Temporary stress scenario	**148**	–	–	**124**	**24**	–	–
WesBank corporate	**230**	225	2	**108**	**122**	114	111
RMB investment and corporate banking**	**4 038**	3 565	13	**1 425**	**2 613**	1 442	2 123
– Lending	**4 034**	3 560	13	**1 421**	**2 613**	1 437	2 123
– Loans to private equity investee companies	**4**	5	(20)	**4**	**–**	5	–
HQLA corporate advances	**–**	–	–	**–**	**–**	–	–
FCC (INCLUDING GROUP TREASURY)	**134**	264	(49)	**126**	**8**	264	–
Securitisation notes	**24**	20	20	**24**	**–**	20	–
Other	**110**	244	(55)	**102**	**8**	244	–
Total portfolio impairments excluding MotoNovo	**16 770**	16 530	1	**7 489**	**9 281**	8 002	8 528
MotoNovo (back book)	**18**	115	(84)	**4**	**14**	45	70
Total portfolio impairments including MotoNovo	**16 788**	16 645	1	**7 493**	**9 295**	8 047	8 598

* *Include DirectAxis impairments of R1.3 billion (2020: R1.4 billion).*

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

Total portfolio impairments					
Performing book coverage ratio (% of performing advances)					
As at 30 June					
2021	**Stage 1**	**Stage 2**	2020	Stage 1	Stage 2
2.64	**1.43**	**12.43**	2.62	1.42	13.91
1.10	**0.51**	**6.77**	1.12	0.47	7.93
0.70	**0.33**	**5.28**	0.71	0.37	5.22
2.16	**1.02**	**8.79**	2.15	0.74	11.67
8.46	**5.20**	**26.37**	8.51	5.35	29.43
5.57	**3.51**	**24.57**	5.57	3.77	25.74
10.37	**6.40**	**24.65**	10.06	6.39	27.19
10.46	**6.62**	**24.14**	9.59	5.48	27.19
9.41	**4.17**	**30.73**	16.49	16.49	–
9.78	**6.15**	**37.34**	10.21	6.07	42.59
–	**–**	**–**	–	–	–
1.56	**0.66**	**11.54**	1.46	0.73	8.98
2.58	**1.22**	**15.14**	2.71	1.50	16.24
2.40	**1.03**	**15.05**	2.67	1.46	16.26
4.84	**4.84**	**–**	13.91	14.29	10.81
–	**–**	**–**	–	–	–
0.88	**0.45**	**6.11**	0.86	0.47	5.98
1.36	**0.52**	**10.49**	1.19	0.54	7.15
1.36	**0.52**	**10.49**	1.19	0.54	7.15
1.39	**1.39**	**–**	1.47	1.47	–
–	**–**	**–**	–	–	–
0.37	**0.35**	**16.00**	0.71	0.71	–
0.09	**0.09**	**–**	0.08	0.08	–
0.98	**0.92**	**16.00**	2.25	2.26	–
1.98	**0.97**	**12.00**	1.93	1.03	11.30
1.18	**0.28**	**13.08**	3.56	1.57	19.66
1.98	**0.97**	**12.00**	1.94	1.03	11.34

Credit continued

Note 3: Analysis of stage 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs				Stage 3/NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	**2021**	2020	% change	**2021**	**2021**	2020
RETAIL	**36 899**	34 778	6	**79**	**9.16**	8.54
Retail – secured	**22 827**	21 472	6	**49**	**7.22**	6.74
Residential mortgages	**13 356**	11 662	15	**29**	**5.92**	5.20
WesBank VAF	**9 471**	9 810	(3)	**20**	**10.46**	10.43
Retail – unsecured	**14 072**	13 306	6	**30**	**16.24**	14.98
FNB card	**4 034**	3 675	10	**9**	**12.91**	12.16
Personal loans	**7 546**	7 424	2	**16**	**19.01**	17.73
– FNB and DirectAxis*	**7 131**	7 424	(4)	**15**	**19.51**	18.77
– Covid-19 relief	**415**	–	–	**1**	**13.24**	–
Retail other	**2 492**	2 207	13	**5**	**15.86**	13.19
Temporary stress scenario	**–**	–	–	**–**	**–**	–
CORPORATE AND COMMERCIAL	**9 586**	11 780	(19)	**20**	**2.11**	2.58
FNB commercial	**6 378**	7 030	(9)	**13**	**5.74**	6.51
– FNB commercial	**6 350**	7 030	(10)	**13**	**5.80**	6.54
– SME government-guaranteed loan scheme	**28**	–	–	**–**	**1.75**	–
– Temporary stress scenario	**–**	–	–	**–**	**–**	–
WesBank corporate	**814**	874	(7)	**2**	**3.02**	3.22
RMB investment and corporate banking**	**2 394**	3 876	(38)	**5**	**0.80**	1.28
– Lending	**2 394**	3 876	(38)	**5**	**0.80**	1.28
– Loans to private equity investee companies	**–**	–	–	**–**	**–**	–
HQLA corporate advances	**–**	–	–	**–**	**–**	–
FCC (INCLUDING GROUP TREASURY)	**–**	142	(100)	**–**	**–**	0.38
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	142	(100)	**–**	**–**	1.29
Total stage 3/NPLs excluding MotoNovo	**46 485**	46 700	–	**99**	**5.20**	5.18
MotoNovo (back book)	**289**	553	(48)	**1**	**15.89**	14.62
Total stage 3/NPLs including MotoNovo	**46 774**	47 253	(1)	**100**	**5.22**	5.22
Of which:						
Accrual book	**46 618**	47 075	(1)	**100**	**5.80**	5.61
Fair value book	**156**	178	(12)	**–**	**0.17**	0.27

* *Include DirectAxis stage 3/NPLs of R3.0 billion (2020: R3.1 billion).*

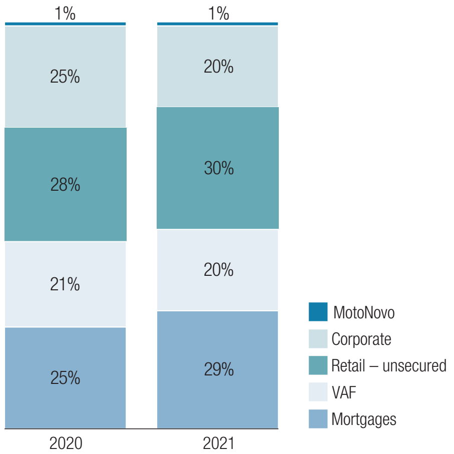
** *Includes activities in India and represents the in-country balance sheet.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs				Stage 3/NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	2021	2020	% change	2021	2021	2020
Sector analysis						
Agriculture	**1 572**	2 253	(30)	**3**	**3.90**	5.50
Financial institutions*	**1 442**	278	>100	**3**	**0.99**	0.19
Building and property development	**1 113**	1 396	(20)	**2**	**2.03**	2.53
Government, Land Bank and public authorities	**825**	1 191	(31)	**2**	**3.99**	5.81
Individuals	**35 006**	33 370	5	**76**	**9.00**	8.42
Manufacturing and commerce	**2 942**	2 909	1	**6**	**2.83**	2.62
Mining	**106**	887	(88)	**–**	**1.39**	4.09
Transport and communication	**1 050**	859	22	**2**	**4.79**	3.75
Other services	**2 718**	4 110	(34)	**6**	**3.85**	5.27
Total stage 3/NPLs	**46 774**	47 253	(1)	**100**	**5.22**	5.22
Geographical analysis						
South Africa	**46 239**	45 678	1	**99**	**5.65**	5.49
Other Africa	**154**	159	(3)	**–**	**0.80**	0.47
UK	**291**	553	(47)	**1**	**0.69**	3.98
Other Europe	**4**	1	>100	**–**	**0.05**	0.01
North America	**1**	773	(100)	**–**	**0.05**	11.58
Asia	**85**	89	(4)	**–**	**1.14**	1.12
Total stage 3/NPLs	**46 774**	47 253	(1)	**100**	**5.22**	5.22

* *Investment holding companies are included in the financial institutions sector.*

NPL distribution



Credit continued

The table below provides an overview of the restructured debt-review and operational stage 3/NPL balances and technical cures.

R million	Operational stage 3/NPLs*	Covid-19 relief paying stage 3/NPLs**	Other paying stage 3/NPLs#	Total stage 3/NPLs
30 June 2021				
Residential mortgages	8 031	1 362	3 963	13 356
WesBank VAF	5 522	1 263	2 686	9 471
FNB card	3 139	237	658	4 034
Personal loans	5 675	895	976	7 546
Retail other	2 053	171	268	2 492
Total retail NPLs	24 420	3 928	8 551	36 899
FNB commercial	5 651	116	611	6 378
WesBank corporate	522	53	239	814
Total commercial NPLs	6 173	169	850	7 192
Total retail and commercial NPLs	30 593	4 097	9 401	44 091

* *Include advances that received Covid-19 relief, other advances and debt-review ≥ 90 days in arrears.*

** *Include Covid-19 relief loans < 90 days in arrears still subject to curing criteria.*

\# *Include debt-review and other advances < 90 days in arrears still subject to curing criteria.*

R million	Operational stage 3/NPLs*	Covid-19 relief paying stage 3/NPLs**	Other paying stage 3/NPLs#	Total stage 3/NPLs
30 June 2020				
Residential mortgages	8 188	289	3 185	11 662
WesBank VAF	7 255	126	2 429	9 810
FNB card	2 887	270	518	3 675
Personal loans	5 391	892	1 141	7 424
Retail other	1 361	330	516	2 207
Total retail NPLs	25 082	1 907	7 789	34 778
FNB commercial	6 061	425	544	7 030
WesBank corporate	649	–	225	874
Total commercial NPLs	6 710	425	769	7 904
Total retail and commercial NPLs	31 792	2 332	8 558	42 682

* *Include advances that received Covid-19 relief, other advances and debt-review > 90 days in arrears.*

** *Include Covid-19 relief loans < 90 days in arrears still subject to curing criteria.*

\# *Include debt-review and other advances < 90 days in arrears still subject to curing criteria.*

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

R million	As at 30 June 2021			As at 30 June 2020		
	Stage3/ NPLs	Security held and expected recoveries	Specific impairment	Stage3/ NPLs	Security held and expected recoveries	Specific impairment
RETAIL	**36 899**	**19 865**	**17 034**	34 778	18 921	15 857
Retail – secured	**22 827**	**16 128**	**6 699**	21 472	15 225	6 247
Residential mortgages	**13 356**	**10 539**	**2 817**	11 662	9 254	2 408
WesBank VAF	**9 471**	**5 589**	**3 882**	9 810	5 971	3 839
Retail – unsecured	**14 072**	**3 781**	**10 291**	13 306	3 696	9 610
FNB card	**4 034**	**866**	**3 168**	3 675	953	2 722
Personal loans	**7 546**	**2 249**	**5 297**	7 424	2 192	5 232
– FNB and DirectAxis*	**7 131**	**2 172**	**4 959**	7 424	2 192	5 232
– Covid-19 relief	**415**	**77**	**338**	–	–	–
Retail other	**2 492**	**666**	**1 826**	2 207	551	1 656
Temporary stress scenario	**–**	**(44)**	**44**	–	–	–
CORPORATE AND COMMERCIAL	**9 586**	**5 177**	**4 409**	11 780	6 876	4 904
FNB commercial	**6 378**	**2 773**	**3 605**	7 030	3 735	3 295
– FNB commercial	**6 350**	**2 773**	**3 577**	7 030	3 735	3 295
– SME government-guaranteed loan scheme	**28**	**–**	**28**	–	–	–
– Temporary stress scenario	**–**	**–**	**–**	–	–	–
WesBank corporate	**814**	**489**	**325**	874	593	281
RMB investment and corporate banking**	**2 394**	**1 915**	**479**	3 876	2 548	1 328
– Lending	**2 394**	**1 915**	**479**	3 876	2 548	1 328
– Loans to private equity investee companies	**–**	**–**	**–**	–	–	–
HQLA corporate advances	**–**	**–**	**–**	–	–	–
FCC (INCLUDING GROUP TREASURY)	**–**	**–**	**–**	142	26	116
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	142	26	116
Total excluding MotoNovo	**46 485**	**25 042**	**21 443**	46 700	25 823	20 877
MotoNovo (back book)	**289**	**51**	**238**	553	303	250
Total including MotoNovo	**46 774**	**25 093**	**21 681**	47 253	26 126	21 127

* *Include impairment of DirectAxis loans of R2.1 billion (2020: R2.3 billion).*

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

Stage 3/ NPLs % change	Specific impairment % change	Coverage ratios (% of stage 3/NPLs) As at 30 June 2021	2020
6	7	**46.2**	45.6
6	7	**29.3**	29.1
15	17	**21.1**	20.6
(3)	1	**41.0**	39.1
6	7	**73.1**	72.2
10	16	**78.5**	74.1
2	1	**70.2**	70.5
(4)	(5)	**69.5**	70.5
–	–	**81.4**	–
13	10	**73.3**	75.0
–	–	**–**	–
(19)	(10)	**46.0**	41.6
(9)	9	**56.5**	46.9
(10)	9	**56.3**	46.9
–	–	**100.0**	–
–	–	**–**	–
(7)	16	**39.9**	32.2
(38)	(64)	**20.0**	34.3
(38)	(64)	**20.0**	34.3
–	–	**–**	–
–	–	**–**	–
(100)	(100)	**–**	81.7
–	–	**–**	–
(100)	(100)	**–**	81.7
–	3	**46.1**	44.7
(48)	(5)	**82.4**	45.2
(1)	3	**46.4**	44.7

Credit continued

Note 4: Analysis of balance sheet total impairments and coverage ratios

	Balance sheet impairments					
	As at 30 June			As at 30 June		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
RETAIL	**26 697**	25 600	4	**4 673**	**4 990**	**17 034**
Retail – secured	**9 933**	9 563	4	**1 354**	**1 880**	**6 699**
Residential mortgages	**4 304**	3 916	10	**646**	**841**	**2 817**
WesBank VAF	**5 629**	5 647	–	**708**	**1 039**	**3 882**
Retail – unsecured	**16 432**	16 037	2	**3 190**	**2 951**	**10 291**
FNB card	**4 683**	4 201	11	**861**	**654**	**3 168**
Personal loans	**8 630**	8 697	(1)	**1 611**	**1 722**	**5 297**
– FNB and DirectAxis*	**8 036**	8 313	(3)	**1 520**	**1 557**	**4 959**
– Covid-19 relief	**594**	384	55	**91**	**165**	**338**
Retail other	**3 119**	3 139	(1)	**718**	**575**	**1 826**
Temporary stress scenario	**332**	–	–	**129**	**159**	**44**
CORPORATE AND COMMERCIAL	**11 382**	11 427	–	**2 690**	**4 283**	**4 409**
FNB commercial	**6 310**	6 028	5	**1 157**	**1 548**	**3 605**
– FNB commercial	**6 058**	5 980	1	**957**	**1 524**	**3 577**
– SME government-guaranteed loan scheme	**104**	48	>100	**76**	**–**	**28**
– Temporary stress scenario	**148**	–	–	**124**	**24**	**–**
WesBank corporate	**555**	506	10	**108**	**122**	**325**
RMB investment and corporate banking**	**4 517**	4 893	(8)	**1 425**	**2 613**	**479**
– Lending	**4 513**	4 888	(8)	**1 421**	**2 613**	**479**
– Loans to private equity investee companies	**4**	5	(20)	**4**	**–**	**–**
HQLA corporate advances	**–**	–	–	**–**	**–**	**–**
FCC (INCLUDING GROUP TREASURY)	**134**	380	(65)	**126**	**8**	**–**
Securitisation notes	**24**	20	20	**24**	**–**	**–**
Other	**110**	360	(69)	**102**	**8**	**–**
Total impairments excluding MotoNovo	**38 213**	37 407	2	**7 489**	**9 281**	**21 443**
MotoNovo (back book)	**256**	365	(30)	**4**	**14**	**238**
Total impairments including MotoNovo	**38 469**	37 772	2	**7 493**	**9 295**	**21 681**

* *Include DirectAxis impairments of R3.4 billion (2020: R3.7 billion).*

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

Balance sheet impairments				
As at 30 June			Coverage ratios (% of stage3/NPLs)	
2020			As at 30 June	
Stage 1	Stage 2	Stage 3	**2021**	2020
4 788	4 955	15 857	**72.4**	73.6
1 277	2 039	6 247	**43.5**	44.5
731	777	2 408	**32.2**	33.6
546	1 262	3 839	**59.4**	57.6
3 511	2 916	9 610	**116.8**	120.5
917	562	2 722	**116.1**	114.3
1 812	1 653	5 232	**114.4**	117.1
1 428	1 653	5 232	**112.7**	112.0
384	–	–	**143.1**	–
782	701	1 656	**125.2**	142.2
–	–	–	**–**	–
2 950	3 573	4 904	**118.7**	97.0
1 394	1 339	3 295	**98.9**	85.7
1 350	1 335	3 295	**95.4**	85.1
44	4	–	**371.4**	–
–	–	–	**–**	–
114	111	281	**68.2**	57.9
1 442	2 123	1 328	**188.7**	126.2
1 437	2 123	1 328	**188.5**	126.1
5	–	–	**–**	–
–	–	–	**–**	–
264	–	116	**–**	267.6
20	–	–	**–**	–
244	–	116	**–**	253.5
8 002	8 528	20 877	**82.2**	80.1
45	70	250	**88.6**	66.0
8 047	8 598	21 127	**82.2**	79.9

Credit continued

Note 5: Analysis of income statement credit impairments

R million	Total impairment charge Year ended 30 June 2021	2020	% change	As a % of average advances Year ended 30 June 2021	2020
RETAIL	**8 812**	12 672	(30)	**2.18**	3.15
Retail – secured	**2 414**	4 110	(41)	**0.76**	1.30
Residential mortgages	**577**	1 411	(59)	**0.26**	0.64
WesBank VAF	**1 837**	2 699	(32)	**1.99**	2.86
Retail – unsecured	**6 066**	8 562	(29)	**6.91**	9.83
FNB card	**1 428**	1 997	(28)	**4.65**	6.85
Personal loans	**3 600**	4 899	(27)	**8.83**	12.06
– FNB and DirectAxis*	**2 999**	4 515	(34)	**7.88**	11.44
– Covid-19 relief	**601**	384	57	**22.00**	32.99
Retail other	**1 038**	1 666	(38)	**6.40**	9.62
Temporary stress scenario	**332**	–	–	**–**	–
CORPORATE AND COMMERCIAL	**2 265**	5 275	(57)	**0.50**	1.15
FNB commercial	**1 307**	2 949	(56)	**1.19**	2.77
– FNB commercial	**1 103**	2 901	(62)	**1.02**	2.73
– SME government-guaranteed loan scheme	**56**	48	17	**5.76**	27.83
– Temporary stress scenario	**148**	–	–	**–**	–
WesBank corporate	**106**	249	(57)	**0.39**	0.90
RMB investment and corporate banking**	**852**	2 077	(59)	**0.28**	0.68
– Lending	**853**	2 075	(59)	**0.28**	0.68
– Loans to private equity investee companies	**(1)**	2	(>100)	**(0.32)**	0.57
HQLA corporate advances	**–**	–	–	**–**	–
FNB Africa	**(28)**	28	(>100)	**–**	–
FCC (INCLUDING GROUP TREASURY)	**18**	116	(84)	**0.05**	0.29
Securitisation notes	**5**	(2)	(>100)	**0.02**	(0.01)
Other	**13**	118	(89)	**0.12**	1.09
Total impairment charge excluding MotoNovo	**11 067**	18 091	(39)	**1.23**	2.01
MotoNovo (back book)	**48**	178	(73)	**1.71**	1.31
Total impairment charge including MotoNovo	**11 115**	18 269	(39)	**1.23**	2.00
Portfolio impairment charge	**2 571**	6 872	(63)	**0.28**	0.75
Specific impairment charge	**8 544**	11 397	(25)	**0.95**	1.25

* *Include DirectAxis impairments of R1.1 billion (2020: R2.1 billion).*

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

TOTAL TEMPORARY STRESS SCENARIO

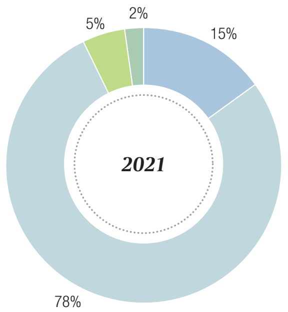
	As at June 2021						Year ended 30 June 2021
	Advances	Balance sheet impairments					
R million	Migration from stage 1 to 2	Total	Total portfolio	Stage 1	Stage 2	Stage 3	Impairment charge
Total temporary stress scenario	**1 309**	**480**	**436**	**253**	**183**	**44**	480
Covid-19 forward-looking uncertainty	**1 210**	**332**	**288**	**129**	**159**	**44**	332
Residential mortgages	**735**	**96**	**59**	**20**	**39**	**37**	96
WesBank VAF	**109**	**68**	**62**	**23**	**39**	**6**	68
FNB card	**88**	**68**	**68**	**37**	**31**	**–**	68
Personal loans	**248**	**66**	**66**	**29**	**37**	**–**	66
– FNB and DirectAxis	**248**	**58**	**58**	**24**	**34**	**–**	58
– Covid-19 relief	**–**	**8**	**8**	**5**	**3**	**–**	8
Retail other	**30**	**34**	**33**	**20**	**13**	**1**	34
FNB commercial	**99**	**148**	**148**	**124**	**24**	**–**	148

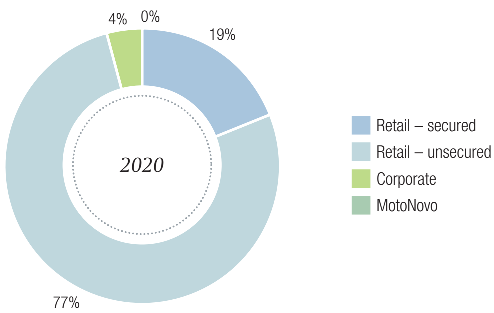
Credit continued

Impact of post write-off recoveries

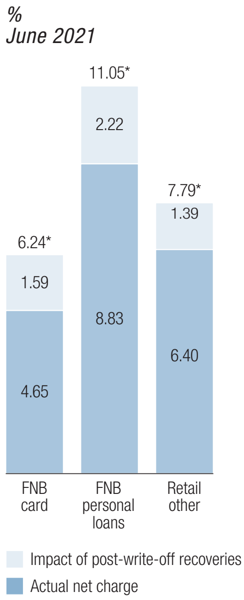
Post write-off recoveries amounted to R2 063 million (June 2020: R2 085 million), primarily emanating from the unsecured retail lending portfolios, specifically personal loans and FNB card.

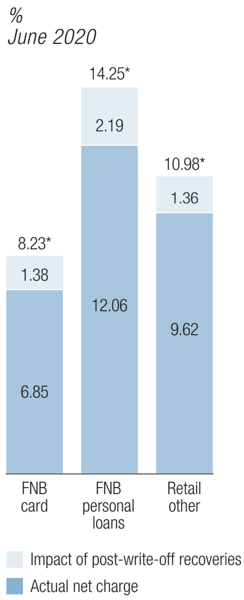
Post write-off recoveries





Retail unsecured credit loss ratios and recoveries



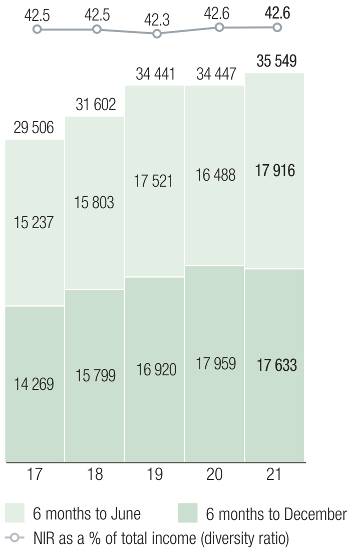


* *Gross of recoveries (%).*

Non-interest revenue

Non-interest revenue – up 3%

Non-interest revenue and diversity ratio
R million
NIR CAGR 5%



Note: 2017 and 2018 figures are based on IAS 39 and 2019 to 2021 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	2021	2020	% change
Net fee, commission and insurance income		**26 845**	25 559	5
– Fee and commission income	1	**26 377**	25 110	5
– Insurance income	2	**468**	449	4
Trading and other fair value income	3	**3 574**	4 049	(12)
Investment income		**8**	130	(94)
Other non-interest revenue	4	**5 122**	4 709	9
Non-interest revenue		**35 549**	34 447	3

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 5%

R million	2021	2020	% change
Bank commissions and fee income	**28 055**	27 249	3
– Card commissions	**4 229**	4 208	–
– Cash deposit fees	**1 579**	1 518	4
– Electronic transaction fees*	**3 006**	2 530	19
– Bank charges	**19 241**	18 993	1
– Commitment fees	**1 333**	1 274	5
– Other bank charges**	**17 908**	17 719	1
Knowledge-based fees	**1 049**	1 108	(5)
Management and fiduciary fees	**1 391**	1 426	(2)
– Investment management fees	**639**	629	2
– Management fees from associates and joint ventures	**744**	772	(4)
– Other management and brokerage fee income	**8**	25	(68)
Other non-bank commissions	**761**	759	–
Gross fee and commission income	**31 256**	30 542	2
Fee and commission expenditure	**(4 879)**	(5 432)	10
– Transaction-related fees	**(1 059)**	(1 231)	14
– Commission paid	**(237)**	(266)	11
– Customer loyalty programmes	**(1 760)**	(2 056)	14
– Cash sorting, handling and transporting charges	**(992)**	(981)	(1)
– Card and cheque book related	**(462)**	(426)	(8)
– Other	**(369)**	(472)	22
Net fee and commission income	**26 377**	25 110	5

* *The description has been updated to more appropriately reflect the nature of income earned. This line was previously titled "Commissions on bills, drafts and cheques". The amount reported in the prior year has not changed.*

** *Other bank charges include annual and monthly administrative fees, fees for customer transaction processing (e.g. SASwitch fees), cash withdrawal fees, debit order charges, internet banking fees and fees for the utilisation of other banking services.*

KEY DRIVERS

- FNB NIR increased 8%, reflecting a recovery in transaction volumes, and growth of 5% in the customer base.
- Card commissions operationally increased 10% given the rebound in overall customer activity to pre-Covid-19 levels. However, the 2020 financial year included fee-related income of c. R350 million from Discovery card (the profit share payment is recognised in operating expenses). As a result this remained flat.
- FNB did not increase headline fees in the 2020 financial year.
- Pandemic-related fee relief granted in the previous financial year was not repeated.
- ATM fees were lowered in the current financial year.
- Although there was a strong increase in digital transactions, the lower fees associated with digital transactions slowed fee income growth.
- FNB transaction volumes increased 6%. Electronic volumes grew 6%, whilst manual volumes declined 3%. Branch and cash centre transaction volumes decreased 44% and 18%, respectively.

%	Change in transaction volumes
ATM/ADT	**(2)**
Internet banking	**(1)**
Banking app	**26**
Mobile (excluding prepaid)	**(12)**
Point-of-sale merchants	**11**
Card swipes	**7**

- RMB transactional volumes for EFT and cash trended down, whilst merchant services improved, reflecting the macroeconomic environment and slow emergence from the pandemic.
- Knowledge-based fees declined 5%, a resilient performance considering the tough operating environment. Structuring revenue remained muted given slower new deal origination partially offset by advisory mandates.
- The bank's management and fiduciary fee income was impacted by lower management fees from investee companies.
- The decline in fee and commission expenses reflected lower customer rewards as a consequence of a change in mix of transaction volumes, updates to the reward earn rules and a reduction in SLOW lounge costs, partly offset by higher cash handling fees.

NOTE 2 – INSURANCE INCOME – UP 4%

R million	2021	2020	% change
Insurance commission	**161**	152	6
Insurance brokerage	**307**	297	3
Total insurance income	**468**	449	4

Non-interest revenue continued

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – DOWN 12%

R million	2021	2020	% change
Trading income	**3 979**	3 557	12
– Equities	**(23)**	139	(>100)
– Commodities	**446**	430	4
– Fixed income	**2 364**	1 519	56
– Currencies	**1 192**	1 469	(19)
Other fair value income	**(405)**	492	(>100)
– RMB banking activities and other	**187**	282	(34)
– Group Treasury economic hedges and other	**(592)**	210	(>100)
Total trading and other fair value income	**3 574**	4 049	(12)

KEY DRIVERS

> Despite the tough operating environment, RMB's trading activities delivered another strong performance.

> Trading income was supported by:

- The commodities business performance, which was driven by increased gold demand together with revenue earned from the hedging of client flows.
- A significant rebound from fixed income and specifically the inflation desk, which benefited from the normalisation of market conditions, market making and client facilitation.

> Group Treasury economic hedges and other fair value income included foreign exchange (FX) losses of c. R610 million as a result of the strengthening of the rand against major currencies which are offset to a certain extent at group level. Mark-to-market (MTM) losses on economic hedges amounting to c. R120 million are expected to pull-to-par over the life of these instruments.

NOTE 4 – OTHER NON-INTEREST REVENUE – UP 9%

KEY DRIVERS

> A significant component of other NIR relates to various intercompany charges to other FirstRand group companies for the provision of services. These are relevant to the bank but eliminate at a group level.

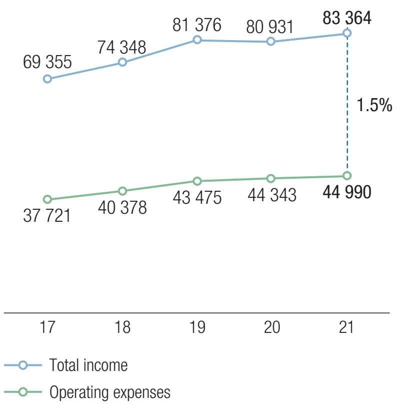
> Rental income is the second-largest component and increased 10% in FNB but declined 4% in WesBank, due to rental relief on devices expiring in FNB and a reduction of full maintenance leasing units in WesBank.

> The increase is also due the receipt of a business interruption insurance payment. Other items include various items such as recoveries, and various sales and fee income.

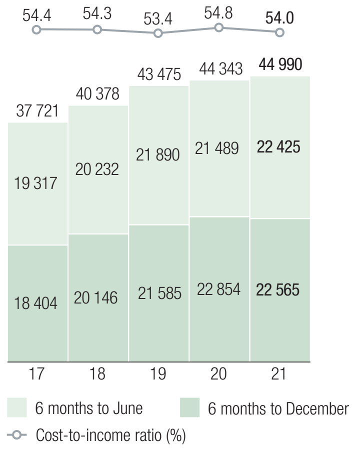
Operating expenses

Operating expenses – up 1%

Operating jaws
R million



Operating efficiency



Note: 2017 and 2018 figures are based on IAS 39 and 2019 to 2021 figures on IFRS 9.

OPERATING EXPENSES

R million	2021	2020	% change
Staff expenditure	**26 776**	25 809	4
– Direct staff expenditure	**20 599**	20 092	3
– Variable staff expenditure*	**4 706**	3 957	19
– Short-term incentive expenses	**3 860**	3 123	24
– Long-term incentive expenses*	**846**	834	1
– Other staff-related expenditure	**1 471**	1 760	(16)
Depreciation of property and equipment	**3 600**	3 391	6
Amortisation of intangible assets	**211**	193	9
Advertising and marketing	**1 251**	1 505	(17)
Insurance	**245**	212	16
Lease charges	**320**	414	(23)
Professional fees	**1 717**	1 798	(5)
Audit fees	**411**	362	14
Computer expenses	**3 248**	2 532	28
Repairs and maintenance	**1 140**	1 158	(2)
Telecommunications	**438**	388	13
Cooperation agreements and joint ventures**	**(28)**	506	(>100)
Property	**849**	857	(1)
Business travel	**84**	305	(72)
Assets costing less than R7 000	**302**	335	(10)
Stationery and printing	**90**	119	(24)
Donations	**227**	283	(20)
Other expenditure	**4 109**	4 176	(2)
Total operating expenses	**44 990**	44 343	1

* *Certain 2020 expenses have been reclassified from variable staff-related expenditure to other staff-related expenditure, as it more accurately reflects the nature of these expenses.*

** *Prior year cost included Discovery card for the entire year.*

Operating expenses continued

KEY DRIVERS

- Cost growth of 1% includes the overall 4% increase in staff costs and the investment cost of new initiatives, technology and platforms, offset by the continued decline of certain expenses as a result of the extended pandemic and various levels of lockdown.
- Staff costs comprise 60% (2020: 58%) of operating expenses.

	% CHANGE	REASONS
Direct staff costs	3	Annual salary increases averaged 4.2% with a 6% decrease in staff complement across the bank. Including the reduction in the intake for the FirstJobs initiative, headcount reduced 5%, however FirstJobs had an insignificant impact on total staff cost.
Short-term incentive expenses	24	With the improvement in NIACC (the bank's measure of economic profit) and earnings growth of 38%, the overall short-term incentive pool increased. The cost growth is also impacted by certain timing differences, including when deferred payments are expensed.
Long-term incentive expenses	1	The 2018 long-term incentive (LTI) awards did not vest in the current year, however, the current year release was lower due to the Covid-19 LTI award retention scheme. In addition, with the 2017 LTI awards not vesting, the current year related cost was nil for the first quarter.
Other staff-related expenditure	(16)	Temporary staff costs declined year-on-year given the bank's focus on cost containment. Additionally, staff took leave given the easing of lockdown, hence year-on-year lower leave provision expense.

- The 9% increase in amortisation of intangible assets was due to software capitalisation across the operating businesses following ongoing technology and platform investment.
- Lease charges declined 23% due to reduced branch sizes and fewer self-service devices.
- Advertising and marketing costs declined 17% due to decreased marketing events and sports sponsorships as a result of the ongoing pandemic and related restrictions.
- The increase in audit fees reflects inflation, scope increases, overruns and special audits following the additional audit requirements brought on by Covid-19.
- Computer expenses grew 28%, reflecting continued investment in technology and platform projects.
- Cooperation agreements and joint venture costs decreased substantially due to the migration of Discovery card, which was completed in July 2020.
- Business travel was down significantly given the continuing Covid-19 travel restrictions and the transition to virtual meetings and conferences.
- The 20% decrease in donations was driven by the lower level of prior year earnings with the payment to the FirstRand Foundation being a fixed percentage of the group's South Africa-based earnings.
- Other expenditure includes various items such as provisions, entertainment, bank charges, and subscriptions and membership fees.

financial resource management

Economic view of the balance sheet

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

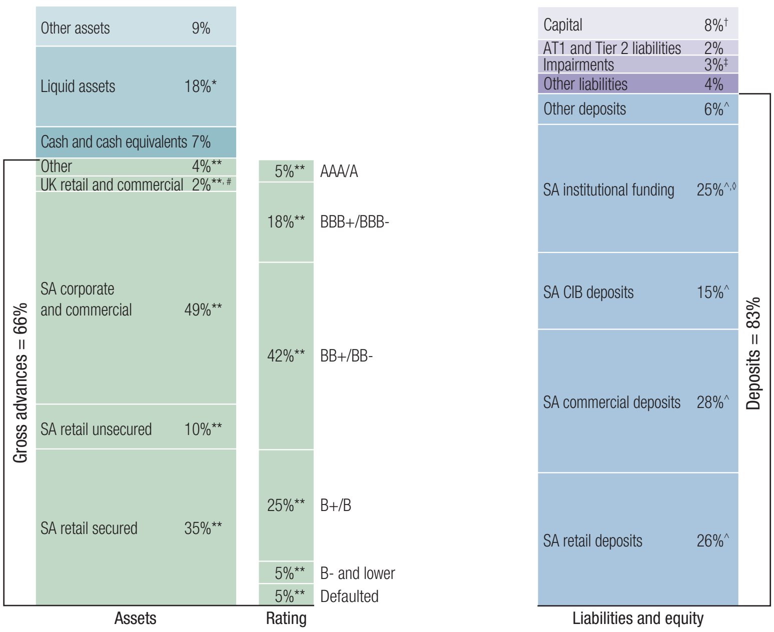
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a diversified advances portfolio, which constitutes 66% of total assets. The composition of the gross advances portfolio consists of SA retail secured (35%), SA retail unsecured (10%), SA corporate and commercial (49%), UK retail and commercial (2%), and other (4%). At June 2021, the bank reported total NPLs of R46 774 million (5.22% of advances) and a credit loss ratio of 123 bps.

Cash and cash equivalents, and liquid assets represent 7% and 18%, respectively, of total assets.

FRB's funding profile reflects the specific structure of the South African market and the dominance of institutional/wholesale funding. The bank has, however, continued to successfully enhance its risk-adjusted funding profile through targeting a lower proportion of institutional funding and growing its deposit franchise. The weighted average remaining term of domestic institutional funding was 41 months at June 2021 (June 2020: 37 months). The increase was due to the combination of a reduction in money market funding (traditionally 12-month issuances), and AT1 capital and senior debt issuances during the financial year.

The bank remained appropriately capitalised with a CET1 ratio of 14.5%, a Tier 1 ratio of 15.2% and a total capital adequacy ratio of 17.8%. Gearing decreased to 14.2 times (2020: 14.3 times), driven by 6% growth in average total equity, while average total assets increased 5%.

Economic view of the balance sheet



* *Consist of government securities and treasury bills.*

** *As a proportion of gross advances.*

\# *Include advances originated in London branch (including MotoNovo back book).*

† *Ordinary equity.*

‡ *Include IFRS 9 impairment of advances and investment securities.*

^ *As a proportion of deposits.*

◊ *Includes CIB institutional funding.*

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

Funding and liquidity

Funding and liquidity management approach

A comprehensive overview of the group's funding and liquidity management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2021, which is available at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

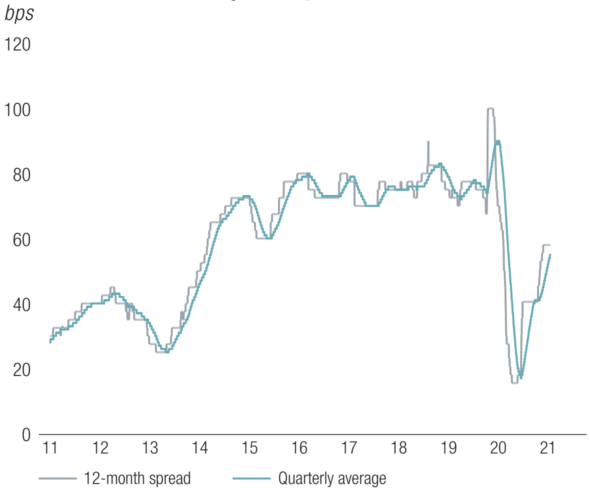
Funding conditions

Despite the turbulent economic and market conditions, the group has maintained ample access to liquidity and to the funding markets in both rand and hard currency. In addition, the actions of the financial markets division of the SARB have successfully ensured liquidity conditions support market functioning.

The spread to Johannesburg Interbank Average Rate (JIBAR) paid on 12-month money market instruments is most representative of bank funding costs in the money markets. During the year under review and the initial phases of the Covid-19 crisis, spreads increased initially due to uncertainty and liquidity hoarding behaviour across all entities including banks, funds, and the real economy. As economic activity slowed there was a combination of lower credit demand, higher household savings, and especially higher public sector balances. This resulted in lower demand for institutional funding and therefore spreads reduced considerably.

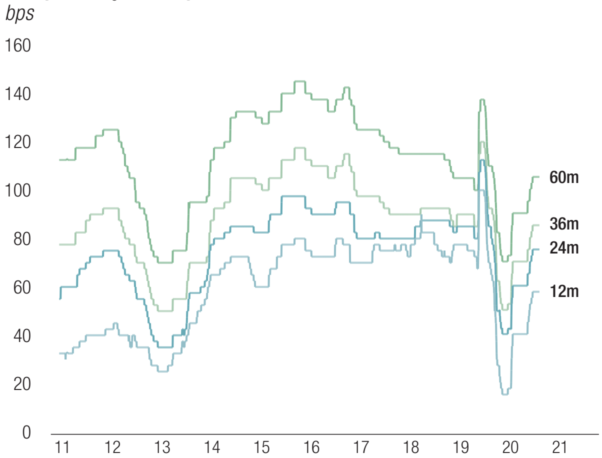
Longer-dated funding spreads were influenced by similar factors and it remains the group's view that these are currently influenced by liquidity demand more than risk premia.

12-month mid-market funding spread



Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads



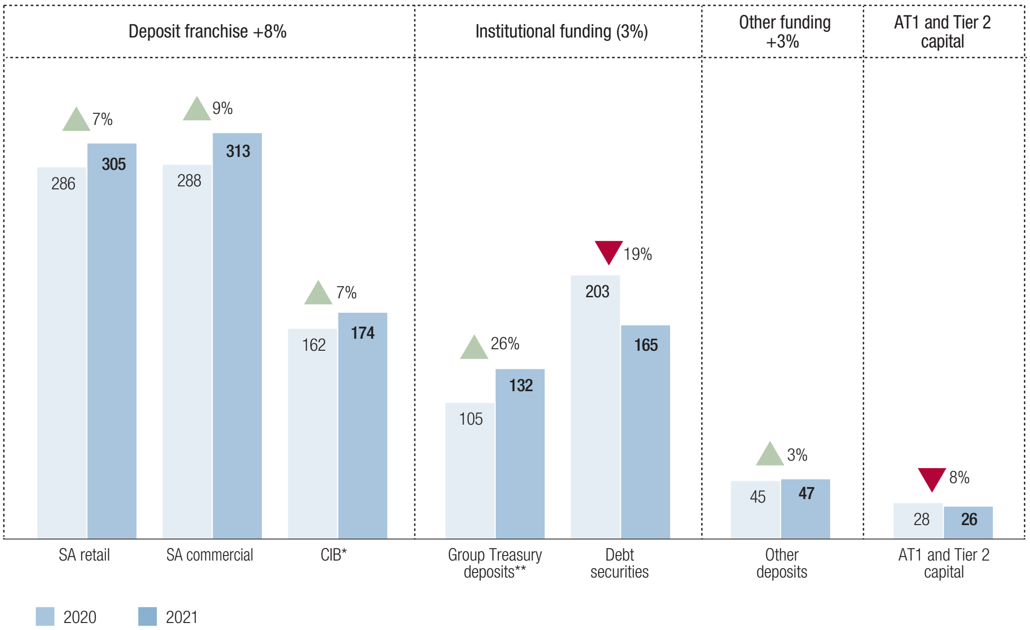
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

FUNDING MEASUREMENT AND ACTIVITY

The following graph provides a segmental analysis of the bank's funding base.

Funding portfolio growth
R billion



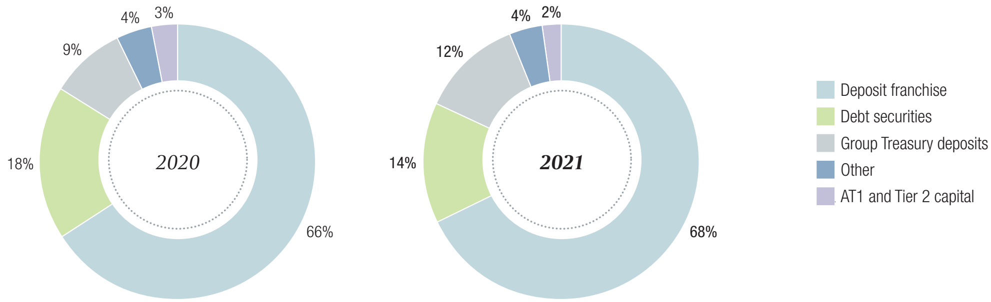
Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

* *CIB deposits include South Africa and the London and India branches.*

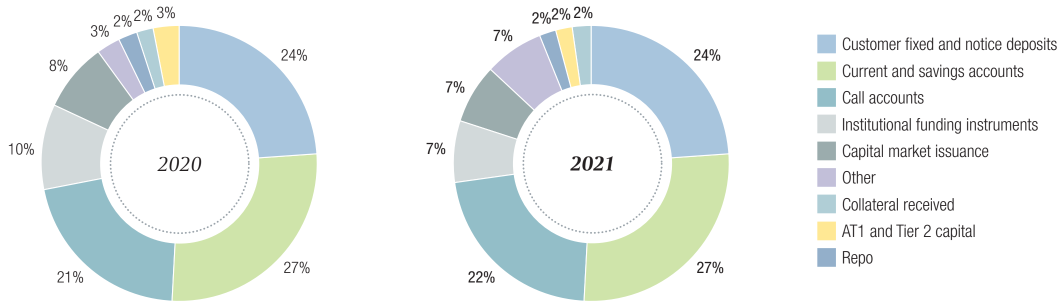
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.*

The bank's funding mix has improved, with further growth in deposits relative to institutional funding sources year-on-year.

Funding mix



Funding by instrument type



Funding and liquidity continued

The bank's focus on growing main-banked transactional accounts and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when viewed in aggregate overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

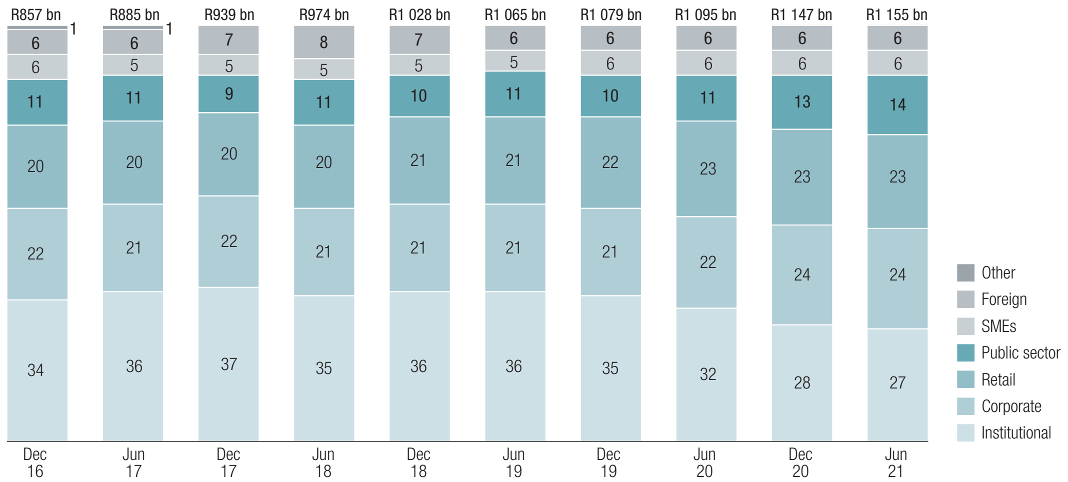
BANK COUNTERPARTY FUNDING ANALYSIS*

	As at 30 June				
	2021				2020
% of funding liabilities	Total	Short term	Medium term	Long term	Total
Institutional funding	**27.2**	**9.6**	**2.6**	**15.0**	31.7
Deposit franchise	**72.8**	**60.8**	**7.0**	**5.0**	68.3
Corporate	**24.0**	**22.0**	**1.6**	**0.4**	22.1
Retail	**23.4**	**18.4**	**3.2**	**1.8**	23.0
SMEs	**5.9**	**5.1**	**0.6**	**0.2**	5.6
Governments and parastatals	**14.1**	**12.4**	**1.1**	**0.6**	11.0
Foreign	**5.4**	**2.9**	**0.5**	**2.0**	6.6
Total	**100.0**	**70.4**	**9.6**	**20.0**	100.0

* *Excluding foreign branches.*

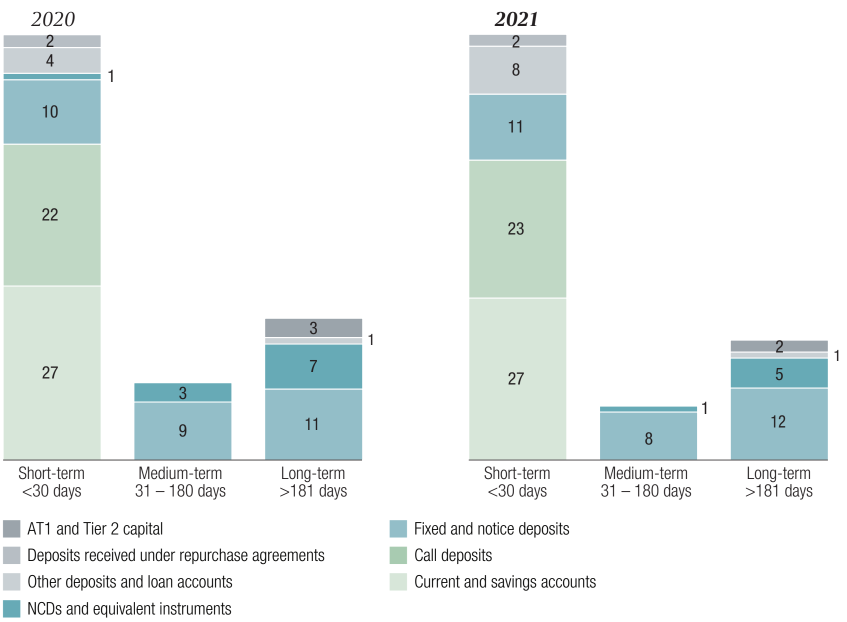
*Bank funding analysis by source**

%



* *Excluding foreign branches.*

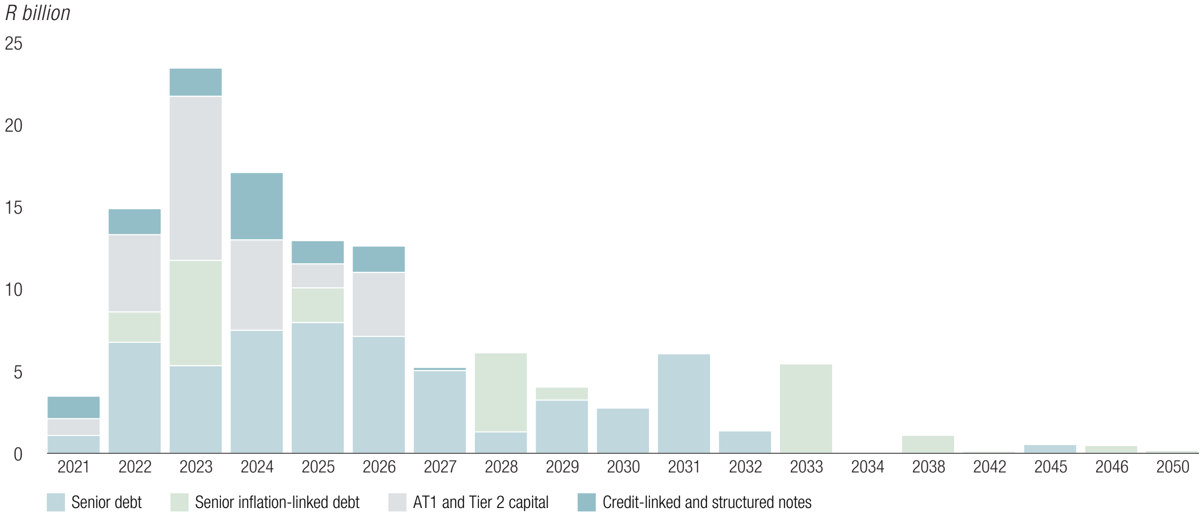
*Bank funding liabilities by instrument type and term**



* *Excluding foreign branches.*

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

*Maturity profile of the bank's capital market instruments**



* *Including foreign branches.*

Foreign currency balance sheet

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

MOTONOVO

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform, with new business funded via a combination of on-balance sheet deposits and institutional and structured funding. MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. This book continues to run down.

Funding and liquidity continued

Liquidity risk position

The following table summarises the bank's available sources of liquidity.

COMPOSITION OF LIQUID ASSETS*

	As at 30 June	
R billion	**2021**	2020
Cash and deposits with central banks	**36**	43
Government bonds and bills	**207**	155
Other liquid assets	**44**	51
Total liquid assets	**287**	249

* *The composition of liquid assets is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2021 for FirstRand Bank South Africa.*

Liquidity ratios for the bank at June 2021 are summarised below.

LIQUIDITY RATIOS

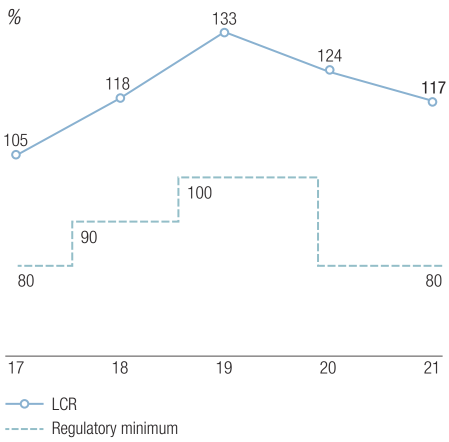
%	LCR*	NSFR*
Regulatory minimum**	80	100
Actual	117	122

* *The bank's LCR and NSFR reflect South African operations only. The LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2021 for FirstRand Bank South Africa.*

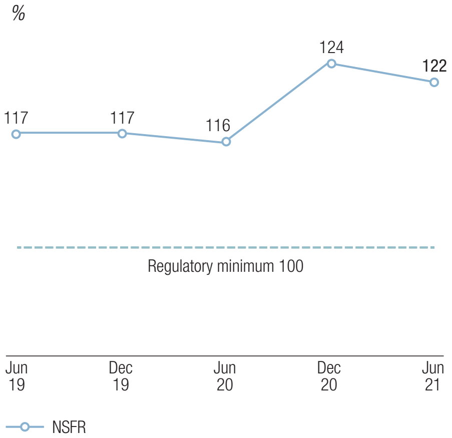
** *In line with Directive 1 of 2020, the LCR requirement reduced from 100% to 80%, effective 1 April 2020. There were no changes to the NSFR minimum requirement.*

The graphs below provide an overview of the bank's liquidity ratios.

LCR



NSFR



Capital

Capital management approach

A comprehensive overview of the group's capital management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2021, which is available at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

Year under review

During the year under review the bank maintained strong capital and leverage ratios in excess of the regulatory minimums and internal targets.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS*

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum**	8.0	10.0	12.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits#				
2021	**14.5**	**15.2**	**17.8**	**7.4**
2020	12.3	12.8	15.7	6.7

* *Relates to FRB including foreign branches.*
** *Excluding the individual capital requirement (Pillar 2B). The D-SIB requirement for the bank is 1.5%. The bank's countercyclical buffer requirement remained at 0%.*
# *Refer to the Basel Pillar 3 report at www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for ratios excluding unappropriated profits.*

The PA temporarily reduced the Pillar 2A capital requirement from 1% to 0% in response to the pandemic in 2020. The minimum leverage ratio requirement was not adjusted as part of the temporary relief measures. The PA published *Directive 5 of 2021, Capital framework for South Africa based on the Basel III framework*, reinstating the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's D-SIB add-on to be met with CET1 capital. The group's internal targets still remain appropriate, as a maximum D-SIB and fully phased-in Pillar 2A requirement were assumed in the target assessment. The internal targets were also not adjusted for any temporary Covid-19 relief measures.

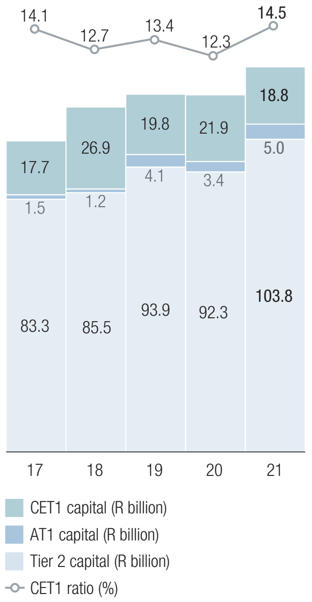
The group continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitments to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the year under review, the bank remained appropriately capitalised to meet its economic capital requirements and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.9 times on a post-diversified basis.

Capital continued

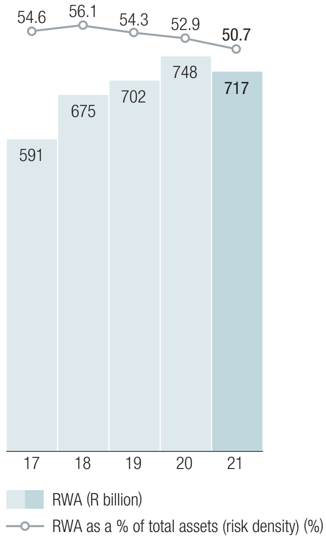
The capital and leverage information included in the following sections relate to FRB, including foreign branches.

The graphs below provide a historical overview of the bank's capital adequacy, RWA and leverage positions.

*Capital adequacy**



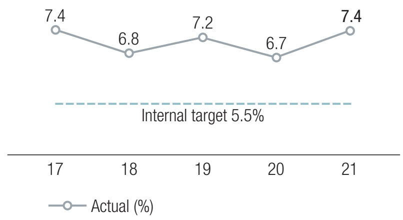
RWA history



** Including unappropriated profits.*

The decrease in the bank's risk density is a function of the balance sheet mix and capital optimisation.

*Leverage**



** Including unappropriated profits.*

Note: Periods after 1 July 2018 are reported on an IFRS 9 basis.

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios and is a function of Tier 1 capital, and total on- and off-balance sheet exposures. The increase in the leverage ratio to June 2021 mainly relates to the increase in Tier 1 capital.

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2021**	2020
CET1 capital	**103 762**	92 318
Tier 1 capital	**108 758**	95 730
Total qualifying capital	**127 588**	117 666

* *Including unappropriated profits. Refer to the Basel Pillar 3 report at www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional detail on the composition of capital.*

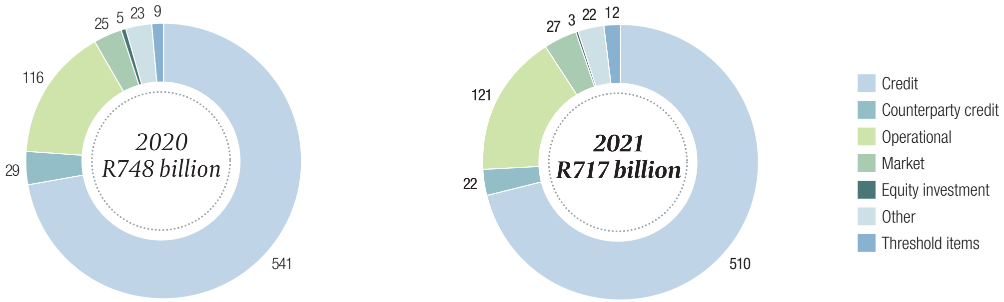
KEY DRIVERS		
CET1	▲	> Positive earnings partly offset by the payment of an interim dividend for the 2021 financial year. > Capital preservation measures introduced by the PA in 2020. > A decrease in the foreign currency translation reserve given the rand appreciation and IFRS 9 transitional impact.
AT1	▲	> AT1 issuance (R1.4 billion) in December 2020.
Tier 2	▼	> Redemptions in July 2020 and April and June 2021 totalling R4.7 billion, and appreciation of the rand, partly offset by Tier 2 issuances in April 2021 (R3.1 billion).

Additional detail on the bank's capital instruments is included on page D04.

Capital continued

Demand of capital

RWA analysis



KEY DRIVERS		
Credit	▼	> Decrease due to the appreciation of the rand. > Reduced risk migration and lower volume. > Model updates and capital optimisation.
Counterparty credit	▼	> Decreased risk positions and mark-to-market movements. > Implementation of the standardised approach for measuring counterparty credit risk in January 2021.
Operational	▲	> An increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach.
Market	▲	> Increased risk positions and refinement of methodologies.
Equity investment	▼	> Impairment of investments and fair value movements.
Other	▼	> Decrease in other assets, and property and equipment.
Threshold items	▲	> Increase in the deferred income tax assets.

Capital adequacy positions of FRB and its regulated entities

%	As at 30 June		
	2021		2020
	Total minimum requirement	**Total capital adequacy**	Total capital adequacy
Basel III (PA regulations)			
FirstRand Bank*,**		**17.8**	15.7
FirstRand Bank South Africa*		**17.6**	15.5
FirstRand Bank London	**12.0**	**22.0**	15.9
FirstRand Bank India		**82.9**	31.8
FirstRand Bank Guernsey		**27.5**	12.9

* *Including unappropriated profits.*

** *Including foreign branches.*

presentation and reconciliations

Presentation

Normalised results

The bank believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies, which, in terms of the JSE Listings Requirements, constitute *pro forma* financial information.

All normalised entries, as included and described in the *Analysis of financial results* for the year ended 30 June 2020, remain unchanged in nature.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons therefor have been set out below. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants' report, in terms of International Standard on Assurance Engagements (ISAE 3420), on pages B109 and B110.

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

In terms of IFRS, the bank is either required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank'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 are measured at fair value through profit or loss (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 set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

The bank entered into total return swaps (TRSs) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share schemes.

In accordance with IFRS 2, the expense resulting from these share 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 bank defers a portion of 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 bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the bank for the share schemes that are not hedge accounted.

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses that remains is equal to the grant date fair value of the awards given.

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 01/2021 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page B111.

Independent reporting accountants' assurance report on the compilation of pro forma financial information included in analysis of financial results

for the year ended 30 June

To the Directors of FirstRand Bank Limited

REPORT ON THE ASSURANCE ENGAGEMENT IN RESPECT OF THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE ANALYSIS OF FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

We have completed our assurance engagement to report on the compilation of the Pro Forma Financial Information of FirstRand Bank Limited (the "Bank") by the directors of the Bank. The Pro Forma Financial Information, as set out on pages B111 to B113 of the Analysis of Financial Results, consist of:

> Reconciliation from headline to normalised earnings for the year ended 30 June 2021; and

> Reconciliation of normalised to IFRS summary income statement for the year ended 30 June 2021.

The applicable criteria on the basis of which the directors have compiled the Pro Forma Financial Information are specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results section of the Analysis of Financial Results.

The Pro Forma Financial Information has been compiled by the directors to illustrate the impact of non-operational items and accounting anomalies, on the Bank's financial performance for the period ended 30 June 2021. As part of this process, information about the Bank's financial position and financial performance has been extracted by the directors from the Bank's financial statements for the period ended 30 June 2021, on which an unmodified audit report was issued on 15 September 2021.

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

The directors of the Bank are responsible for compiling the Pro Forma Financial Information on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results section of the Analysis of Financial Results for the year ended 30 June 2021.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards).* The firms apply International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements*, and *Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion about whether the Pro Forma Financial Information has been compiled, in all material respects, by the directors on the basis of the applicable criteria specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results section of the Analysis of Financial Results based on our procedures performed.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis specified in the JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Bank as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the financial information on a pro forma basis, and to obtain sufficient appropriate evidence about whether:

> The related pro forma adjustments give appropriate effect to those criteria; and

> The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

Independent reporting accountants' assurance report on the compilation of pro forma financial information included in analysis of financial results continued

for the year ended 30 June

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Bank, the illustrative purpose in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

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

OPINION

In our opinion, the Pro Forma Financial Information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in the description of difference between normalised and IFRS results section of the Analysis of Financial Results.

Deloitte & Touche

Deloitte & Touche ~ Registered auditor
Per Partner: Kevin Black

Johannesburg, South Africa

15 September 2021

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc. ~ Registered auditor
Director: Johannes Grosskopf

Johannesburg, South Africa

15 September 2021

Statement of headline earnings – IFRS (audited)

for the year ended 30 June

R million	2021	2020	% change
Profit for the year (refer to page C65)	**19 820**	14 368	38
Other equity instrument holders	**(525)**	(629)	17
Earnings attributable to ordinary equityholders	**19 295**	13 739	40
Adjusted for	**15**	64	(77)
Loss on the disposal of property and equipment	**12**	17	(29)
Impairment of intangible assets	**–**	6	(100)
Impairment of assets in terms of IAS 36	**12**	66	(82)
Tax effects of adjustments	**(9)**	(25)	64
Headline earnings	**19 310**	13 803	40

Reconciliation from headline to normalised earnings

R million	2021	2020	% change
Headline earnings	**19 310**	13 803	40
Adjusted for	**(278)**	(41)	(>100)
TRS and IFRS 2 liability remeasurement*	**(176)**	77	(>100)
IAS 19 adjustment	**(102)**	(118)	14
Normalised earnings	**19 032**	13 762	38

* *The bank uses TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes. A TRS is accounted for as a derivative in terms of IFRS with the fair value change recognised in NIR unless it qualifies for hedge accounting. In the current year, FirstRand's share price increased R15.53 and during the prior year decreased R30.49. This resulted in a mark-to-market fair value volatility year-on-year being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility, as described in more detail on page B108.*

Reconciliation of normalised to IFRS summary income statement

for the year ended 30 June 2021

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	**47 815**	(1 023)	–	–	212	**47 004**
Impairment charge	**(11 115)**	–	–	–	–	**(11 115)**
Net interest income after impairment of advances	**36 700**	(1 023)	–	–	212	**35 889**
Non-interest revenue	**35 549**	1 023	–	(12)	125	**36 685**
Income from operations	**72 249**	–	–	(12)	337	**72 574**
Operating expenses	**(44 990)**	–	142	(12)	(94)	**(44 954)**
Income before indirect tax	**27 259**	–	142	(24)	243	**27 620**
Indirect tax	**(1 008)**	–	–	–	–	**(1 008)**
Profit before income tax	**26 251**	–	142	(24)	243	**26 612**
Income tax expense	**(6 694)**	–	(40)	9	(67)	**(6 792)**
Profit for the year	**19 557**	–	102	(15)	176	**19 820**
Attributable to						
Other equity instrument holders	**(525)**	–	–	–	–	**(525)**
Ordinary equityholders	**19 032**	–	102	(15)	176	**19 295**
Headline and normalised earnings adjustments	**–**	–	(102)	15	(176)	**(263)**
Normalised earnings attributable to ordinary equityholders of the bank	**19 032**	–	–	–	–	**19 032**

Reconciliation of normalised to IFRS summary income statement continued

for the year ended 30 June 2020

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	46 484	392	–	–	98	46 974
Impairment charge	(18 269)	–	–	–	–	(18 269)
Net interest income after impairment of advances	28 215	392	–	–	98	28 705
Non-interest revenue	34 447	(392)	–	(17)	(471)	33 567
Income from operations	62 662	–	–	(17)	(373)	62 272
Operating expenses	(44 343)	–	164	(72)	266	(43 985)
Income before indirect tax	18 319	–	164	(89)	(107)	18 287
Indirect tax	(810)	–	–	–	–	(810)
Profit before income tax	17 509	–	164	(89)	(107)	17 477
Income tax expense	(3 118)	–	(46)	25	30	(3 109)
Profit for the year	14 391	–	118	(64)	(77)	14 368
Attributable to						
Other equity instrument holders	(629)	–	–	–	–	(629)
Ordinary equityholders	13 762	–	118	(64)	(77)	13 739
Headline and normalised earnings adjustments	–	–	(118)	64	77	23
Normalised earnings attributable to ordinary equityholders of the bank	13 762	–	–	–	–	13 762

C

Annual financial statements

C

Analysis of results

Directors' responsibility statement and approval of the annual financial statements	**C03**
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Statement of cash flows	**C70**
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DIRECTORS' RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

The directors of FirstRand Bank Limited (the bank) are responsible for the preparation and fair presentation of the annual financial statements, comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements as at 30 June 2021.

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

The directors are responsible for the bank's system of internal control. To enable the directors to meet these responsibilities, they set the standards for internal control which include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. In discharging this responsibility, the directors rely on management to prepare the annual financial statements and for keeping adequate accounting records in accordance with the bank's system of internal control.

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

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

Approval of the annual financial statements

The annual financial statements of the bank, which appear on pages C15 to C268, were approved by the board of directors on 15 September 2021.

It is the responsibility of the bank's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc, to report on the fair presentation of the financial statements. These financial statements have been audited in terms of section 29(1) of the Companies Act no. 71 of 2008. Their unmodified report appears on page C8.

WR Jardine	**AP Pullinger**	**H Kellan**
Chairman	Chief executive officer	Chief financial officer
Sandton		
15 September 2021		

AUDIT COMMITTEE REPORT

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 to 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 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 committee met four times during the 2021 financial year, is chaired an independent non-executive chairman and is satisfied the at individual members of the committee possess appropriate qualifications and a balance of skills and experience to discharge their responsibilities.

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.

The audit committee is satisfied that Deloitte & Touche and PricewaterhouseCoopers Inc (the auditors) are independent and were able to conduct their audit functions without any influence from FirstRand Bank Limited. This conclusion was arrived at after taking into account the following:

- the representations made by the auditors to the audit committee;
- the fact that the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the company;
- the fact that the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by them;
- the fact that the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the fact that criteria specified for independence were met.

The audit committee has carried out its statutory duties, including re-evaluating the performance of the external auditors and agreeing on the terms of their audit plan, budget and terms of engagement. The audit committee has reviewed a documented assessment of the going concern assertion of the company and budgets for the next three years.

The audit committee is satisfied with the financial statements, accounting policies and the internal financial controls of the company. The audit committee has reviewed the annual financial statements of the bank and recommended it to the board for approval.

A more comprehensive audit committee report is available in the FirstRand Limited annual governance report.

Signed on behalf of the group audit committee:

GG Gelink
Chairman, audit committee
Sandton
15 September 2021

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 are 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
15 September 2021

DIRECTORS' REPORT

NATURE OF BUSINESS

The activities of FirstRand Bank Limited include retail, commercial, corporate and investment banking and instalment finance.

REVIEW OF OPERATIONS

Profit after tax amounted to R19 820 million (2020: R14 368 million). The operating results and the state of affairs of the company are fully disclosed in the annual financial statements.

DIVIDENDS AND DISTRIBUTIONS ON OTHER EQUITY INSTRUMENTS

Ordinary cash dividends of R6 270 million were paid during the 2021 financial year (2020: R16 667 million).

Distributions of R525 million were made on AT1 instruments (2020: R629 million). Current tax of R147 million (2020: R176 million) relating to the AT1 instruments was recognised in the income statement.

SHARE CAPITAL

Ordinary share capital

Details of FirstRand Bank Limited's share capital are presented in note 25 of the annual financial statements. There were no changes to authorised or issued ordinary share capital during the year.

SHAREHOLDER ANALYSIS

FirstRand Limited (FSR – JSE share code) holds 100% of FirstRand Bank issued share capital.

DIRECTORATE AND PRESCRIBED OFFICER

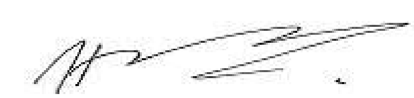
Changes to the directorate are listed in section A.

EVENTS AFTER REPORTING PERIOD

Civil unrest in KwaZulu-Natal and Gauteng of South Africa, shortly after the bank's balance sheet date, resulting in damage to property, not only for customers of the bank, but the bank as well. Losses suffered by the bank were not taken into consideration for the financial results at 30 June 2021, as the events are considered to be a non-adjusting event after the reporting date.

WR Jardine
Chairman
Sandton
15 September 2021

AP Pullinger
Chief executive officer



H Kellan
Chief financial officer

INDEPENDENT AUDITORS' REPORT

To the Shareholder of FirstRand Bank Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FirstRand Bank Limited as at 30 June 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

FirstRand Bank Limited's financial statements set out on pages C15 to C268 comprise:
- the statement of financial position as at 30 June 2021;
- the income statement for the year then ended;
- the statement of other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

We communicate the key audit matters that relate to the audit of the financial statements for the current period in the table below.

Key audit matter	How the matter was addressed in the audit
Impairment of advances Significant macroeconomic uncertainty still persists in the environment in which the Company operates. Consequently, management has continued to exercise judgement in the measurement of Expected Credit Losses (ECL) relating to advances. Impairment of advances was considered to be a matter of most significance to our current year audit due to the following: ● The level of subjective judgement applied in determining the impairment of advances; ● The unprecedented event-driven uncertainty and the impact it has on the ECL assessment; and ● The magnitude of advances in relation to the financial statements. This key audit matter relates to the following advances: ● Wholesale advances; and ● Retail and commercial advances. We have set out below the Wholesale advances and Retail and commercial advances separately given the unique nature of the exposures.	Our audit addressed the key audit matter as follows: With the assistance of our economic, credit and actuarial experts we performed the following procedures: ● Across all significant portfolios we assessed the associated impairment methodologies and practices applied by management against the requirements of IFRS 9 - Financial Instruments (IFRS 9); and ● We assessed the Company's probability-weighted macroeconomic scenario estimates and evaluated the outlined methodology, scenario views and associated probabilities in terms of the principles of IFRS 9, including the review of the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussion with management and comparison to our own and benchmarked economic forecasts and independent market data.
Wholesale advances*: Wholesale advances are individually significant and the ECL calculations are inherently judgemental in nature and require the use of statistical models incorporating data and assumptions which are not always observable. The areas of significant management judgement used in the ECL calculations include modelling methodology applied to Stage 1 and Stage 2 exposures include: ● Input assumptions and methodologies applied to estimate the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) within the ECL calculations; ● Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models; ● Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty; ● Incorporation of Forward-Looking Information (FLI) and macroeconomic inputs into the Significant Increase in Credit Risk (SICR) assessment and ECL calculations; and	**Wholesale advances:** With the assistance of our economic, credit and actuarial experts, we reperformed the models based on management's methodologies, and conducted an independent assessment at an industry level. The following procedures on the ECL for wholesale advances were performed: ● Through discussions with management and inspection of policy documents we confirmed our understanding of the methodologies used by management with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these were calibrated by using historical information to estimate future cash flows; ● Assessed the design, implementation and operating effectiveness of the relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance; ● Tested controls over the credit risk management and governance processes when advancing new facilities or restructuring existing facilities;

● The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date (i.e. a trigger event that has caused a significant deterioration in credit risk and result in migration of the loan from Stage 1 to Stage 2), taking the impact of the event-driven uncertainty into account. ● 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 are recognised as post-model adjustments. For Stage 3 exposures, the assumptions used for estimating the recoverable amounts and timing of future cash flows of individual exposures which have been classified as non-performing. [*] *This applies to wholesale advances apparent in RMB corporate and investment banking, as well as Group Treasury and other*.	● Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and alignment with the principles of IFRS 9; ● Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy. This was done through data analytics, and for a sample of advances, we agreed the model input data to underlying supporting documentation; ● On a sample basis through independent reperformance we assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, PDs, LGDs, EADs and valuation of collateral in the current economic climate; ● As part of our model reperformance, we confirmed that the approved FLI has been appropriately incorporated; ● Developed an independent ECL on the performing book as a sense check to quantify the impact of the event-driven uncertainty at an industry level by applying our own independent inputs to management's model; ● Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information and management's annual credit reviews; ● To supplement our model reperformance and independent view, we performed industry analysis, and assessed a sample of individual counterparties based on publicly available information to confirm appropriateness over the SICR assessment, assumptions applied and post-model adjustments raised; and ● In respect to Stage 3 advances, tested the key controls around the valuation of collateral (where applicable) for operating effectiveness, including inspecting a sample of legal agreements and supporting documentation to assess the legal right to and existence of collateral and expected timing of future cash flows.
Retail and commercial advances[**]: Retail and commercial advances are higher in volume and lower in value and therefore a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. Management applies professional judgement in developing the credit impairment models, analysing	**Retail and commercial advances[**]:** With the assistance of our economic, credit and actuarial experts, we performed the following procedures, based on the applicable methodologies and inputs: ● Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used by management with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD,

data and determining the most appropriate assumptions and estimates. The inputs into the modelling process require significant management judgement, which include: ● The input assumptions and methodologies applied to estimate the PD, LGD and EAD within the ECL calculations; ● The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, taking the impact of the event-driven uncertainty; ● Determining the expected value to be realised from collateral and the time this collateral will take to realise; ● The determination of the write-off point and application of the cure definition; ● The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations; ● The addition of a temporary forward-looking scenario to account for event-driven uncertainty; ● Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty; and ● 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 are recognised as post-model adjustments. ** *This applies to retail and commercial advances apparent in total retail secured and unsecured, FNB Commercial, and WesBank Corporate* The related disclosures in the financial statements are included in: ● Sections 4 and 8.4 - Accounting policies; ● Note 10 - Advances; ● Note 11 - Impairment of advances; and ● Note 32 - Financial risk.	EAD) and how these were calibrated by using historical information to estimate future cash flows; ● Through reperformance of management's methodology, we identified changes to assumptions and definitions; ● Considered the design, implementation and, where appropriate, operating effectiveness of relevant controls over model governance and approval; ● Independently recalculated the ECL by considering management's ECL calculation, adjusting component inputs based on our independent assessment and compared the result to management's result; ● Through applying the assumptions and data included in management's model, including the performance of cured accounts, we assessed the reasonableness of SICR classifications; ● Tested the SICR thresholds applied and the resultant transfer into Stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to Stage 2 based on historical movements from performing into arrears and forward-looking expectation of default risk; ● Tested the model ranking ability and model stability by testing the performance of client behavioural scores and other client behavioural data that drives the PD estimates and SICR triggers; ● Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially longer collateral realisations; ● Assessed the potential impact on recoveries and cure from default for unsecured exposures by comparing estimates to historic experience of defaulted accounts; ● Considered historical post write-off recoveries to evaluate management's assessment which indicates that the current write-off point is still the point at which there was no reasonable expectation of further recovery. Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD and the application of the curing rules; ● Considered the assumptions used in the forward-looking economic model, the macroeconomic variables selected and the sensitivity of ECL components to each variable by comparing it to our own actuarial analysis and statistics; ● As part of our reperformance of the forward-looking economic model we confirmed that the approved FLI

	has been appropriately incorporated; ● Where applicable, developed an independent view to assess management's addition of a temporary forward-looking scenario by using our own challenger model and associated credit index; ● Tested the performance and sensitivity of the FLI model in order to evaluate whether the chosen macroeconomic factors and model design provide a reasonable representation of the impact of macroeconomic changes on the ECL results; and ● Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments relating to the impact on ECL of additional relevant information not catered for in models.
Valuation of complex financial instruments which are subject to significant judgements The valuation of complex financial instruments was considered to be a matter of most significance to the current year audit due to the significant judgement applied relating to the complex valuation methodologies as well as in the determination of key assumptions relating to the inputs into the valuations. Significant judgement is required in respect of unobservable inputs and the consideration of developments in valuation methodologies due to the impact of funding costs, and counterparty credit spreads as well as the related fair value disclosures. These methodologies continue to evolve in line with developing market practices and trends. The complex financial instruments impacted by management judgements include: ● Advances carried at fair value (level 3); and ● Derivative financial instruments (level 2 and 3). The related disclosures in the financial statements are included in: ● Note 28 - Fair value measurements.	 With the assistance of our valuation experts, we performed the following procedures over the valuation of the complex financial instruments: ● Tested the design, implementation and operating effectiveness, as appropriate, of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls relating to the relevant IT systems supporting valuations; ● Performed a risk assessment on key components of fair value, based on complexity, risk and sensitivity in order to direct our testing. The risk assessment was performed on curves, volatility surfaces, fair value models and valuation adjustments; ● Evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to market practice, compliance with IFRS and for consistency with prior periods; ● Assessed the appropriateness of the significant inputs into management's valuations, including funding costs and counterparty credit spreads against reasonable factors which impact the reported exit values; ● For a sample of complex financial instruments, we independently recalculated the fair values; ● Assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information; and ● Assessed the appropriateness of the fair value hierarchy classification due to lower levels of

	observability and liquidity with reference to the requirements of IFRS 13 - *Fair Value Measurement*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*FirstRand Bank 2021 Annual Financial Statements*", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Bank Limited in its current form for 23 years. In addition, prior to the formation of FirstRand Bank Limited, Deloitte & Touche were one of the joint auditors of First National Bank of Southern Africa Limited for 10 years.

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per Partner: Kevin Black
Johannesburg, South Africa
15 September 2021

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc
Registered auditor
Director: Johannes Grosskopf
Johannesburg, South Africa
15 September 2021

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

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

These financial statements comprise the statement of financial position (also referred to as the balance sheet) as at 30 June 2021; the income statement; and statements of other comprehensive income, changes in equity and cash flows for the year ended; as well as the notes which comprise a summary of significant accounting policies and additional explanatory notes.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are outlined in note 8 of the accounting policies.

Covid-19 impact

Since the outbreak of the coronavirus (Covid-19) pandemic, South Africa and the rest of the world have experienced both a first and second wave of infections. The impact of the spread of Covid-19 continues to be felt across the global economy, with many governments across the world reinstating national lockdowns. These have resulted in extensive travel restrictions and quarantine measures being maintained, all of which impact on the current state of the global economy.

Although the successful rollout of vaccines is expected to boost global economic growth, it is still not possible to accurately predict the full extent and duration of Covid-19 and its economic impact.

Application of the going concern principle

The directors reviewed the bank's budgets and flow of funds forecasts for the next three years and considered the bank'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 as well as the impact of social and political unrest into consideration, including projections of the impact on the bank'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 bank's financial resources throughout the pandemic. The management of the bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the bank's stated growth and return targets and is driven by the bank's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the bank'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 bank 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 bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	**Investments in other entities**	Subsidiaries and associates (section 2.1)	Related party transactions (section 2.2)	
3	**Income, expenses and taxation**	Income and expenses (section 3.1)	Taxation (section 3.2)	
4	**Financial instruments**	Classification and measurement (section 4.1)	Impairment (section 4.2)	Transfers, modifications and de-recognition (section 4.3)
		Offset and collateral (section 4.4)	Derivatives and hedge accounting (section 4.5)	
5	**Other assets and liabilities**	Property and equipment (section 5.1)	Investment properties (section 5.1)	Intangible assets (section 5.1)
		Commodities (section 5.1)	Provisions (section 5.1)	
		Non-current assets held for sale (section 5.2)	Leases (section 5.3)	
6	**Capital and reserves**	Share capital and treasury shares	Dividends and non-cash distributions	Other reserves

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
7	**Transactions with employees**	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	**Critical judgements**	Introduction (section 8.1)	Subsidiaries, associates and joint arrangements (section 8.2)	Taxation (section 8.3)
		Impairment of financial assets (section 8.4)	Provisions (section 8.5)	Transactions with employees (section 8.6)

New standards adopted in the current year

None of the new or amended IFRS which became effective for the year ended 30 June 2021 impacted the bank's reported earnings, financial position or reserves, or the accounting policies. Additional disclosures have been provided relating to the Interest Rate Benchmark Reform – Phase 1 and Phase 2.

New /revised IFRS	Description of change	Impact on FirstRand bank
Conceptual framework	The amendments revise the definitions of an asset and liability, updating the recognition criteria for including assets and liabilities in financial statements. They provide additional clarification of the following principles – prudence, stewardship, measurement uncertainty and substance over form. Minor amendments have also been made to various other standards as a result of the amendments to the conceptual framework.	The amendments did not have a significant impact on the bank's accounting policies.
IFRS 3	**Business Combinations – Amendments to clarify the definition of a business** The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.	This amendment will be applied by the bank for any future business combination transaction.
IAS 1 and IAS 8	**Amendments regarding the definition of material** The amendments align the definition of material across the IFRS standards and clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment must be applied prospectively.	The amendments did not have a significant impact on the bank's accounting policies.
Covid-19- Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	The International Accounting Standards Board (IASB) issued amendments to *IFRS 16 – Leases* to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment does not apply to lessors. ➢ As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a	The amendments did not have a significant impact on the bank's accounting policies.

New /revised IFRS	Description of change	Impact on FirstRand bank
	lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19- related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. ➢ The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met: o The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change. o Any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2022 and increased lease payments that extend beyond 30 June 2022). o There is no substantive change to other terms and conditions of the lease. Lessees will apply the practical expedient retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the amendment is first applied.	
Interest Rate Benchmark Reform Phase 1 (amendments to IFRS 9, IAS 39 and IFRS 7)	**Phase 1** The IASB issued amendments to the following standards as part of the Interest Rate (Interbank Offered Rates or IBOR) Benchmark Reform that have a direct impact on the bank's hedging relationships. These impacts are: ➢ The highly probable requirement under IFRS 9 and IAS 39 – when a forecast transaction is designated as a hedged item, that transaction must be highly probable to occur. When determining whether a forecast transaction is highly probable, a company shall assume that the interest rate benchmark on which the	The reliefs provided by the amendments that apply to the bank are: ➢ The bank does not apply cash flow hedge accounting to any hedged items that are referenced to an IBOR rate. ➢ The bank assumed that the interest rate benchmark on which the cash flows of the hedged item, hedging instrument or hedged risk is based is not altered by the reform. This means that the relief enables that the prospective tests still be based

<table>
<tr><th>New /revised IFRS</th><th>Description of change</th><th>Impact on FirstRand bank</th></tr>
<tr><td></td><td>hedged cash flows are based is not altered as a result of the reform.
➢ Prospective assessments – when performing prospective assessments for effectiveness, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument is based is not altered as a result of the interest rate benchmark reform.
➢ Separately identifiable risk components – IFRS 9 and IAS 39 require a risk component (or a portion) to be separately identifiable to be eligible for hedge accounting. The amendment allows for hedges of a non-contractually specified benchmark component of interest rate risk. A company shall apply the separately identifiable requirement only at the inception of such hedging relationships.
These reliefs are essential to mitigate the hedge accounting issues that could arise during the period of uncertainty before IBOR contracts are amended to new alternative risk-free rates (ARRs).</td><td>on the old benchmark interest rate and not the new benchmark interest rate which may still result in the hedge meeting the risk management objective. The bank has macro hedges which are still held under IAS 39, and the relief will enable that when performing retrospective testing using the new benchmark interest rate, and the result falls outside the 80%-125% range, that the hedge will not fail or need to be discontinued. The hedge ineffectiveness would be accounted for.
The hedging items in the fair value hedges are all contractually specified and thus there is no risk that there is a LIBOR risk component which could not be separately identifiable.</td></tr>
<tr><td>Interest Rate Benchmark Reform Phase 2, (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</td><td>Phase 2
The amendments provide temporary reliefs which address the financial reporting effects when an IBOR is replaced with an alternative nearly risk-free interest rate (RFR). These include:
➢ Practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Fundamental to allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed separately. If the other changes result in</td><td>Although the amendments are effective for periods beginning on or after 1 January 2021, the bank elected to adopt the Phase 2 amendments early.
In doing so, the practical expedients were applied to advances where changes in the movement in a market rate of interest impacted by IBOR were treated as a change in a floating interest rate and not as a modification in terms of IFRS 9.
Any other changes to the interest rate made at the same time were assessed to determine if they were substantial enough to warrant a derecognition event or if not deemed significant, then to update the EIR and recognise the resultant modification gain or loss.
The other temporary relief measures</td></tr>
</table>

New /revised IFRS	Description of change	Impact on FirstRand bank
	substantial modification, the instrument is derecognised. If derecognition is not achieved the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognised in profit or loss. ➢ The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Permitted changes include redefining the hedged risk to reference an RFR and redefining the description of the hedging instruments and/or the hedged items to reflect the RFR. Entities are allowed until the end of the reporting period, during which a modification required by IBOR reform is made, to complete the changes. ➢ The amendments provide entities temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. The relief allows entities upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months.	provided under Phase 2 relate to hedge accounting under IFRS 9. The bank has evaluated the relief provided against the current hedges in place and noted that no adjustment was necessary. Furthermore, it was noted that no comparative information required restatement and as such, there was no impact on the current period opening reserves balance upon early adoption. Early adoption required the bank to provide the following disclosure: ➢ How the bank is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to the IBOR reform; ➢ Disaggregated by each significant IBOR benchmark, quantitative information about financial instruments that have yet to transition to RFRs; and ➢ If the IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes. Refer to note 32.4.1 for these disclosures.

Presentation of financial statements, functional and foreign currency

Items included in the financial statements of each of the bank's branches are measured using the currency of the primary economic environment in which the branch operates (the functional currency).

Presentation	The bank presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the bank offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position the income statement or the statement of other comprehensive income.
Materiality	IFRS is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality.
Functional and presentation currency of the bank	South African Rand (R)
Level of rounding	All amounts are presented in millions of rands. The bank has a policy of rounding in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.
Foreign operations with a different functional currency from the bank presentation currency	The financial position and results of the bank's foreign operations are translated at the closing or average exchange rate, as required per IAS 21. Upon translation into the bank's presentation currency, exchange differences that arise are recognised as a separate component of other comprehensive income (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the bank	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether it is a monetary item (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the rate on transaction date. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss in fair value gains or losses. To the extent that foreign exchange gains or losses relate to financial assets held at fair value through other comprehensive income (FVOCI) the following applies: ➢ Equity instruments are recognised in other comprehensive income as part of the fair value movement. ➢ Debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in fair value).

2 INVESTMENTS IN OTHER ENTITIES

2.1 Subsidiaries, structured entities and associates

<table>
<tr><th></th><th>Subsidiaries and other structured entities</th><th>Associates</th></tr>
<tr><td>Typical shareholding in the assessment of entities that are not structured entities</td><td>Greater than 50%</td><td>Between 20% and 50%</td></tr>
<tr><td colspan="3">When an entity is a structured entity and control of an entity is not evidenced through shareholding, the bank considers the substance of the arrangement and the bank’s involvement with it to determine whether the bank has control or significant influence over the significant decisions that impact its relevant activities.</td></tr>
<tr><td>Nature of the relationship between the bank and the investee</td><td>Entities over which the bank has control as defined in IFRS 10 are consolidated. These include certain securitisation structures or other entities used for the purpose of buying and selling credit protection.</td><td>Entities over which the bank has significant influence as defined in IAS 28.</td></tr>
<tr><th colspan="3">Investments in subsidiaries, other structured entities and associates</th></tr>
<tr><td colspan="3">The bank measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view of disposing of them in the near future (within 12 months), and which are measured at fair value less cost to sell in terms of IFRS 5.</td></tr>
<tr><th colspan="3">Interests in unconsolidated structured entities</th></tr>
<tr><td colspan="3">Interests in unconsolidated structured entities may expose the bank to variability in returns from the structured entity. However, because of a lack of power over the structured entity, it is not consolidated. Normal customer/supplier relationships, where the bank transacts with the structured entity on the same terms as other third parties, are not considered to be interests in the entity.

From time to time the bank also sponsors the formation of structured entities, for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection.

Where the interest or sponsorship does not result in control, disclosures of these interests or sponsorships are made in the notes in terms of IFRS 12.</td></tr>
<tr><th colspan="3">Common control transactions</th></tr>
<tr><td colspan="3">There is currently no guidance under IFRS for the accounting treatment of business combinations under common control. In terms of IAS 8, the bank developed an accounting policy that requires that purchases of businesses acquired under common control use the predecessor values of the acquiree without the restatement of comparatives. Therefore, any difference between the net asset value recorded at the highest level of aggregation and the amount paid (i.e. the purchase consideration) is recorded directly in equity.</td></tr>
</table>

2.2 Related party transactions

Related parties of the bank, as defined, include:

Parent company	Fellow subsidiaries	Associates and associates of the bank's parent and fellow subsidiaries	Post-employment benefit funds (pension funds)
Entities that have significant influence over the parent company and subsidiaries of these entities	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

The principal shareholder of FirstRand Limited was RMB Holdings Limited, incorporated in South Africa, until 27 June 2020 on which date it unbundled its investment. The ultimate parent of the bank is FirstRand Limited, incorporated in South Africa. Key management personnel of the bank are the FirstRand Limited board of directors, the bank's board of directors and the bank's prescribed officers, including any entities which provide key management personnel services to the bank. Their close family members include spouse/domestic partner and dependent children, domestic partner's dependent children and any other dependants of the individual or their domestic partner. Children over the age of 25 are no longer considered dependents.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss
Interest income includes: ➢ Interest on financial instruments measured at amortised cost and debt instruments measured at fair value through other comprehensive income, including the effect of qualifying hedges for interest rate risk. ➢ Interest on financial asset debt instruments measured at fair value through profit or loss that are held by and managed as part of the bank's funding operations. ➢ Includes fees and transaction costs that form an integral part of generating an involvement with the resulting financial instrument. ➢ Interest income is calculated using the effective interest rate, which includes origination fees. The original effective interest rate is applied to: o the gross carrying amount of financial assets which are not credit impaired; and o the amortised cost of financial assets which represents the net carrying amount from the month after the assets become credit impaired (refer to section 4.2 of the accounting policies). ➢ Modified advances (derecognition not achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. The interest income on the modified financial asset (refer to policy 4.3) is calculated by applying the original effective interest rate to the asset's modified gross carrying amount. ➢ Modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan.

Interest expense includes:

- interest on financial liabilities measured at amortised cost;
- interest on financial liabilities measured at fair value through profit or loss that are held by and managed as part of the bank's funding operations; and
- the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest.

The total interest expense is reduced by the amount of interest incurred in respect of financial liabilities used to fund the bank's fair value activities. This amount is reported in fair value income within non-interest revenue.

Non-interest and financial instrument revenue recognised in profit or loss

Non-interest revenue from contracts with customers

Under IFRS 15, where a five-step analysis is required to determine the amount and timing of revenue recognition, the bank assesses contracts and determines whether the fees identified in the contract relate to revenue as defined in IFRS 15. The revenue is recognised only if the bank can identify the contract and the performance obligation (i.e. the different goods and services) and can determine the transaction price which is required to be allocated to the identifiable performance obligations.

Unless specifically stated otherwise, the bank is the principal in its revenue arrangements as the bank controls the goods and services before transferring them to the customer.

Fee and commission income	Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers. Fee and commission income is earned by the bank by providing customers with a range of services and products, and consists of the following main categories: ➢ banking fee and commission income; ➢ knowledge-based fee and commission income; ➢ management, trust and fiduciary fees; ➢ fee and commission income from service providers; and ➢ other non-banking fee and commission income. The vast majority of fee and commission income is earned on the execution of a single performance obligation and, as such, it is not necessary to make significant judgements when allocating the transaction price to the performance obligation. As such, fee and commission income, which typically includes transactional banking fees such as bank charges, interchange fees, point-of-sale fees, exchange commissions, cash deposit fees and knowledge-based fee and commission income, are recognised at a point in time. Where the distinct performance obligation is satisfied over a period of time, the fees are recognised as follows: ➢ fees for services rendered are recognised on an accrual basis as the service is rendered and the bank's performance obligation is satisfied, e.g. annual card fees and asset management and related fees; and ➢ commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commitment fees for unutilised funds made available to customers in the past are recognised as revenue at the end of the contract period. Commitment fees paid

	upfront for a future facility, where it is not probable that a specific lending arrangement will be entered into by the bank, are recognised as revenue on a straight-line basis over the period for which the funds are promised to be kept available. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to customers other than those related to the banking, insurance and asset management operations. This includes fee and commission income earned from providing services on behalf of third-party service providers, in effect acting as an agent. The revenue is recognised at a point in time and includes commission earned from the sale of prepaid airtime, data vouchers, electricity and traffic fines paid through FNB channels, as well as insurance commission. The bank operates a customer loyalty programme known as eBucks, in terms of which it undertakes to provide reward credits to qualifying customers to buy goods and services, which results in the recognition of a performance obligation which the bank needs to fulfil. The supplier of the goods and services to be acquired by customers can either be the bank or an external third party. The bank recognises a contract liability referred to as the customer loyalty programme liability which represents the deferred amount of revenue, resulting from providing these reward credits to customers. The amount deferred is equal to the maximum cash flow that could be required in order to settle the liability with the customer, as the supplier of goods and services could be either the bank itself or independent third parties. The deferred revenue in respect of which the eBucks liability is raised is recognised as revenue in the period in which the customer utilises their reward credits. When the bank is acting as an agent, amounts collected and incurred on behalf of the principal are not recognised on a gross basis. Only the net commission retained by the group is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
Other non-interest revenue	The bank, through its various operating businesses, sells value-added products, services and goods to customers. Revenue is recognised from products sold by the eBucks online store at a point in time when control of the goods transfers to the customer. For telecommunication products and services which consist of smart devices, as well as data, airtime contracts and bundled products (SIM services), revenue is recognised at a point in time when the smart device has been delivered to the customer, whereas revenue from SIM services are recognised over time, as and when the service is consumed by the customer (i.e. over the contract term).

Non-interest and financial instrument revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the bank recognised in non-interest revenue include the following: ➢ fair value adjustments and interest on financial instruments at fair value through profit or loss, including derivative instruments that do not qualify for hedge accounting; ➢ fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; ➢ a component of interest expense that relates to interest paid on liabilities which fund the bank's fair value operations. Interest expense is reduced by the amount that is included in fair value income; ➢ fair value adjustment on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the bank's funding operations, for which the interest component is recognised in net interest income. The change in the fair value of a financial liability designated at fair value through profit or loss attributable to changes in its credit risk is presented in other comprehensive income, unless this would cause or enlarge an accounting mismatch in profit or loss. The total fair value adjustment on non-recourse liabilities (including movements due to changes in credit risk) is included in profit or loss, since the fair value movement on liabilities is directly linked to fair value movements on the underlying assets; ➢ ordinary and preference dividends on equity instruments at fair value through profit or loss; and ➢ any difference between the carrying amount of the liability and the consideration paid, when the bank repurchases debt instruments that it has issued.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any gains or losses on the sale of financial assets measured at amortised cost; ➢ impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at fair value through other comprehensive income; ➢ any amounts recycled from other comprehensive income in respect of debt instruments measured at fair value through other comprehensive income; and ➢ dividend income on any equity instruments that are considered long-term investments of the bank, including non-trading equity instruments measured at fair value through other comprehensive income.
Dividend income
The bank recognises dividend income when the bank's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.
Expenses
Expenses of the bank, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.

Indirect tax expense	Indirect tax includes other taxes paid to central and local governments and include value-added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3.2 Income tax expenses

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

<table>
<tr><th colspan="2">Current income tax</th></tr>
<tr><td colspan="2">The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the bank operates. Current income tax arising from distributions made on other equity instruments is recognised in the income statement as the distributions are made from retained earnings arising from profits previously recognised in the income statement.</td></tr>
<tr><th colspan="2">Deferred income tax</th></tr>
<tr><td>Recognition</td><td>On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.</td></tr>
<tr><td>Typical temporary differences for which deferred tax is provided</td><td>➢ Provision for loan impairment.
➢ Instalment credit assets.
➢ Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts.
➢ Share-based payment liabilities.
➢ Cash flow hedges.
➢ Provisions for pensions and other post-retirement benefits.</td></tr>
<tr><td>Measurement</td><td>The liability method under IAS 12 is used, which means applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.
For temporary differences arising from the fair value adjustments on investment properties and investment securities, deferred income tax is provided at the rate that would apply to the sale of the assets, i.e. the capital gains tax rate.</td></tr>
<tr><td>Presentation</td><td>Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or other comprehensive income.
Items recognised directly in equity or other comprehensive income relate to:
➢ the issue or buy-back of share capital;
➢ fair value remeasurement of financial assets measured at fair value through other comprehensive income;
➢ remeasurements of defined benefit post-employment plans; and
➢ derivatives designated as hedging instruments in effective cash flow hedge relationships.
Tax in respect of share transactions is recognised in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.</td></tr>
<tr><td>Deferred tax assets</td><td>The bank recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the bank’s budget and forecast information.</td></tr>
</table>

	The bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.
Substantially enacted tax rates	Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax assets and liabilities are usually measured using the tax rates (and tax laws) that have been enacted. However, in some jurisdictions, announcements of tax rates (and tax laws) by the government have the substantive effect of actual enactment, which may follow the announcement by a period of several months. In these circumstances, tax assets and liabilities are measured using the announced tax rate (and tax laws).

4 FINANCIAL INSTRUMENTS

4.1 Classification and measurement

4.1.1 Initial measurement

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

Immediately after initial recognition, an expected credit loss allowance is recognised for newly originated financial assets measured at amortised cost or fair value through other comprehensive income debt instruments.

4.1.2 Classification and subsequent measurement of financial assets

Classification and subsequent measurement of financial assets
Management determines the classification of its financial assets at initial recognition, based on: ➢ the bank's business model for managing the financial assets; and ➢ the contractual cash flow characteristics of the financial asset.
Business model
The bank distinguishes three main business models for managing financial assets: ➢ holding financial assets to collect contractual cash flows; ➢ managing financial assets and liabilities on a fair value basis or selling financial assets; and ➢ a mixed business model of collecting contractual cash flows and selling financial assets.

The business model assessment is not performed on an instrument-by-instrument basis, but at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment is done for each legal reporting entity at least at an operating business level, although operating businesses will perform the assessment on a portfolio or subportfolio level, depending on the manner in which groups of financial assets are managed in each operating business.
The main consideration in determining the different business models across the bank is whether the objectives of the business model are met primarily through holding the financial assets to collect contractual cash flows, through the sale of these financial assets, by managing assets and liabilities on a fair value basis, or through a combination of these activities.

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

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

Determining whether sales are significant or frequent requires management to use its judgement. The significance and frequency of sales are assessed on a case-by-case basis at the business model level. The frequency is assessed on an annual basis and sales of assets that take place once or less per annum are considered to be infrequent. If sales take place more than once per annum it doesn’t mean that the business models are not to collect contractual cash flows, but rather that the reasons for the sales need to be more carefully considered. Management will consider both the volume and amount of sales relative to the total assets in the business model to determine whether they are significant.

A change in business model only occurs on the rare occasion when the bank changes the way in which it manages financial assets. Any change in business models would result in a reclassification of the relevant financial assets from the start of the next reporting period.

Cash flow characteristics

In order for a debt instrument to be measured at amortised cost or fair value through other comprehensive income, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement.

The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test.

For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at fair value through profit or loss include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

Amortised cost

Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are solely payments of principal and interest, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the bank, as well as certain investment securities utilised for liquidity risk management of the bank. For purchased or originated credit-impaired financial assets, the bank applies the credit-adjusted effective interest rate. This interest rate is determined based on the amortised cost and not the gross carrying amount of the financial asset, and incorporates the impact of expected credit losses in the estimated future cash flows of the financial asset.

Cash and cash equivalents

Cash and cash equivalents comprise coins and bank notes, money at call and short notice, and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at call and short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents are measured at amortised cost.

Retail advances

	Business model	**Cash flow characteristics**
Retail advances	The FNB and WesBank businesses hold retail advances to collect contractual cash flows. Their business models focus on growing these advances within acceptable credit appetite limits and maintaining strong collection practices. The products included under this business model include: ➢ residential mortgages; ➢ vehicle and asset finance; ➢ personal loans; ➢ credit cards; and ➢ other retail products such as overdrafts.	The cash flows on retail advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the prepayment of advances are limited to reasonable compensation for early termination of the contract.
Corporate and commercial advances		
Corporate and commercial advances	The business models of FNB Commercial, WesBank Corporate and RMB Corporate are also focused on collecting contractual cash flows on advances and growing these advances within acceptable credit appetite limits.	The cash flows on corporate and commercial advances are solely payments of principal and interest. Interest charged to customers compensates the bank for the time value of money, credit risk and administrative costs (including a profit margin). Penalties on the

	The products included under this business model include: ➢ trade and working capital finance; ➢ specialised finance; ➢ commercial property finance; and ➢ asset-backed finance. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold under securitisation transactions. These sales are either insignificant in value in relation to the value of advances held-to-collect cash flows, or infrequent, and therefore the held to collect business model is still appropriate.	prepayment of advances are limited to reasonable compensation for early termination of the contract.
	Within RMB's corporate and Investment Banking Division (RMB), debt for large corporates and institutions is structured. These advances are held primarily to realise the related contractual cash flows over the life of the instruments and earn a lending margin in return. Although the intention is to collect cash flows, not all of the instruments are held to maturity as some financial assets are sold in the secondary market to facilitate funding. These sales are, however, insignificant in value in relation to the value of RMB advances held to collect cash flows, and therefore the held-to-collect business model is still appropriate. In other portfolios, RMB originates advances with the intention to distribute. These advances are included under a different business model and are measured at fair value through profit or loss (as set out further below).	The cash flows on these advances are considered to be solely payments of principal and interest if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at fair value through profit or loss.
Marketable advances	Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.	The cash flows on these advances are solely payments of principal and interest.
	Investment securities	
Investment securities	Group treasury holds investment securities with lower credit risk (typically government bonds	The cash flows on these investment securities are solely payments of principal and interest.

<table>
<tr><td></td><td>and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.</td><td></td></tr>
<tr><td colspan="3">Cash and cash equivalents</td></tr>
<tr><td>Cash and cash equivalents</td><td>Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.</td><td>The cash flows on these assets are solely payments of principal and interest.</td></tr>
<tr><td colspan="3">Other assets</td></tr>
<tr><td>Other assets</td><td>Other financial assets are short-term financial assets that are held to collect contractual cash flows.</td><td>The cash flows on these assets are solely payments of principal and interest.</td></tr>
<tr><td colspan="3">Mandatory at fair value through profit or loss</td></tr>
<tr><td colspan="3">Financial assets of the bank are mandatorily measured at fair value through profit or loss when they are held for trading, managed on a fair value basis, held to sell/distribute, or are held to collect contractual cash flows which are not solely payments of principal and interest.</td></tr>
<tr><td>Corporate advances</td><td>In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved time frame. The reason for originating these advances is not to collect the contractual cash flows, but rather to realise the cash flows through the sale of the assets.</td><td>Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.</td></tr>
<tr><td>Marketable advances</td><td>RMB occasionally invests in notes issued by special purpose vehicles (SPV), with the intention of selling these notes to external parties. These include notes issued by SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes are merely incidental.</td><td>Advances which are acquired to distribute are included in this category.</td></tr>
<tr><td rowspan="2">Investment securities</td><td colspan="2">RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.</td></tr>
<tr><td colspan="2">All equity investments of the bank are managed on a fair value basis, either through profit or loss (FVTPL) or designated at fair value through other comprehensive income.</td></tr>
<tr><td>Derivative assets</td><td colspan="2">Derivatives are either held for trading or to hedge economic risk. These instruments are managed on a fair value basis.</td></tr>
<tr><td colspan="3">Designated at fair value through profit or loss</td></tr>
<tr><td colspan="3">The group has exercised the option to designate financial assets at fair value through profit or loss, as doing so eliminates or significantly reduces a measurement of recognition inconsistency that would otherwise arise from</td></tr>
</table>

<table>
<tr><td colspan="3">measuring these assets on a different basis.
The assets that the group are designating at fair value through profit or loss are the following:
➢ advances; and
➢ investment securities.</td></tr>
<tr><td>Advances</td><td colspan="2">Certain advances with fixed interest rates in RMB have been designated at fair value through profit or loss in order to eliminate an accounting mismatch that would otherwise result from measuring these assets on a different basis. The cash flows on these advances are considered to be solely payments of principal and interest.</td></tr>
<tr><td>Investment securities</td><td colspan="2">Group Treasury holds investment securities (typically treasury bills) for liquidity purposes. The portfolio is managed on a fair value basis.</td></tr>
<tr><td colspan="3">Debt instruments at fair value through other comprehensive income</td></tr>
<tr><td>Investment securities</td><td>The treasury division of the bank holds certain investment securities for liquidity management purposes. Therefore, the business model for these investment securities is both collecting contractual cash flows and selling these financial assets.</td><td>The cash flows on these investment securities are solely payments of principal and interest.</td></tr>
<tr><td colspan="3">Equity investments at fair value through other comprehensive income</td></tr>
<tr><td>Investment securities</td><td colspan="2">The bank has elected to designate certain equity investments not held for trading to be measured at fair value through other comprehensive income.</td></tr>
</table>

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

<table>
<tr><td>Financial liabilities and compound financial instruments</td></tr>
<tr><td>The bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write-down or conversion features are classified based on the nature of the instrument and the definitions. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the bank.
Compound instruments are those financial instruments that have components of both financial liabilities and equity, such as issued convertible bonds. At initial recognition the instrument and the related transaction costs are split into their separate components and accounted for as a financial liability or equity in terms of the definitions and criteria of IAS 32.</td></tr>
<tr><td>Financial liabilities measured at amortised cost</td></tr>
<tr><td>The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at fair value through profit or loss:
➢ deposits;
➢ creditors;
➢ Tier 2 liabilities; and
➢ other funding liabilities.</td></tr>
<tr><td>Financial liabilities measured mandatory at fair value through profit or loss</td></tr>
<tr><td>The following held for trading liabilities are measured at fair value through profit or loss:
➢ derivative liabilities; and</td></tr>
</table>

- short trading positions.

These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.

Financial liabilities designated at fair value through profit or loss

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

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

The financial liabilities that the bank designated at fair value through profit or loss are the following:

- deposits; and
- other funding liabilities.

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

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

This policy applies to:

- financial assets measured at amortised cost, including other financial assets and cash;
- debt instruments measured at fair value through other comprehensive income;
- loan commitments;
- financial guarantees; and
- finance lease debtors where the bank is the lessor.

Refer to accounting policy note 8.4 where all risk parameters, scenarios and sources of estimation are detailed more extensively.

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

Advances	
SICR since initial recognition	In order to determine whether an advance has experienced a significant increase in credit risk, the PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined as the most recent date at which the bank has repriced an advance/facility. Where a change in terms is significant and is deemed to be a substantial modification it results in derecognition of the original advance/facility and recognition of a new advance/facility. SICR test thresholds are reassessed and, if necessary, updated on at least an annual basis. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial small and medium enterprise (SME) facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk and will be disclosed within stage 2 at a minimum. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred. No standard minimum period for transition from stage 2 back to stage 1 is applied across all advances, with the exception of cured distressed restructured exposures that are required to remain in stage 2 for a minimum period of six months before re-entering stage 1, as per the requirements of *SARB Directive 7 of 2015*.
Low credit risk	The bank does not use the low credit risk assumption.
Credit-impaired financial	Advances are considered credit impaired if they meet the definition of default. The bank's definition of default applied to calculating provisions under IFRS 9 has

assets	been aligned to the definition applied to regulatory capital calculations across all portfolios, as well as those applied in operational management of credit and for internal risk management purposes. Exposures are considered to be in default when they are more than 90 days past due or, in the case of amortising products, have more than three unpaid instalments. In addition, an exposure is considered to have defaulted when there are qualitative indicators that the borrower is unlikely to pay the credit obligations in full without any recourse by the bank to actions such as the realisation of security. Indicators of unlikeliness to pay are determined based on the requirements of Regulation 67 of the Banks Act. Examples include application for bankruptcy or obligor insolvency. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale business is determined judgementally through a committee process.
Purchased or originated credit-impaired	Financial assets that meet the above-mentioned definition of credit impaired at initial recognition and remain classified as such for the duration of the agreement.
Write-offs	Write-off must occur when it is not economical to pursue further recoveries, i.e. there is no reasonable expectation of recovering the carrying amount of the asset (gross amount less specific impairments raised): ➢ By implication, in both retail and wholesale, for secured as well as unsecured exposures, write-offs cannot occur if there is evidence of recent payment behaviour. Each credit portfolio has articulated a write-off policy that aligns with the principles of IFRS 9 while taking the business context of that portfolio into account. ➢ Within retail portfolios, write-off definitions have been determined with reference to analysis of the materiality of post write-off recoveries. The result of this is that retail secured loans are written off on perfection of collateral and retail unsecured loans are written off when observation of post-default payment behaviour indicates that further material recoveries are unlikely. Write-off points within retail unsecured portfolios are defined on a per-portfolio basis with reference to cumulative delinquency and/or payment recency, with write-offs typically occurring when 12 to 15 cumulative payments have been missed. ➢ Within wholesale portfolios, a judgemental approach to write-off is followed, based on case-by-case assessment by a credit committee. ➢ Partial write-offs are not performed within credit portfolios except in limited circumstances within the wholesale portfolio where it is assessed on a case-by-case basis. Where required, additional provisions against irrecoverable assets will be raised until such a time as final write-off can occur.
Collection and enforcement activities post write-off	For unsecured advances, post write-off collection strategies include outsourcing of the account to external debt collections (EDCs). In addition, settlement campaigns are run to encourage clients to settle their outstanding debt. For secured advances, any residual balance post the realisation of collateral and post write-off is outsourced to EDCs.

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a lifetime ECL being recognised.
Investment securities	Impairment parameters for investment securities (PD, LGD and exposure EAD) are determined using appropriate models, with the models to be applied determined with reference to the issuer of the security and the nature of the debt instrument. The tests for a significant increase in credit risk and default definitions are then applied and the ECL calculated in the same way as for advances. The significant increase in credit risk thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a significant increase in credit risk is identified for a particular counterparty and for similar exposures. The bank does not use the low credit risk assumption for investment securities, including government bonds.
Intercompany balances	Expected credit losses are calculated using PD, LGD and EAD parameters that are determined through application of expert credit judgement and approved through appropriate governance structures. A SICR event warrants the balance to move to stage 2. Where there is evidence of default, the balance is moved to stage 3.

4.3 Transfers, modifications and derecognition

Financial instruments are derecognised when:

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

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

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

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

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

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

<table>
<tr><th>Transaction type</th><th>Description</th><th>Accounting treatment</th></tr>
<tr><th colspan="3">Transfers without derecognition</th></tr>
<tr><td>Repurchase agreements</td><td>Investment securities and advances are sold to an external counterparty in exchange for cash and the bank agrees to repurchase the assets at a specified price at a specified future date.

The counterparty’s only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The bank remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.</td><td rowspan="2">The transferred assets continue to be recognised by the bank in full. Such advances and investment securities are disclosed separately in the relevant notes.

The bank recognises an associated liability for the obligation for the cash received as a separate category of deposits.</td></tr>
<tr><td>Securities lending</td><td>Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities.

The bank’s only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the bank generally requires cash collateral in excess of the fair value of the securities lent.</td></tr>
<tr><td>Other transfers</td><td>The bank enters into transactions in terms of which it sells advances to conduits of the FirstRand group or a structured entity, but retains substantially all the risks and rewards of ownership related to the transferred advances.</td><td>Similar to repurchase agreements above.</td></tr>
<tr><th colspan="3">Transfers with derecognition</th></tr>
<tr><td>Where the bank purchases its own debt</td><td colspan="2">The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.</td></tr>
<tr><td>Traditional securitisations and other structured transactions</td><td>Specific advances or investment securities are sold to the structured entity, which in turn issues liabilities to third-party investors, for example variable rate notes or investment grade commercial paper, to fund the purchase thereof.

The bank assumes an obligation to pay over all the cash flows it collects from the securitised assets to the</td><td>The securitisation results in full derecognition of the securitised financial assets by the bank:
➢ if the bank does not have the power to control the structured entity, and the bank does not substantially retain all the risks and rewards; or</td></tr>
</table>

	structured entity in terms of a servicing agreement. The bank may acquire other financial assets or liabilities that continue to expose it to the returns of the transferred securitised assets. For example, the bank may take up some of the notes issued by the structured entity that it is unable to issue into the market, enter into an interest rate swap with the structured entity or continue to be exposed through a clean-up call in terms of which it has an option to repurchase the remaining securitised assets once their value falls below a certain level.	➢ in situations where the bank neither substantially transfers nor retains all the risks and rewards, but the bank has relinquished control of the assets. Where the bank has continuing involvement in the derecognised assets, it makes disclosures around the risks it is exposed to as well as the other financial assets and liabilities it has recognised.
Modification without derecognition		
Modification of contractual cash flows	Debt restructuring is a process that is applied to accounts whereby the new terms of the contract (such as a lower interest rate) are mandated by law and do not have the same commercial terms as a new product that the bank would be willing to offer a customer with a similar risk profile.	Existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	Existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.
Neither transferred nor derecognised		
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The bank continues to recognise the advances and recognises associated credit derivatives which are measured at fair value through profit or loss.

4.4 Offsetting of financial instruments and collateral

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

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

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

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

4.5 Derivative financial instruments and hedge accounting

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

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

Hedge accounting

Derivatives held for risk management purposes are classified either as fair value hedges or cash flow hedges depending on the nature of the risk being hedged, where the hedges meet the required documentation criteria under IFRS 9/IAS39 and are calculated to be effective.

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

Fair value hedge accounting

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

Cash flow hedge accounting

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

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

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Property and equipment (owned and right of use)</th></tr>
<tr><td colspan="2">Information regarding land and buildings is kept at the bank’s registered office and is open for inspection in terms of section 26 of the Companies Act.</td></tr>
<tr><td>Property and equipment of the bank include:
➢ assets utilised by the bank in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner-occupied properties);
➢ assets which are owned by the bank and leased to third parties under operating leases as part of the bank’s revenue generating operations;
➢ capitalised leased assets; and
➢ other assets utilised in the normal course of operations, including computer and office equipment, motor vehicles and furniture and fittings.</td><td>Historical cost less accumulated depreciation and impairment losses, except for land, which is not depreciated.

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

Freehold property and property held under agreements:
- Buildings and structures* 40 – 50 years
- Mechanical and electrical* 14 – 20 years
- Components* 14 – 20 years
- Sundries 3 – 5 years
- Computer equipment 3 – 5 years
- Other equipment 3 – 10 years

*During the current year, the estimated useful lives were reassessed, resulting in a change in the range disclosed in the prior year. The impact of the change in estimate is immaterial.</td></tr>
<tr><th colspan="2">Investment properties</th></tr>
<tr><td>Properties held to earn rental income and/or for capital appreciation that are not occupied by the companies in the bank.

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

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

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

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

The benchmarks used when assessing the useful life of the individual assets are:
Software development costs 3 years
Trademarks 10 – 20 years
Other 3 – 10 years</td></tr>
<tr><th colspan="2">Commodities</th></tr>
<tr><td>Commodities acquired for short-term trading purposes include the following:
➢ commodities acquired with the intention of resell in the short term or if they form part of the trading operations of the bank; and
➢ certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date, where the risks and rewards of ownership are deemed to have transferred to the bank in terms of IFRS 15.</td><td>Fair value less costs to sell with changes in fair value being recognised as fair value gains or losses within non-interest revenue.</td></tr>
<tr><td>Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments.</td><td>Fair value through profit or loss.</td></tr>
<tr><th colspan="2">Provisions</th></tr>
<tr><td colspan="2">The bank will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the bank will recognise the amount as an accrual. The bank usually recognises provisions related to litigation and claims. The bank recognises a provision when a reliable estimate of the outflow required can be made and the outflow is probable (i.e. more likely than not).</td></tr>
</table>

Other assets that are subject to depreciation, and intangible assets, are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses. The assets are impaired if the carrying amount is more than the recoverable amount, which is the higher of the assets' value in use and fair value less costs to sell. The impairment loss is calculated as the difference between the assets' carrying amounts and their recoverable amounts.

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

5.2 Non-current assets and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the bank when the specific conditions for classification as held for sale under IFRS 5 are met.

Upon classification as non-current assets and disposal group held for sale, the non-current assets and disposal groups are remeasured to the lower of their carrying amounts and fair value less costs to sell, with any remeasurements being recognised as an impairment loss within operating expenses. If a disposal group contains assets that are outside of the measurement scope of IFRS 5, those assets are remeasured in terms of the relevant IFRSes and any impairment loss on the disposal group is allocated only to those non-current assets in the disposal group that are within the measurement scope of IFRS 5, until the assets are reduced to zero. Any excess impairment on the disposal group that remains after impairing the assets within the measurement scope of IFRS 5 the group has elected to recognise within operating expenses. Any subsequent increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items. They are remeasured in terms of the relevant IFRS, with any adjustment being taken to profit or loss depending on the underlying asset to which it relates, e.g. operating expenses for property and equipment or intangible assets.

5.3 Leases

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

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

	Bank is the lessee	**Bank is the lessor**
At inception	The bank recognises a ROUA and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as lease assets with a replacement value of R100 000 or less at the inception of the lease). The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date,	Where the bank company is the lessor under a finance lease, the bank recognises finance lease receivables included in advances and impairs the advances, as required, in line with policy 4.2. No practical expedients are applied, and the general model under IFRS 9 is used for impairment calculation on lease receivables.

	Bank is the lessee	Bank is the lessor
	discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the individual bank lessee uses its own incremental borrowing rate, being the rate that it can borrow funds from Group Treasury. The ROUAs are measured at cost comprising of the amount of the initial measurement of the lease liability plus any initial direct costs and restoration costs. Where applicable, any lease payments made at or before the commencement date less any lease incentives received are deducted from the cost. Post initial recognition, ROUAs are treated in line with other property and equipment. Variable payments that do not depend on an index or rate are not included in the measurement of the lease liability and the ROUA. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line operating expenses in the income statement.	
Over the life of the lease	Each lease payment is allocated between the lease liability and interest expense. The interest expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The ROUA is subsequently measured at cost less accumulated depreciation and impairment losses. The asset is depreciated over the lease term on a straight-line basis, where ownership is not transferred at the end of the lease term. If ownership is transferred at the end of the lease term, the asset is depreciated over the shorter of the lease term or useful life. The bank applies IAS 36 to determine	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method. Finance lease receivables are assessed for impairment in terms of IFRS 9, as set out in the impairment of financial assets policy section 4.2. Interest on finance lease receivables that are credit-impaired (stage 3), is recognised and calculated by applying the original effective interest rate to the net carrying amount.

	Bank is the lessee	Bank is the lessor
	whether a ROUA is impaired and accounts for any identified impairment loss.	
Presentation	The lease liability is presented in other liabilities in the consolidated statement of financial position. The ROUAs are not presented as a separate line in the consolidated statement of financial position, but rather disclosed as ROUA in the property and equipment note.	Finance lease receivables are presented as part of advances in the statement of financial position.
Operating leases	For short-term or low-value leases, which the bank has defined as all other leases except for property and vehicle leases, the lease payments are recognised as an operating expense, spread on a straight-line basis over the term of the lease.	Assets held under operating leases are included in property and equipment and depreciated – refer to policy 5.1. Rental income is recognised as other non-interest revenue on a straight-line basis over the lease term.
Finance lease agreements (including hire purchases) where the bank is the lessor	The bank regards finance lease agreements (including hire purchases) as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The bank calculates finance charges using the effective interest rates, as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the bank does not have the unilateral ability to avoid repayments, are classified as other liabilities. Preference shares which qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in other liabilities as appropriate.	The bank's equity includes ordinary shares and Additional Tier 1 notes. Additional Tier 1 notes are classified as other equity instruments in the financial statements. These instruments do not obligate the bank to make payments to investors. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Recognised as interest expense on the underlying liability.	Dividends on equity instruments are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the bank's shareholders and distribution is no longer at the discretion of the entity.

Transaction	Liability	Equity
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Other reserves	Not applicable.	Other reserves recognised by the bank include the capital redemption reserve funds and cash flow hedge accounting reserve.

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

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

Defined contributions plans	
Determination of purchased pension on retirement from defined contribution plan	**Recognition** Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.
	Measurement Upon retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, gender, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at the time of purchase (inflation-linked bond yields available). On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension. It should be noted that the purchase price for a new retiree would be slightly larger than the liability determined on the accounting valuation, as the purchase price allows for a more conservative mortality assumption based on the solvency reserves of the fund. A benefit on withdrawal and retrenchment is determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund.

Defined benefit plans	
Defined benefit obligation liability	**Recognition** The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position, i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.
	Measurement The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of nominal and inflation-linked government-issued bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.
Plan assets	The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity, the fair value of the insurance policy is limited to that amount.
Post-employment benefits	
Profit or loss	Included as part of staff costs: ➢ current and past service costs calculated using the projected unit credit method; ➢ gains or losses on curtailments and settlements that took place in the current period; ➢ net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and ➢ actuarial gains or losses on long-term employee benefits.
Other comprehensive income	All other remeasurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.
Termination benefits	
The bank recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The bank has a present obligation at the earlier of the following two occurrences: when the bank can no longer withdraw the offer of the termination benefit or when the bank recognises any related restructuring costs.	
Liability for short-term employee benefits	
Leave pay	The bank recognises a liability for employees' rights to annual leave in respect of past service. The amount recognised by the bank is based on the current salary of employees and the contractual terms between employees and the bank. The expense is included in staff costs.
Bonuses	The bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid, and the amount can be reliably measured. The expense is included in staff costs.

7.2 Share-based payment transactions

The bank operates a cash-settled share-based incentive plan for employees.

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

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

8.1 Introduction

In preparing the financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise, the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the bank, except those related to fair value measurement, which are included in note 28.

8.2 Subsidiaries, structured entities and associates

Consolidated financial statements	The bank does not prepare consolidated financial statements as there are no material differences between the amounts reported in the separate and consolidated financial statements. This has been agreed upon by the various stakeholders. The bank is a wholly owned subsidiary of FirstRand Limited, which prepares consolidated financial statements as set out in section 2 of the basis of preparation.
Subsidiaries	Only one party can have control over a subsidiary. In determining whether the bank has control over an entity, consideration is given to any rights the bank has that result in the ability to direct the relevant activities of the investee, and the bank's exposure to variable returns. In operating, entities' shareholding is most often the clearest indication of control. However, for structured entities, judgement is often needed to determine which investors have control of the entity. Generally, where the bank's shareholding is greater than 50%, the investment is accounted for as a subsidiary.
Associates	Determining whether the bank has significant influence over an entity: ➢ Significant influence may arise from rights other than voting rights, for example management agreements. ➢ The bank considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee. The bank does not have any associates that are material to its financial position, results of operations or cash flows.
Structured entities	Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual

	arrangement. When assessing whether the bank has control over a structured entity, specific consideration is given to the purpose and design of the structured entity and whether the bank has power over decisions that relate to activities that the entity was designed to conduct. The bank currently controls a structured entity that has been established for the purpose of creating high-quality liquid assets that can be pledged as collateral under the SARB's committed liquidity facility if required. The bank does not consolidate the entity. The structured entity is merely a mechanism to facilitate the transaction and as there was no drawdown on the facility in the current year, the structured entity has no economic substance. The bank has not provided any additional financial or other support to this entity in the current year. The bank does not have the intention to provide additional support in the foreseeable future and, as such, is not exposed to any additional risks from the relationship with this entity.
Foreign operations	Management has reviewed the countries where the bank's foreign operations are actively conducted and has not identified any hyperinflationary economies in terms of the requirements of IFRS. The bank only operates in South Africa, London, Guernsey and India, with representative offices in Kenya, Angola and Shanghai. The office in Angola has no lending or deposit taking activities at this point.

8.3 Taxation

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

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

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

The Finance Minister's budget speech which indicated the lowering of the corporate tax rate to 27% for years of assessment commencing on or after 1 April 2022, has not been substantially enacted as the change in the tax rate is inextricably linked to other changes in the tax laws, namely that the reduction in income tax is linked to the assessed loss and interest limitation changes, which have not been promulgated to date. As such, deferred tax assets and liabilities have been calculated at the current corporate tax rate of 28%.

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

8.4 Impairment of financial assets

Impairment of advances
In determining whether an impairment loss should be recognised, the bank 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 bank's credit risk exposure. The bank adopts the PD/LGD approach to calculate ECL for advances. The ECL is based on a weighted average of the macroeconomic scenarios selected, 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 information has been incorporated into expected loss estimates through the application of quantitative modelling and expert-judgement-based post-model adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques. The macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. These scenarios are overseen by the FirstRand macro forum, which 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 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 and Investment banking 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 macro-economic 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 scalar factors based on historic S&P default data, to determine the forward-looking impairment parameters. Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is

reflective of forward-looking expectations of credit performance.

Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macro-economic movements and default rates, and it is not expected for these relationships to hold under current macro-economic conditions, judgemental adjustments have been made through post-model adjustments to ensure that relationships between macro-economic 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 the models. This approach is followed across all portfolios. For the bank, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario. However, given the unprecedented event-driven uncertainty in South Africa's already fragile economy and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the Covid–19 pandemic together with increased risk of social and political unrest, an additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios as at 30 June 2021. The inclusion of this forward-looking scenario is a temporary measure to capture this extreme uncertainty. The reason for including the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporates stress scenarios for high risk industries and the impact within rest of Africa was not found to be material. The bank's expectation is that the temporary stress scenario will not permanently form part of the core scenarios utilised by the bank.

The table below sets out the scenarios and the probabilities assigned to each scenario at 30 June 2021 for the bank's South African operations. The probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes in comparison to the prior year. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the ongoing effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures to manage the economic impact of the pandemic.

Scenario	Probability	Description
Baseline	58% (2020: 56%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. Developed market (DM) inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a technical rebound in 2021 and a slow recover thereafter. Inflation begins to lift but remains contained within the SARB's target band. The outlook is characterised by a slow recovery in income and a slight improvement in policy uncertainty.
Upside	16% (2020:12%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a significant lift in economic activity and inflation remains low by historical standards. Policy certainty is gradually restored, and confidence-boosting economic reforms are implemented.
Downside	26% (2020:32%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences ongoing contractions in economic activity, which are compounded by policy mistakes and extremely low confidence which prevent the economy from recovering from the Covid-19 induced shock.

Temporary stress scenario

Despite recent improvements in the country's balance of payments it remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy structurally weakened relative to an already weak position before the pandemic. Therefore, significant uncertainty persists, which is non-linear to the developments in the known macroeconomic environment noted in the scenario descriptions above. This remains a key risk to the macroeconomic outlook in the short term, which is captured by the temporary stress scenario. The ECL impact of the temporary stress scenario as well as its impact on staging of the GCA has been tracked separately for classes of advances within the retail and commercial portfolios, where the stress scenario had a material impact. Therefore, for the retail and commercial portfolios a weighting of 11% has been attributed to both the temporary scenario and the upside scenario, 26% attributed to the downside and 52% to the baseline scenario.

Overview of forward-looking information included in the 30 June 2021 provisions

The reopening of major economies continues to lay the foundation for a rebound in global economic activity. As a result, supply chain pressures in some sectors are still adding to short-term inflation pressures in most large economies. Due to concerns about lingering demand weakness after this initial bout of inflation, DM central banks have said that they would “look-through” any temporary increase in the consumer price index (CPI) and maintain supportive monetary policy. US fiscal stimulus is likely to keep pushing the US economy ahead in the global recovery while creating uncertainty about potential long run inflation overshoots. This uncertainty has led some central banks to begin signalling slightly tighter monetary policy, while being careful to reassure market participants that policy is likely to stay accommodative overall, notwithstanding small recalibrations of interest rates as economies reopen. Despite financial market volatility this environment should continue to support financial conditions, commodity prices and certain risk assets, while demand for safe-haven assets, such as the US dollar, should gradually drift lower

South Africa

After an initial and severe contraction in gross domestic product (GDP) in the first half of the calendar year of 2020, the gradual recovery in global demand continues for South Africa’s export sectors which, combined with a gradual recovery in domestic activity, is helping to lift GDP. Inflation has bottomed and is now lifting slightly, but should remain low by historical standards. Low inflation and accommodative global policy rates will allow the Monetary Policy Committee to maintain low short-term interest rates and implement small-scale bond purchase programmes to stem liquidity constraints if required. Although the bank believes that the repo rate will remain low by historical standards, the bank forecast shows a slight lift in the repo rate to account for expectations of slightly higher global interest rates and a smaller output gap. Industry data shows that while transactional volumes have normalised considerably in aggregate, there were material variations across industries. Card spend in sectors such as travel and hospitality has been at historical lows but this has to some degree been offset by relative outperformances in industries exposed to online and IT services, groceries, hardware, small freight transport, and essential goods and services. With an unemployment rate above 30% it is increasingly important to differentiate between households with secure employment and irregular or unstable employment. Industry-level data shows that employment remains under considerable strain in industries that are sensitive to Covid-19 disruptions such as hospitality and tourism. The impact of Covid-19 remains extremely deep, with ongoing uncertainty about the risk of ongoing waves of infection and new strains of the virus. Notwithstanding these developments in the known macroeconomic risk environment, it must be noted that significant uncertainty persists, which could pose unpredictable risks to the South African economy. The economy has been structurally weakened by the pandemic and its ability to deal with further shocks is substantially impaired as a result.

Significant macroeconomic factors for 30 June 2021

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to the ECL provisions. The information is forecast over a period of three years, per the South African economy that the bank operates in.

South Africa	Upside scenario			Baseline scenario			Downside scenario		
%	2022	2023	2024	2022	2023	2024	2022	2023	2024
Applicable across all portfolios									
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.10	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.55	6.50	6.50
Retail-specific									
Real income growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price index	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.70
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
Wholesale-specific									
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

(%)	South Africa – significant macroeconomic factors relevant to the temporary stress scenario						
	Real GDP growth	CPI Inflation	Repo Rate	Retail real growth	House Price index growth*	House-hold debt to income	Employ ment growth
2022	(1.20)	7.60	3.50	(0.40)	(1.00)	75.90	(0.20)
2023	(5.10)	10.53	6.00	(3.80)	(8.20)	76.00	(1.90)
2024	(6.20)	11.80	8.50	(4.10)	(16.00)	76.00	(1.10)

**Applicable to the secured portfolio.*

Significant macroeconomic factors for 30 June 2020

South Africa	Upside scenario			Baseline scenario			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-specific									
Real income growth	1.00	4.20	4.90	(1.80)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth*	6.30	17.90	17.80	(1.00)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.20)	1.30	1.20	(0.20)	0.70	0.30	(2.20)	(1.30)	(1.70)
Wholesale-specific									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate (USD/ZAR)	12.30	11.80	12.00	15.40	15.90	16.70	17.30	19.70	22.00

**Applicable to the secured portfolio.*

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

	R million	% change total IFRS provision
Impairment provision on performing advances 30 June 2021	**16 167**	
Scenarios		
Baseline	**15 509**	**(4)**
Upside	**14 399**	**(11)**
Downside*	**18 657**	**15**
Impairment provision on performing advances 30 June 2020	**16 035**	
Scenarios		
Baseline	**16 245**	**1**
Upside	**15 560**	**(3)**
Downside	**17 433**	**9**

**Due to the non-linearity of the temporary stress scenario, the scenario increases to R23 030 million when a probability weighting of 100% to the temporary stress scenario is added to the downside scenario.*

Please note, the analysis only reflects the impact of changing the probability assigned to each scenario to 100% and does not include any changes to model adjustments, including those needed to cater for the impact of Covid-19 in the prior period.

<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 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>
<tr><td>Determination of whether the credit risk of financial</td><td>SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. Additional</td><td>SICR triggers continue to be are determined based on client behaviour, client internal FirstRand rating or risk</td></tr>
</table>

Judgement	Retail and retail SME	Wholesale and commercial SME
instruments have increased significantly since initial recognition (SICR)	judgemental triggers that arose due to the impact of Covid-19, such as employment in industries in distress have been calibrated into the current year's SICR triggers. Additional enhancements incorporated in the current year, include SICR rules that cater for behaviour that had not been previously captured. For example, customers using savings and supporting or relying on family members to assist them in making payments to their debt providers. These updates specifically cater for performing customers, given the uncertainty of the length and severity of the third and future waves, and the fact that many customers, particularly in the most severely impacted sectors, have already utilised their emergency savings over the last year and therefore any safety buffers that the customer may have had would be exhausted or close to exhausted. The strain of this would not yet have been observable at 30 June 2021 but would become evident shortly after year end.	score, as well as judgemental factors, which includes triggers for industries in distress, 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.
Treatment of SME Government Guaranteed Loan Scheme	In the prior period, an arrangement facilitated by the Banking Association of South Africa (BASA), between the SARB and participating banks in South Africa was concluded whereby the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Government Guarantee Loan Scheme (the scheme). The bank is a participant in the scheme. In terms of the scheme, the bank will utilise the dedicated funding obtained from the SARB to on lend to qualifying SME customers who would be charged the prime interest rate on the advance (ring-fenced portfolio). The loans are repayable up to a maximum of seven years, with no early settlement penalties applied. As part of the scheme, the bank would share up to a maximum loss of 6% suffered if the advances in the portfolio were to default. The SARB would compensate the bank for all other credit losses suffer (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 bank, the terms of which are identical for all participants in the scheme. The bank is acting as principal in the overall structure and as such has recognised loans advanced to customers (note 11). The limited guaranteed arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme. The bank considers credit enhancements that are obtained from a third party at approximately the same time as the loan agreement is entered into with the customer, so as to mitigate the credit risk associated specifically with customers as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.	

Judgement	Retail and retail SME	Wholesale and commercial SME
Sensitivity staging	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 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 2021. 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 2021		
R million	**5% increase in gross carrying amount of exposure**	**Increase in in the loss allowance**
Retail	**16 361**	**1 357**
Wholesale, commercial and other (including Group Treasury)	**22 250**	**3 015**
Total increase in stage 2 advances and ECL	**38 611**	**4 372**

30 June 2020		
R million	5% increase in gross carrying amount of exposure	Increase in the loss allowance
Retail	16 987	1 704
Wholesale, commercial and other (including Group Treasury)	22 146	2 279
Total increase in stage 2 advances and ECL	39 133	3 983

Covid-19 sensitivities disclosed in the prior year

In the prior period, the bank applied two specific judgements in determining the ECL namely:

- that the bank did not apply a blanket downgrade to all ECL stages to advances that qualified and received a form of Covid-19 relief; and

the bank applied a post-model adjustment against advances where Covid-19 relief had been provided, to allow for the impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour.

The sensitivity provided below, indicates what the additional impairment charge would have been if a blanket downgrade has been applied as at 30 June 2020.

	30 June 2020	
R million	Stage 2	Stage 3
Additional impairment charge recognised if the exposures reported in stage 1 at year end had moved into stage 2	4 442	-
Additional impairment charge recognised if the exposures reported in stage 2 at year end had moved into stage 3	-	3 037

Furthermore, the table below sets out the additional ECL charge to the income statement if the post-model adjustment for Covid-19 was stressed and increased by 10% in the prior period. A 10% increase in post-model adjustment was viewed as a reasonably possible alternative based on the economic conditions at that reporting date.

	30 June 2020		
R million	Stage 1	Stage 2	Stage 3
Additional impairment charge	73	20	69

Prior year:

Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)

Although Covid-19 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 in the prior year.

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 SICR had occurred for performing 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's view was is that where the customer and the group have agreed to a deferral of payment for a specified period, such an extension would not trigger the counting of days past due.

Prior year: **SICR assessment of Covid-19 relief exposures**	For customers to have qualified for Covid-19 relief, in the prior year, their credit agreements had to be current as at 29 February 2020 (pre-Covid-19). Subsequent provision of Covid-19 relief was not defined as an automatic SICR trigger. On relief provision, an assessment was first performed to classify the relief provision as either distressed or not. In retail and SME retail the assessment was largely automated, whereas in wholesale and commercial SME it was performed on a case-by-case basis. Classification as distressed implied a high assessed likelihood of not sustaining payments post relief. Cases defined as distressed were therefore flagged as a SICR trigger. Non-distressed cases were ring-fenced in stage 1 for application of Covid-19 relief scaling factors, until post relief probation periods were met. Cases where additional extension is provided post the initial Covid-19 relief, were defined as distressed and flagged as a SICR trigger.
Post-model adjustment in the prior period	In the prior period, post-model adjustments for Covid-19 were made on the basis of constrained expert judgement to allow for macroeconomic impacts that were not adequately captured by the then existing statistical models. Furthermore, adjustments were made to the coverage held for Covid-19 relief to allow for the impact of delayed arrears recognition, which resulted from an inability to observe normal arrears behaviour and therefore provide accordingly where payment relief was offered. Such adjustments were not made in the current year.

<table>
<tr><th>Judgement</th><th>Description</th></tr>
<tr><td>Prior year:

Determination of whether a financial asset is credit impaired</td><td>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 by the bank to action, 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.</td></tr>
</table>

Fair value movement due to the credit risk of financial liabilities
The fair value movement on financial liabilities designated at fair value through profit or loss that is attributable to changes in the credit risk of the liability is considered and, where applicable, is accounted for in other comprehensive income. If this fair value movement is due to changes in credit risk, which is offset by a corresponding movement in the fair value of a linked asset measured at fair value, this movement is included in profit or loss rather than other comprehensive income.

8.5 Provisions

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

8.6 Transactions with employees

Employee benefits – defined benefit plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The bank considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the pension fund (during June 2020), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution on the date of the purchase.
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash-settled share-based payment plans	
Determination of fair value	The liability is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk-free interest rate is used; and ➢ staff turnover and historical forfeiture rates are used as indicators of future conditions.

INCOME STATEMENT

for the year ended 30 June

R million	Notes	2021	2020
Interest income calculated using effective interest rate		**82 290**	97 812
Interest on other financial instruments and similar income		**1 727**	770
Interest and similar income	1.1	**84 017**	98 582
Interest expense and similar charges	1.2	**(37 013)**	(51 608)
Net interest income before impairment of advances		**47 004**	46 974
Impairment and fair value of credit on advances		**(11 115)**	(18 269)
- Impairment on amortised cost advances	11	**(10 947)**	(17 871)
- Fair value of credit on advances	11	**(168)**	(398)
Net interest income after impairment of advances		**35 889**	28 705
Non-interest revenue	2	**36 685**	33 567
- Net fee and commission income	2.1	**26 377**	25 110
- Fee and commission income		**31 256**	30 542
- Fee and commission expense		**(4 879)**	(5 432)
- Insurance income	2.2	**468**	449
- Fair value gains or losses	2.3	**3 637**	4 659
- Fair value gains or losses		**7 963**	9 444
- Interest expense on fair value activities		**(4 326)**	(4 785)
- Gains less losses from investing activities	2.4	**8**	130
- Other non-interest revenue	2.5	**6 195**	3 219
Income from operations		**72 574**	62 272
Operating expenses	3	**(44 954)**	(43 985)
Income before indirect tax		**27 620**	18 287
Indirect tax	4.1	**(1 008)**	(810)
Profit before income tax		**26 612**	17 477
Income tax expense	4.2	**(6 792)**	(3 109)
Profit for the year		**19 820**	14 368
Attributable to			
Ordinary equityholders		**19 295**	13 739
Other equity instrument holders		**525**	629
Profit for the year		**19 820**	14 368

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2021	2020
Profit for the year	**19 820**	14 368
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(727)**	1 219
Gains arising during the year	**881**	657
Reclassification adjustments for amounts included in profit or loss	**(1 890)**	1 036
Deferred income tax	**282**	(474)
FVOCI debt reserve	**256**	(82)
Gains/(losses) arising during the year	**375**	(115)
Reclassification adjustments for amounts included in profit or loss	**(20)**	1
Deferred income tax	**(99)**	32
Exchange differences on translating foreign operations	**(1 127)**	1 246
(Losses)/gains arising during the year	**(1 085)**	1 207
Deferred income tax	**(42)**	39
Items that may not subsequently be reclassified to profit or loss		
Equity investments designated at fair value through other comprehensive income	**(235)**	(140)
Losses arising during the year	**(303)**	(180)
Deferred income tax	**68**	40
Remeasurements on defined benefit post-employment plans	**(195)**	534
(Losses)/gains arising during the year	**(271)**	742
Deferred income tax	**76**	(208)
Other comprehensive (loss)/income for the year	**(2 028)**	2 777
Total comprehensive income for the year	**17 792**	17 145
Attributable to		
Ordinary equityholders	**17 267**	16 516
Other equity instrument holders	**525**	629
Total comprehensive income for the year	**17 792**	17 145

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2021	2020
ASSETS			
Cash and cash equivalents	6	**99 646**	99 781
Derivative financial instruments	7	**70 774**	120 511
Commodities	8	**18 641**	21 344
Investment securities	9	**273 766**	209 026
Advances	10	**857 955**	867 940
- Advances to customers		**786 643**	796 627
- Marketable advances		**71 312**	71 313
Other assets	12	**4 928**	5 149
Non-current assets and disposal groups held for sale	13	**-**	1 558
Current tax asset		**32**	-
Amounts due by holding company and fellow subsidiaries	14	**67 108**	67 309
Property and equipment	15	**16 865**	17 691
Intangible assets	16	**338**	692
Investment properties	17	**249**	-
Deferred income tax asset	18	**4 727**	3 711
Total assets		**1 415 029**	1 414 712
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	19	**18 660**	4 786
Derivative financial instruments	7	**70 722**	134 488
Creditors, accruals and provisions	20	**15 814**	14 350
Current tax liability		**896**	368
Deposits	21	**1 135 585**	1 088 952
Employee liabilities	22	**9 859**	7 814
Liabilities directly associated with disposal groups classified as held for sale	13	**-**	85
Other liabilities	23	**5 087**	5 255
Amounts due to holding company and fellow subsidiaries	14	**27 214**	36 254
Tier 2 liabilities	24	**18 813**	22 322
Total liabilities		**1 302 650**	1 314 674
Equity			
Ordinary shares	25.1	**4**	4
Share premium	25.1	**16 804**	16 804
Reserves		**88 445**	77 504
Capital and reserves attributable to ordinary equityholders		**105 253**	94 312
Other equity instruments	25.2	**7 126**	5 726
Total equity		**112 379**	100 038
Total equity and liabilities		**1 415 029**	1 414 712

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2019	4	16 804	**16 808**	(915)	841
AT1 instruments issued	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Total comprehensive income for the year	-	-	**-**	534	1 219
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	534	1 219
Balance as at 30 June 2020	4	16 804	**16 808**	(381)	2 060
Equity transactions with fellow subsidiaries	-	-	**-**	-	-
AT1 instruments issued	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Total comprehensive income for the year#	-	-	**-**	(195)	(727)
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	(195)	(727)
Balance as at 30 June 2021	4	16 804	**16 808**	(576)	1 333

* *Other reserves include the FVOCI reserve, refer note 25.3.*

** *Other equity instruments at 30 June 2021 include R7 126 AT1 instruments.*

The total comprehensive income for the year has been disaggregated into profit for the year and other comprehensive income for the year. The total comprehensive income for the year as previously reported has however not changed.

The dividend per share is R2.63 (2020: R1.46).

	Ordinary share capital and ordinary equityholders' funds					
	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments ****	**Total equity**
	773	1 413	75 543	**77 655**	**4 965**	**99 428**
	-	-	-	**-**	**761**	**761**
	-	-	(16 667)	**(16 667)**	**-**	**(16 667)**
	-	-	-	**-**	**(629)**	**(629)**
	-	-	-	**-**	**-**	**-**
	1 246	(222)	13 739	**16 516**	**629**	**17 145**
	-	-	13 739	**13 739**	**629**	**14 368**
	1 246	(222)	-	**2 777**	**-**	**2 777**
	2 019	1 191	72 615	**77 504**	**5 726**	**100 038**
	-	-	(56)	**(56)**	**-**	**(56)**
	-	-	-	**-**	**1 400**	**1 400**
	-	-	(6 270)	**(6 270)**	**-**	**(6 270)**
	-	-	-	**-**	**(525)**	**(525)**
	-	-	-	**-**	**-**	**-**
	(1 127)	21	19 295	**17 267**	**525**	**17 792**
	-	-	19 295	**19 295**	**525**	**19 820**
	(1 127)	21	-	**(2 028)**	**-**	**(2 028)**
	892	1 212	85 584	**88 445**	**7 126**	**112 379**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Note	2021	2020
Cash flows from operating activities			
Interest and fee commission receipts*		**102 959**	122 794
- Interest received		**76 114**	97 235
- Fee and commission received		**31 256**	30 542
- Insurance income received		**468**	449
- Fee and commission paid		**(4 879)**	(5 432)
Trading and other income		**6 024**	2 807
Interest payments		**(30 236)**	(49 567)
Other operating expenses		**(34 972)**	(36 839)
Dividends received		**318**	497
Dividends paid		**(6 795)**	(17 296)
Taxation paid		**(6 840)**	(5 423)
Cash generated from operating activities		**30 458**	16 973
Movements in operating assets and liabilities		**(26 529)**	9 833
- Liquid assets and trading securities		**(58 527)**	(33 737)
- Advances		**12 643**	21 453
- Deposits		**40 321**	20 458
- Other assets		**(276)**	110
- Creditors		**353**	(1 346)
- Employee liabilities		**(3 679)**	(2 031)
- Other liabilities		**(17 364)**	4 926
Net cash generated from operating activities		**3 929**	26 806
Cash flows from investing activities			
Acquisition of property and equipment		**(2 822)**	(4 905)
Proceeds on disposal of property and equipment		**529**	747
Acquisition of intangible assets and investment properties		**(309)**	(257)
Net cash outflow from investing activities		**(2 602)**	(4 415)
Cash flows from financing activities			
Proceeds on the issue of other financing liabilities		**210**	3 800
Redemption of other financing liabilities		**(348)**	(2 606)
Principal payments towards lease liabilities		**(729)**	(595)
Proceeds from issue of Tier 2 liabilities		**3 111**	-
Capital repaid on Tier 2 liabilities		**(4 770)**	(2 049)
Proceeds from issue of AT1 equity instruments		**1 400**	761
Net cash outflow from financing activities		**(1 126)**	(689)
Net increase in cash and cash equivalents		**201**	21 702
Cash and cash equivalents at the beginning of the year		**99 781**	77 887
Effect of exchange rate changes on cash and cash equivalents		**(336)**	192
Cash and cash equivalents at the end of the year	6	**99 646**	99 781

** Interest and fee commission receipts have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total interest and fee commission receipts as previously reported (2020: R122 794 million) have however not changed. The disaggregation is in line with the requirements of IAS 7.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

R million	2021	2020
Analysis of interest and similar income		
Instruments at fair value through profit and loss	**1 727**	770
Instruments at amortised cost	**81 451**	97 643
Debt instruments at fair value through other comprehensive income	**839**	169
Interest and similar income	**84 017**	98 582
Advances	**61 795**	80 843
- Overdrafts and cash management accounts	**5 360**	7 517
- Term loans	**2 658**	3 755
- Card loans	**3 925**	4 900
- Instalment sales and hire purchase agreements	**10 310**	13 149
- Lease payments receivable	**217**	305
- Property finance	**16 804**	22 292
- Personal loans	**9 756**	11 159
- Preference share agreements	**14**	23
- Assets under agreements to resell	**582**	412
- Investment bank term loans	**7 118**	10 131
- Long-term loans to group associates and joint ventures	**3**	-
- Other advances	**1 680**	2 335
- Marketable advances	**3 368**	4 865
Cash and cash equivalents	**1 018**	1 789
Investment securities	**9 445**	8 503
Amounts due by holding company and fellow subsidiaries	**1 634**	1 903
Preference dividends received	**2 245**	3 095
Other*	**7 880**	2 449
Interest and similar income	**84 017**	98 582

** R7 880 million (R2 128 million) was included in other that relates to interest on derivatives qualifying as hedging instruments.*

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2021	2020
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(16)**	(67)
Instruments at amortised cost	**(36 869)**	(51 408)
Non-financial instruments	**(128)**	(133)
Interest expense and similar charges	**(37 013)**	(51 608)
Deposits from customers	**(21 470)**	(32 631)
- Current accounts	**(2 785)**	(4 995)
- Savings deposits	**(556)**	(714)
- Call deposits	**(8 225)**	(12 224)
- Fixed and notice deposits	**(9 904)**	(14 698)
Debt securities	**(9 545)**	(17 052)
- Negotiable certificates of deposit	**(1 462)**	(3 702)
- Fixed and floating rate notes	**(8 083)**	(13 350)
Repurchase agreements	**(448)**	(849)
Securities lending	**(90)**	(175)
Cash collateral and credit-linked notes	**(317)**	(477)
SARB funding facility due to Covid–19 – SME government guarantee	**(32)**	-
Lease liabilities	**(126)**	(140)
Tier 2 liabilities	**(1 316)**	(1 929)
Amounts due to holding company and fellow subsidiaries	**(284)**	(601)
Other*	**(7 711)**	(2 539)
Gross interest expense and similar charges	**(41 339)**	(56 393)
Less: interest expense on fair value activities reallocated	**4 326**	4 785
Interest expense and similar charges	**(37 013)**	(51 608)

** R6 292 million (R1 525 million) was included in other that relates to interest on derivatives qualifying as hedging instruments.*

2 NON-INTEREST REVENUE

R million	Notes	2021	2020
Fee and commission income		**31 256**	30 542
Instruments at amortised cost		**26 102**	25 428
Instruments at fair value through profit or loss		**9**	13
Non-financial instruments		**5 145**	5 101
Fee and commission expenses		**(4 879)**	(5 432)
Net fee and commission income	2.1	**26 377**	25 110
Non-financial instruments		**468**	449
Insurance commission income	2.2	**468**	449
Instruments at fair value through profit or loss		**5 521**	2 094
- Mandatory fair value through profit or loss		**5 581**	2 384
- Designated fair value through profit or loss		**(60)**	(290)
Translation gains or losses on instruments not held at fair value through profit or loss		**(1 884)**	2 565
Fair value gains or losses	2.3	**3 637**	4 659
Instruments at amortised cost		**(64)**	119
Instruments at fair value through other comprehensive income		**32**	7
Non-financial		**40**	4
Gains less losses from investing activities	2.4	**8**	130
Other non-interest revenue	2.5	**6 195**	3 219
Total non-interest revenue		**36 685**	33 567

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2021	2020
Banking fee and commission income	**28 055**	27 249
- Card commissions	**4 229**	4 208
- Cash deposit fees	**1 579**	1 518
- Commitment fees	**1 333**	1 274
- Electronic transaction fees*	**1 085**	706
- Exchange commissions	**1 921**	1 824
- Brokerage income	**83**	116
- Bank charges	**17 825**	17 603
- Transaction and service fees	**5 492**	5 329
- Documentation and administration fees	**9 125**	9 180
- Cash handling fees	**2 407**	2 267
- Other	**801**	827
Knowledge-based fee and commission income	**1 049**	1 108
Management, trust and fiduciary fees	**1 391**	1 426
Fee and commission from service providers	**512**	517
Other non-banking fee and commission income	**249**	242
Fee and commission income**	**31 256**	30 542
Transaction processing fees	**(908)**	(1 032)
Commission paid	**(171)**	(208)
Customer loyalty programmes	**(1 760)**	(2 056)
Cash sorting, handling and transportation charges	**(992)**	(981)
Card and cheque book related	**(462)**	(426)
ATM commissions paid	**(66)**	(58)
Other	**(520)**	(671)
Fee and commission expenses	**(4 879)**	(5 432)
Net fee and commission income	**26 377**	25 110

** The description has been updated to more appropriately reflect the nature of the income earned. This line was previously: Commissions: bills, drafts and cheques. The amount that was reported in the prior year has not changed.*

*** Revenue from contracts with customers.*

2.2 Insurance commission income

R million	2021	2020
Insurance commissions	**161**	152
Insurance brokerage	**307**	297
Total insurance commission income*	**468**	449

** Revenue from contracts with customers.*

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2021	2020
Dividend income on preference shares held	**266**	486
Other fair value gains or losses	**3 371**	4 173
Total fair value gains or losses	**3 637**	4 659

2.4 Gains less losses from investing activities

R million	2021	2020
Gain on disposal of investment securities	**32**	119
- Gains on disposal of debt instruments at amortised cost	**32**	119
Impairment (losses)/reversal of impairment of debt investment securities at amortised cost	**(96)**	1
Reclassification from other comprehensive income on the derecognition/sale of debt instruments at FVOCI	**20**	(1)
Dividends on equity instruments at FVOCI	**12**	8
Other dividends received	**39**	1
Preference dividends from insurance profit share arrangements	**1**	2
Total gains less losses from investing activities	**8**	130

2.5 Other non-interest revenue

R million	2021	2020*
Revenue from contracts with customers**	**1 085**	784
- Sales	**1 699**	1 482
- Cost of sales	**(1 316)**	(1 136)
- Other income	**702**	438
Losses on disposal of property and equipment	**(12)**	(17)
Recoveries from holding company and fellow subsidiaries	**3 235**	558
Rental income	**1 746**	1 746
Other operating lease transactions	**141**	148
Total other non-interest revenue	**6 195**	3 219

* *The order of other non-interest revenue has been rearranged to more clearly reflect revenue from contracts with customers versus income from other sources. The comparative information has also been updated. The other non-interest revenue as previously reported (2020: R3 219 million) has however not changed.*

** *Revenue from contracts with customers.*

3 OPERATING EXPENSES

R million	Notes	2021	2020
Auditors' remuneration		**(411)**	(362)
- Audit fees		**(341)**	(328)
- Fees for other services		**(61)**	(32)
- Prior year under accrual		**(9)**	(2)
Non-capitalised lease charges		**(320)**	(414)
- Short-term lease charges		**(241)**	(251)
- Low-value lease charges		**(118)**	(98)
- Variable lease charges		**39**	(65)
Staff costs		**(26 730)**	(25 379)
- Salaries, wages and allowances		**(20 599)**	(20 092)
- Contributions to employee benefit funds		**(336)**	(294)
- Defined contribution schemes		**(196)**	(183)
- Defined benefit schemes	22.1	**(140)**	(111)
- Social security levies		**(263)**	(306)
- Share-based payments	26	**(940)**	(567)
- Movement in short-term employee benefits liability		**(4 077)**	(3 499)
- Other staff costs		**(515)**	(621)
Other operating costs		**(17 493)**	(17 830)
- Amortisation of intangible assets	16	**(211)**	(193)
- Depreciation of property and equipment	15	**(3 600)**	(3 391)
- Impairments incurred		**(38)**	(94)
- Insurance		**(245)**	(212)
- Advertising and marketing		**(1 251)**	(1 505)
- Maintenance		**(1 140)**	(1 158)
- Property		**(849)**	(857)
- Computer equipment		**(3 248)**	(2 532)
- Stationery, storage and delivery		**(202)**	(250)
- Telecommunications		**(438)**	(388)
- Professional fees		**(1 717)**	(1 798)
- Expenses paid to holding company and fellow subsidiaries	30	**(817)**	(1 066)
- Donations		**(227)**	(283)
- Assets costing less than R7 000		**(302)**	(335)
- Business travel		**(84)**	(305)
- Profit share expenses		**28**	(506)
- Bank charges		**(145)**	(240)
- Legal fee expenses		**(869)**	(543)
- Entertainment		**(79)**	(145)
- Subscriptions and memberships		**(198)**	(197)
- Training expenses		**(192)**	(301)
- Other operating expenditure		**(1 669)**	(1 531)
Total operating expenses		**(44 954)**	(43 985)

3 OPERATING EXPENSES continued

Notable impairments incurred during 2021

Other assets
Included within impairments is an amount of R14 million relating to ECL raised on non-advances. The remaining impairment charge relates to various individually immaterial assets which were impaired down to their recoverable amount based on either their value in use or fair value less costs to sell.

Notable impairments incurred during 2020

Other assets
Included within impairments is an amount of R26 million relating to ECL raised on non-advances. The remaining impairment charge relates to various individually immaterial assets which were impaired down to their recoverable amount based on either their value in use or fair value less costs to sell. This included the bank's investment in its associate, Vumela Enterprise Development Fund, which was fully impaired in the year.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

Non-executive directors' remuneration

	2021			2020		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors						
WR Jardine	**7 060**	**289**	**7 349**	6 282	273	6 555
MS Bomela (resigned at 2020 AGM)	**649**	**-**	**649**	1 142	-	1 142
G Gelink	**2 630**	**1 814**	**4 444**	2 690	1 595	4 285
NN Gwagwa (resigned at 2019 AGM)	**-**	**-**	**-**	672	-	672
RM Loubser	**3 051**	**2 407**	**5 458**	2 670	1 892	4 562
PJ Makosholo (resigned 30 June 2020)	**-**	**-**	**-**	1 407	541	1 948
TS Mashego	**1 403**	**348**	**1 751**	1 064	133	1 197
EG Matenge-Sebesho (resigned at 2019 AGM)	**-**	**-**	**-**	632	663	1 295
AT Nzimande (resigned at 2020 AGM)	**871**	**-**	**871**	1 369	-	1 369
L Von Zeuner (appointed 1 February 2019)	**2 655**	**608**	**3 263**	1 533	173	1 706
T Winterboer	**1 758**	**642**	**2 400**	1 451	490	1 941
Z Roscherr (appointed 1 April 2020)	**1 672**	**886**	**2 558**	763	750	1 513
SP Sibisi (appointed 1 April 2021)	**196**	**-**	**196**	-	-	-
Non-executive directors						
HL Bosman (resigned 30 June 2020)	**-**	**-**	**-**	1 262	33	1 295
JP Burger (appointed 1 September 2018)	**2 287**	**1 053**	**3 340**	2 105	1 007	3 112
JJ Durand (resigned at 2019 AGM)	**-**	**-**	**-**	277	-	277
F Knoetze	**1 559**	**823**	**2 382**	1 272	749	2 021
Total non-executive directors	**25 791**	**8 870**	**34 661**	26 591	8 299	34 890

3 OPERATING EXPENSES continued

Directors' and prescribed officers' emoluments

Single figure

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2021 with the FirstRand annual remuneration cycle running from 1 August to 31 July.

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

The following analysis provides two amounts per individual to accommodate the King IV alternative single figure view. For King IV single figure reporting, the value presented is the LTI settled in the financial year at original award value, whereas the other view provided reflects the LTI allocated in the financial year at original award value. As part of the reporting transition, both views have been provided.

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

3 OPERATING EXPENSES continued

R thousand	2021	2020
AP Pullinger (group CEO)[1]		
Cash package paid during the year	**8 995**	8 971
Retirement contributions paid during the year	**177**	179
Other allowances	**278**	264
Guaranteed package	**9 450**	9 414
Performance-related STI:		
Cash	**7 031**	5 825
- Within 6 months[2]	**4 905**	-
- Within 1 year	**2 126**	5 825
Share linked- deferred 2 and 3 years (BCIP)[3]	**5 032**	3 825
Variable pay	**12 063**	9 650
Total guaranteed and variable pay	**21 513**	19 064
Value of LTI awards allocated during the financial year under the CIP[4]	**24 000**	20 046
Total reward including LTIs	**45 513**	39 110
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**19 273**	-
Single figure reporting		
Total guaranteed and variable pay	**21 513**	19 064
Value of LTI awards settled during the financial year under the CIP[6]	**-**	14 630
Total reward including LTIs (Single figure)	**21 513**	33 694
M Vilakazi (group COO)[1]		
Cash package paid during the year	**6 849**	6 816
Retirement contributions paid during the year	**124**	132
Other allowances	**182**	173
Guaranteed package	**7 155**	7 121
Performance-related STI:		
Cash	**5 325**	4 025
- Within 6 months[2]	**3 767**	-
- Within 1 year	**1 558**	4 025
Share linked- deferred 2 and 3 years (BCIP)[3]	**3 325**	2 025
Variable pay	**8 650**	6 050
Total guaranteed and variable pay	**15 805**	13 171
Value of LTI awards allocated during the financial year under the CIP[4]	**11 184**	10 775
Total reward including LTIs	**26 989**	23 946
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**16 638**	-
Single figure reporting		
Total guaranteed and variable pay	**15 805**	13 171
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Total reward including LTIs (Single figure)	**15 805**	13 171

3 OPERATING EXPENSES continued

R thousand	2021	2020
HS Kellan (group financial director)[1]		
Cash package paid during the year	**7 548**	7 526
Retirement contributions paid during the year	**61**	61
Other allowances	**182**	173
Guaranteed package	**7 791**	7 760
Performance-related STI:		
Cash	**5 750**	4 300
- Within 6 months[2]	**4 050**	-
- Within 1 year	**1 700**	4 300
Share linked- deferred 2 and 3 years (BCIP)[3]	**3 750**	2 300
Variable pay	**9 500**	6 600
Total guaranteed and variable pay	**17 291**	14 360
Value of LTI awards allocated during the financial year under the CIP[4]	**13 950**	13 440
Total reward including LTIs	**31 241**	27 800
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**12 720**	-
Single figure reporting		
Total guaranteed and variable pay	**17 291**	14 360
Value of LTI awards settled during the financial year under the CIP[6]	**-**	8 600
Total reward including LTI (Single figure)	**17 291**	22 960
J Celliers (CEO FNB)[1]		
Cash package paid during the year	**7 765**	7 742
Retirement contributions paid during the year	**138**	138
Other allowances	**182**	173
Guaranteed package	**8 085**	8 053
Performance-related STI:		
Cash	**7 850**	6 150
- Within 6 months[2]	**5 450**	-
- Within 1 year	**2 400**	6 150
Share linked- deferred 2 and 3 years (BCIP)[3]	**5 850**	4 150
Variable pay	**13 700**	10 300
Total guaranteed and variable pay	**21 785**	18 353
Value of LTI awards allocated during the financial year under the CIP[4]	**16 100**	15 515
Total reward including LTIs	**37 885**	33 868
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**15 008**	-
Single figure reporting		
Total guaranteed and variable pay	**21 785**	18 353
Value of LTI awards settled during the financial year under the CIP[6]	**-**	11 943
Total reward including LTI (Single figure)	**21 785**	30 296

3 OPERATING EXPENSES continued

R thousand	2021	2020
C de Kock (CEO WesBank)[1, 16]		
Cash package paid during the year	**-**	5 331
Retirement contributions paid during the year	**-**	43
Other allowances	**-**	169
Guaranteed package	**-**	5 543
Performance-related STI:		
Cash	**-**	3 062
- Within 6 months[2]	**-**	-
- Within 1 year	**-**	3 062
Share linked- deferred 2 and 3 years (BCIP)[3]	**-**	1 063
Variable pay	**-**	4 125
Total guaranteed and variable pay	**-**	9 668
Value of LTI awards allocated during the financial year under the CIP[4]	**-**	10 435
Total reward including LTIs	**-**	20 103
Single figure reporting		
Total guaranteed and variable pay	**-**	9 668
Value of LTI awards settled during the financial year under the CIP[5]	**-**	9 200
Total reward including LTIs (Single figure)	**-**	18 868
J Formby (CEO RMB)[1]		
Cash package paid during the year	**6 281**	4 644
Retirement contributions paid during the year	**98**	74
Other allowances	**225**	190
Guaranteed package	**6 604**	4 908
Performance-related STI:		
Cash	**9 775**	8 375
- Within 6 months[2]	**6 733**	-
- Within 1 year	**3 042**	8 375
Share linked- deferred 2 and 3 years (BCIP)[3]	**7 775**	6 375
Variable pay	**17 550**	14 750
Total guaranteed and variable pay	**24 154**	19 658
Value of LTI awards allocated during the financial year under the CIP[4]	**12 150**	9 100
Total reward including LTIs	**36 304**	28 758
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**8 700**	-
Single figure reporting		
Total guaranteed and variable pay	**24 154**	19 658
Value of LTI awards settled during the financial year under the CIP[6]	**-**	7 500
Total reward including LTIs (Single figure)	**24 154**	27 158

3 OPERATING EXPENSES continued

£ thousand	2021	2020
P Monks[1,7]		
Cash package paid during the year	**861**	831
Retirement contributions paid during the year	**49**	48
Other allowances	**20**	24
Guaranteed package	**930**	903
Performance-related STI:		
Cash	**512**	-
- Within 6 months[11]	**512**	-
- Within 1 year	**-**	-
Share linked- deferred over 3 years[11]	**-**	-
Variable pay	**512**	-
Total guaranteed and variable pay	**1 442**	903
Value of LTI awards allocated during the financial year under the CIP[4,13]	**689**	649
Total reward including LTIs	**2 131**	1 552
Value of LTI awards allocated during the financial year under the Covid-19 scheme[5]	**689**	-
Single figure reporting		
Total guaranteed and variable pay	**1 442**	903
Pre-acquisition cash deferral settled during the financial year[12]	**198**	679
Total reward including LTIs (Single figure)	**1 640**	1 582
S Cooper[1,7]		
Cash package paid during the year	**143**	-
Retirement contributions paid during the year	**10**	-
Other allowances	**2**	-
Guaranteed package	**155**	-
Performance-related STI:		
Cash	**65**	-
- Within 6 months[9]	**65**	-
- Within 1 year	**-**	-
Share linked- deferred over 3 years[10]	**32**	-
Variable pay	**97**	-
Total guaranteed and variable pay	**252**	-
Value of LTI awards allocated during the financial year under the CIP[4,13]	**-**	-
Total reward including LTIs	**252**	-
Buy-out award paid in cash[8]	**997**	
Single figure reporting		
Total guaranteed and variable pay	**252**	-
Value of LTI awards settled during the financial year under the CIP[6]	**-**	-
Total reward including LTIs (Single figure)	**252**	-

3 OPERATING EXPENSES continued

R thousand	2021	2020
JP Burger[1, 14]		
Cash package paid during the year	-	-
Retirement contributions paid during the year	-	-
Other allowances	-	-
Guaranteed package	-	-
Performance-related STI:		
Cash	-	-
- Within 6 months[2]	-	-
- Within 1 year	-	-
Share linked- deferred 2 and 3 years (BCIP)[3]	-	-
Variable pay	-	-
Total guaranteed and variable pay	-	-
Value of LTI awards allocated during the financial year under the CIP[4]	-	-
Total reward including LTIs	-	-
Single figure reporting		
Total guaranteed and variable pay	-	-
Value of LTI awards settled during the financial year under the CIP[6]	-	18 350
Retiree ex-gracia payment[15]	6 454	-
Total reward including LTIs (Single figure)	6 454	18 350

3 OPERATING EXPENSES continued

1. *FirstRand defines its prescribed officers as the group's executive directors and the CEOs of the group's Retail and Commercial and Corporate and Institutional segments and CEO of the Aldermore Group. These officers are members of the group strategic executive committee and attend board meetings. This definition changed from prior years as it now excludes the WesBank CEO. WesBank is a product house within the Retail and Commercial Segment.*
2. *Variable compensation (STI) paid in cash in respect of the year ended June, is paid in three tranches, during the following year ending on 30 June. i.e. August, December and June (with interest on the deferred payments). The prior year STI cash component was fully deferred for all material risk takers and paid in one tranche in June 2021, in accordance with 2020 Prudential Authority guidance.*
3. *A portion of variable compensation is deferred as share-linked awards and vests after two years.*
4. *Long-term incentive awards are made annually under the CIP and vesting is subject to performance conditions and targets on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date. Refer to note 26.*
5. *The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over the next three years (September 2021, 2022 and 2023), if performance conditions are met. In September 2021 the first Covid-19 tranche will vest as the 2018 LTI award has failed. In 2022 in the event that the 2019 LTI awards vests, the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).*
6. *For King IV single figure reporting, the value presented in the table is the LTI vested and settled in the financial year at original award value, or zero if conditions not met and awards are forfeited.*
7. *Phillip Monks retired as Aldermore CEO effective April 2021 and Steven Cooper was Aldermore CEO effective May 2021.*
8. *A buy-out bonus was paid in cash to Steven Cooper to compensate his forfeited incentives from his previous employer.*
9. *The Aldermore performance related STI cash component is paid in full in August.*
10. *The Aldermore performance related STI share-linked component is released in equal annual tranches over three years from grant date.*
11. *For Phillip Monks his whole STI, cash and deferred share-linked component, was paid as a lumpsum on retirement.*
12. *Aldermore pre-acquisition cash award deferred and settled in the financial year.*
13. *Aldermore LTIP allocated amount is the on- target value assumed at 95% of maximum (67% in prior years).*
14. *JP Burger became a non-executive director effective 1 September 2018. This disclosure shows the payment of LTI linked awards allocated to him when he was an executive director.*
15. *Due to the failure of the 2017 LTIs and in recognition of retirees' historical contribution to the success of the business, retirees with outstanding LTIs, were awarded an ex-gratia payment. These payments were approximately 50% of the 2017 LTI awarded value adjusted for the decline in share price.*
16. *Chris de Kock was no longer a prescribed officer effective 1 July 2020, therefore the disclosure is not applicable for the current year.*

3 OPERATING EXPENSES continued

All executive directors and prescribed officers in South Africa have a notice period of one month, Steven Cooper has a notice period of 6 months. Non-executive directors are appointed for a period of three years and are subject to the Companies Act, 71 of 2008 provision relating to removal.

Ownership of FirstRand Bank Limited

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

Covid-19 Instrument for executive directors and prescribed officers

The Covid-19 health crisis and the resulting economic impact has been evident in FirstRand's results. This impact has resulted in the 2017 and 2018 LTI not vesting and increases the risk of the 2019 LTIs not vesting. In response, last year Remco introduced an once-off Covid-19 instrument that caters for the retention of employees considered critical to the ongoing sustainability of the business. The value of the Covid instrument was struck at half of the original value of the 2018 and 2019 LTIs.

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. In response to shareholder feedback Remco introduced performance conditions for executive directors and prescribed officers for all three tranches of the instrument, including both financial and risk elements. The financial conditions are linked to the group's ROE being within the target range. These changes are detailed further in the remuneration report.

The Covid-19 retention instrument was awarded in September 2020. The award is linked to the FirstRand share price and vests in three equal proportions (tranches) over the next three years (September 2021, 2022 and 2023), if performance conditions are met. In September 2021 the first Covid-19 tranche will vest as the 2018 LTI award has failed. In 2022 in the event that the 2019 LTI awards vests, the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).

Should an employee who receives this award resign within 12 months of a tranche of the award vesting, they will be required to repay the full amount of the vested tranche. Thereby the instrument represents up to a four year retention period.

Covid-19 instrument

R thousand	2020
AP Pullinger	19 273
M Vilakazi	16 638
HS Kellan	12 720
J Celliers	15 008
C De Kock	10 139
J Formby	8 700
P Monks (£ thousand)	689

3 OPERATING EXPENSES continued

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 risk related are for the account of the individuals.

R thousand	**2021**	2020
JR Formby	**6 073**	2 011
AP Pullinger	**3 442**	1 160

Long-term executive management retention scheme

LTEMRS[1] participation award made in December 2016	
Designation	**Awards (thousand)**
Executive directors	
AP Pullinger	188
HS Kellan	563
Prescribed officers	
J Celliers	469
J Formby	938
Previous executive directors and prescribed officers[2]	
JP Burger	188
C de Kock	938

1. *In addition to the group's existing long-term incentive plan, and in order 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 scheme, where members of the group's strategic 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 ten percent 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 R53.33, being the three-day volume weighted average price of the FirstRand share price at the date of award, being 15 December 2016. The scheme and the funding mechanism, ensures 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. Last year, Remco approved the extension of the scheme for two years from 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. The extension of the scheme is considered an amendment of terms and therefore an increased rate, linked to the real interest rate, has been applied to the outstanding funding.*
2. *JP Burger was CEO until 2018. C de Kock was a prescribe officer until 2020.*

Prescribed officers' outstanding incentives

The outstanding incentive disclosure has been prepared in the format required by King IV. King IV reporting requires the number of units of outstanding incentive schemes, the value of outstanding incentive schemes and value on settlement. The explanation of the basis of preparation of the remuneration tables is disclosed in the FirstRand remuneration report.

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
AP Pullinger				
Deferred share-linked STI awards				
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	
2021 (2-year deferral)	September 2021	5 032	September 2023	
Balance deferred share-linked STIs		**29 257**		
LTI awards under the CIP[5, 6]				
2017	September 2017	15 550	September 2020	
2018	September 2018	18 500	September 2021	
2019	September 2019	20 046	September 2022	
2020	September 2020	24 000	September 2023	
Balance LTIs		**78 096**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**6 424**	September 2021	
2020	September 2020	**6 424**	September 2022	
2020	September 2020	**6 425**	September 2023	
Balance Covid-19 award		**19 273**		
M Vilakazi				
Deferred share-linked STI awards				
2019 (2-year deferral)	September 2019	1 937	September 2021	
2019 (3-year deferral)	September 2019	1 938	September 2022	
2020 (2-year deferral)	September 2020	1 012	September 2022	
2020 (3-year deferral)	September 2020	1 013	September 2023	
2021 (2-year deferral)	September 2021	3 325	September 2023	
Balance deferred share-linked STIs		**9 225**		
LTI awards under the CIP[5, 6]				
2018 (buy-out award)	September 2018	14 000	September 2020	
2018 (annual allocation)	September 2018	8 500	September 2021	
2019	September 2019	10 775	September 2022	
2020	September 2020	11 184	September 2023	
Balance LTIs		**44 459**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**5 546**	September 2021	
2020	September 2020	**5 546**	September 2022	
2020	September 2020	**5 546**	September 2023	
Balance Covid-19 award		**16 638**		

	Units						
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2,3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	153 103	-	(153 103)	-	-	-	7 297
	78 221	-	-	-	-	78 221	-
	78 221	-	-	-	-	78 221	-
	48 738	-	-	-	-	48 738	-
	48 738	-	-	-	-	48 738	-
	-	-	-	-	-	-	-
	407 021	-	(153 103)	-	-	253 918	7 297
	289 410	-	-	(289 410)	-	-	-
	277 688	-	-	(277 688)	-	-	-
	307 455	-	-	-	-	307 455	-
	-	611 621	-	-	-	611 621	-
	874 553	611 621	-	(567 098)	-	919 076	-
	-	163 719	-	-	-	163 719	-
	-	163 719	-	-	-	163 719	-
	-	163 719	-	-	-	163 719	-
	-	491 157	-	-	-	491 157	-
	29 716	-	-	-	-	29 716	-
	29 716	-	-	-	-	29 716	-
	25 802	-	-	-	-	25 802	-
	25 802	-	-	-	-	25 802	-
	-	-	-	-	-	-	-
	111 036	-	-	-	-	111 036	-
	210 142	-	-	(210 142)	-	-	-
	127 586	-	-	(127 586)	-	-	-
	165 261	-	-	-	-	165 261	-
	-	285 015	-	-	-	285 015	-
	502 989	285 015	-	(337 728)	-	450 276	-
	-	141 331	-	-	-	141 331	-
	-	141 331	-	-	-	141 331	-
	-	141 331	-	-	-	141 331	-
	-	423 993	-	-	-	423 993	-

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
HS Kellan				
Deferred share-linked STI awards				
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	
2021 (2-year deferral)	September 2021	3 750	September 2023	
Balance deferred share-linked STIs		**14 217**		
LTI awards under the CIP[5, 6]				
2017	September 2017	9 500	September 2020	
2018	September 2018	12 000	September 2021	
2019	September 2019	13 440	September 2022	
2020	September 2020	13 950	September 2023	
Balance LTIs		**48 890**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	4 240	September 2021	
2020	September 2020	4 240	September 2022	
2020	September 2020	4 240	September 2023	
Balance Covid-19 award		**12 720**		
J Celliers				
Deferred share-linked STI awards				
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	
2021 (2-year deferral)	September 2021	5 850	September 2023	
Balance deferred share-linked STIs		**22 287**		
LTI awards under the CIP[5, 6]				
2017	September 2017	12 850	September 2020	
2018	September 2018	14 500	September 2021	
2019	September 2019	15 515	September 2022	
2020	September 2020	16 100	September 2023	
Balance LTIs		**58 965**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	5 003	September 2021	
2020	September 2020	5 003	September 2022	
2020	September 2020	5 002	September 2023	
Balance Covid-19 award		**15 008**		

	Units						
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2,3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	60 041	-	(60 041)	-	-	-	2 862
	31 959	-	-	-	-	31 959	-
	31 959	-	-	-	-	31 959	-
	29 306	-	-	-	-	29 306	-
	29 306	-	-	-	-	29 306	-
	-	-	-	-	-	-	-
	182 571	-	(60 041)	-	-	122 530	2 862
	176 809	-	-	(176 809)	-	-	-
	180 122	-	-	(180 122)	-	-	-
	206 136	-	-	-	-	206 136	-
	-	355 530	-	-	-	355 530	-
	563 067	355 530	-	(356 931)	-	561 666	-
	-	108 053	-	-	-	108 053	-
	-	108 053	-	-	-	108 053	-
	-	108 053	-	-	-	108 053	-
	-	324 159	-	-	-	324 159	-
	90 061	-	(90 061)	-	-	-	4 292
	48 217	-	-	-	-	48 217	-
	48 217	-	-	-	-	48 217	-
	52 880	-	-	-	-	52 880	-
	52 880	-	-	-	-	52 880	-
	-	-	-	-	-	-	-
	292 255	-	(90 061)	-	-	202 194	4 292
	239 158	-	-	(239 158)	-	-	-
	217 647	-	-	(217 647)	-	-	-
	237 961	-	-	-	-	237 961	-
	-	410 296	-	-	-	410 296	-
	694 766	410 296	-	(456 805)	-	648 257	-
	-	127 485	-	-	-	127 485	-
	-	127 485	-	-	-	127 485	-
	-	127 484	-	-	-	127 484	-
	-	382 454	-	-	-	382 454	-

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
J Formby				
Deferred share-linked STI awards				
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	
2021 (2-year deferral)	September 2021	7 775	September 2023	
Balance deferred share-linked STIs		**36 150**		
LTI awards under the CIP[5, 6]				
2017	September 2017	7 900	September 2020	
2018	September 2018	8 300	September 2021	
2019	September 2019	9 100	September 2022	
2020	September 2020	12 150	September 2023	
Balance LTIs		**37 450**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**2 900**	September 2021	
2020	September 2020	**2 900**	September 2022	
2020	September 2020	**2 900**	September 2023	
Balance Covid-19 award		**8 700**		
P Monks (£ thousand)				
Deferred share-linked STI awards[8]				
2018 (2-year deferral)	September 2018	38	September 2020	
2018 (3-year deferral)	September 2018	38	September 2021	
2019 (1-year deferral)	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, 2, and 3-year deferral)	September 2020	-	September 2021/2/3	
2021 (1, 2, and 3-year deferral)	September 2021	-	September 2022/3/4	
Balance deferred share-linked STIs		**264**		
LTI awards under the CIP[5, 6]				
2018	September 2018	633	September 2021	
2019	September 2019	649	September 2022	
2020	September 2020	689	September 2023	
Balance LTIs		**1 971**		
LTI awards under the Covid-19 scheme[7]				
2020	September 2020	**230**	September 2021	
2020	September 2020	**230**	September 2022	
2020	September 2020	**229**	September 2023	
Balance Covid-19 award		**689**		

	Units[9]						
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number awards[2, 3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	165 112	-	(165 112)	-	-	-	7 869
	84 356	-	-	-	-	84 356	-
	84 356	-	-	-	-	84 356	-
	81 230	-	-	-	-	81 230	-
	81 230	-	-	-	-	81 230	-
	-	-	-	-	-	-	-
	496 284	-	(165 112)	-	-	331 172	7 869
	147 031	-	-	(147 031)	-	-	-
	124 584	-	-	(124 584)	-	-	-
	139 571	-	-	-	-	139 571	-
	309 633	-	-	-	-	309 633	-
	720 819	-	-	(271 615)	-	449 204	-
	-	73 904	-	-	-	73 904	-
	-	73 904	-	-	-	73 904	-
	-	73 905	-	-	-	73 905	-
	-	**221 713**	**-**	**-**	**-**	**221 713**	**-**
	-	-	-	-	-	-	22
	-	-	-	-	-	-	-
	-	-	-	-	-	-	38
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	60
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**

3 OPERATING EXPENSES continued

	Issue date	Value at grant date R thousand	Settlement date	
S Cooper (£ thousand)				
Deferred share-linked STI awards[8]				
2021 (1-year deferral)	September 2021	11	September 2022	
2021 (2-year deferral)	September 2021	11	September 2023	
2021 (3-year deferral)	September 2021	10	September 2024	
Balance deferred share-linked STIs		**32**		
LTI awards under the CIP				
2020	September 2020	-	September 2023	
Balance LTIs		**-**		
JP Burger (R thousand)				
Deferred share-linked STI awards				
2018	September 2018	12 674	September 2020	
Balance deferred share-linked STIs		**12 674**		
LTI awards under the CIP				
2017	September 2017	19 500	September 2020	
Balance LTIs		**19 500**		
C De Kock[10]				
Deferred share-linked STI awards				
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	
2021 (2-year deferral)	September 2021	-	September 2023	
Balance deferred share-linked STIs		**6 563**		
LTI awards under the CIP[5, 6]				
2017	September 2017	9 844	September 2020	
2018	September 2018	9 844	September 2021	
2019	September 2019	10 435	September 2022	
2020	September 2020	-	September 2023	
Balance LTIs		**30 123**		

	Units[9]						
	Opening balance	Awards made during year[3]	Number of awards settled in year	Number of awards forfeited in year	No longer meets definition	Closing number of awards[2, 3] 30 Jun 2021	Value on settlement in 2021[4] R thousand
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	190 329	-	(190 329)	-	-	-	9 067
	190 329	-	(190 329)	-	-	-	9 067
	362 925	-	-	(362 925)	-	-	-
	362 925	-	-	(362 925)	-	-	-
	41 278	-	-	-	(41 278)	-	-
	21 089	-	-	-	(21 089)	-	-
	21 089	-	-	-	(21 089)	-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
	-	-	-	-		-	-
	83 456	-	-	-	(83 456)	-	-
	183 212	-	-	-	(183 212)	-	-
	147 760	-	-	-	(147 760)	-	-
	160 041	-	-	-	(160 041)	-	-
	-	-	-	-		-	-
	491 013	-	-	-	(491 013)	-	-

3 OPERATING EXPENSES continued

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 results announcement, therefore the number of deferred shared-linked STI award units allocated in 2021 are only calculated after the annual financial statements are issued.*
2. *Deferred share-linked STI awards vesting depends on continued employment over two years. Previously for the executive directors and prescribed officers (2019 and 2020) vesting was equally split over two and three years.*
3. *FirstRand does not apply graded vesting to LTI awards allocated before September 2019, with awards thereafter having graded vesting. For these incentive schemes, LTI vesting depends on performance conditions and targets being met on a cumulative basis over three years. The group does not apply a probability of vesting to the unvested awards and the assumption is 100% vesting up until the final remuneration committee decision, given the current environment and uncertainty in quantifying the probability of vesting. For information purposes, the maximum possible value of the unvested awards as at June 2021 is the market value of the total number of shares at R53.59 per share on the last trading day of the financial year (30 June 2021).*
4. *The values at settlement date include share price growth and interest earned (Deferred share-linked STI awards) from grant date.*
5. *The 2018 LTIs failed based on the performance conditions not being met on a cumulative three-year basis, up to 30 June 2021, as such the first tranche of the Covid-19 instrument will vest and be settled in September 2021 with the performance conditions being tested as at June 2022 and clawback could be applicable if the Covid-19 award performance conditions are not met.*
6. *Based on prevailing conditions, the vesting of the 2019 LTIs awards are at risk and if forfeited next year the second tranche of the Covid-19 award will vests in September 2022 with the performance conditions being tested as at June 2023 and clawback could be applicable if the Covid-19 award performance conditions are not met.*
7. *The Covid-19 retention instrument was awarded in September 2020. The value was 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) if the performance conditions are met. In the event that the 2018 and 2019 LTI awards do vest, only the higher of the Covid-19 instrument vesting tranche or the outstanding LTI awards will vest (not both).*
8. *The Aldermore performance related STI share linked component is released in equal annual tranches over three years from grant date.*
9. *Aldermore incentive awards are not convertible into units.*
10. *Chris de Kock was no longer a prescribed officer effective 1 July 2020, therefore the disclosure is not applicable for the current year.*

4 INDIRECT TAX AND INCOME TAX EXPENSE

	R million	2021	2020
4.1	**Indirect tax**		
	Value-added tax (net)	**(1 008)**	(810)
	Total indirect tax	**(1 008)**	(810)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(7 520)**	(3 759)
	- Current year	**(7 535)**	(3 714)
	- Prior year adjustment	**15**	(45)
	Deferred income tax	**786**	651
	- Current year	**791**	703
	- Prior year adjustment	**(5)**	(52)
	Total South African income tax	**(6 734)**	(3 108)
	Foreign company and withholding tax	**(1)**	(1)
	- Current year	**(1)**	(1)
	Total foreign company and withholding tax	**(1)**	(1)
	South African capital gains tax	**(55)**	-
	- Deferred capital gains tax	**(55)**	-
	Total capital gains tax	**(55)**	-
	Withholding tax on dividends	**(2)**	-
	Total income tax expense	**(6 792)**	(3 109)

Tax rate reconciliation

%	2021	2020
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend income	**(3.6)**	(7.4)
Non-taxable income*	**(0.4)**	(3.9)
Prior year adjustments	**-**	0.5
Effect of capital gains tax rate	**0.1**	-
Disallowed expenditure**	**1.7**	1.4
Other items	**(0.3)**	(0.8)
Effective rate of tax	**25.5**	17.8

* *Non-taxable translation gains and losses on preference shares.*

** *The majority of the disallowed expense relates to non-deductible translation losses.*

5 ANALYSIS OF ASSETS AND LIABILITIES

5.1 Analysis of assets

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

	2021			
		At fair value through profit or loss		
R million	**Amortised cost**	**Mandatory**	**Designated**	
ASSETS				
Cash and cash equivalents	**99 646**	**-**	**-**	
Derivative financial instruments	**-**	**61 333**	**-**	
Investment securities	**104 129**	**159 469**	**53**	
Advances	**765 694**	**83 943**	**8 318**	
Other assets	**3 265**	**-**	**-**	
Non-current assets and disposal groups held for sale	**-**	**-**	**-**	
Amounts due by holding company and fellow subsidiaries	**58 393**	**8 715**	**-**	
Non-financial assets	**-**	**-**	**-**	
Total assets	**1 031 127**	**313 460**	**8 371**	

	2020			
		At fair value through profit or loss		
R million	Amortised cost	Mandatory	Designated	
ASSETS				
Cash and cash equivalents	99 781	-	-	
Derivative financial instruments	-	108 167	-	
Investment securities	109 793	92 510	51	
Advances	802 746	57 925	7 269	
Other assets	2 970	-	-	
Non-current assets and disposal groups held for sale	1 558	-	-	
Amounts due by holding company and fellow subsidiaries	51 228	16 081	-	
Non-financial assets	-	-	-	
Total assets	1 068 076	274 683	7 320	

2021							
	At fair value through other comprehensive income		**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
	Debt	**Equity**					
	-	**-**	**-**	**-**	**99 646**	**99 646**	**-**
	-	**-**	**9 441**	**-**	**70 774**	**61 693**	**9 081**
	9 796	**319**	**-**	**-**	**273 766**	**179 887**	**93 879**
	-	**-**	**-**	**-**	**857 955**	**312 838**	**545 117**
	-	**-**	**-**	**1 663**	**4 928**	**3 047**	**1 881**
	-	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**67 108**	**38 215**	**28 893**
	-	**-**	**-**	**40 852**	**40 852**	**18 672**	**22 180**
	9 796	**319**	**9 441**	**42 515**	**1 415 029**	**713 998**	**701 031**

2020							
	At fair value through other comprehensive income		Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
	Debt	Equity					
	-	-	-	-	99 781	99 781	-
	-	-	12 344	-	120 511	108 732	11 779
	6 047	625	-	-	209 026	112 185	96 841
	-	-	-	-	867 940	307 832	560 108
	-	-	-	2 179	5 149	3 026	2 123
	-	-	-	-	1 558	1 558	-
	-	-	-	-	67 309	39 107	28 202
	-	-	-	43 438	43 438	21 343	22 095
	6 047	625	12 344	45 617	1 414 712	693 564	721 148

5 ANALYSIS OF ASSETS AND LIABILITIES continued

5.2 Analysis of liabilities

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

	2021			
	Amortised	**At fair value through profit or loss**		
R million	**cost**	**Mandatory**	**Designated**	
LIABILITIES				
Short trading positions	**-**	**18 660**	**-**	
Derivative financial instruments	**-**	**62 728**	**-**	
Creditors, accruals and provisions	**9 091**	**-**	**-**	
Deposits	**1 090 296**	**35 203**	**10 086**	
Liabilities directly associated with disposal groups classified as held for sale	**-**	**-**	**-**	
Other liabilities	**2 864**	**-**	**669**	
Amounts due to holding company and fellow subsidiaries	**17 167**	**10 047**	**-**	
Tier 2 liabilities	**18 813**	**-**	**-**	
Non-financial liabilities	**-**	**-**	**-**	
Total liabilities	**1 138 231**	**126 638**	**10 755**	

	2020			
	Amortised	At fair value through profit or loss		
R million	cost	Mandatory	Designated	
LIABILITIES				
Short trading positions	-	4 786	-	
Derivative financial instruments	-	124 101	-	
Creditors, accruals and provisions	9 026	-	-	
Deposits	1 043 012	37 693	8 247	
Liabilities directly associated with disposal groups classified as held for sale	85	-	-	
Other liabilities*	2 875	-	577	
Amounts due to holding company and fellow subsidiaries	19 867	16 387	-	
Tier 2 liabilities	22 322	-	-	
Non-financial liabilities	-	-	-	
Total liabilities	1 097 187	182 967	8 824	

* *Comparative information has been represented to reflect lease liabilities as non-financial liabilities.*

2021					
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current and non-contractual**
	-	**-**	**18 660**	**18 660**	**-**
	7 994	**-**	**70 722**	**62 685**	**8 037**
	-	**6 723**	**15 814**	**13 385**	**2 429**
	-	**-**	**1 135 585**	**980 807**	**154 778**
	-	**-**	**-**	**-**	**-**
	-	**1 554**	**5 087**	**1 109**	**3 978**
	-	**-**	**27 214**	**27 185**	**29**
	-	**-**	**18 813**	**1 619**	**17 194**
	-	**10 755**	**10 755**	**6 434**	**4 321**
	7 994	**19 032**	**1 302 650**	**1 111 884**	**190 766**

2020					
	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
	-	-	4 786	4 786	-
	10 387	-	134 488	124 243	10 245
	-	5 324	14 350	11 721	2 629
	-	-	1 088 952	921 211	167 741
	-	-	85	85	-
	-	1 803	5 255	1 234	4 021
	-	-	36 254	36 204	50
	-	-	22 322	4 762	17 560
	-	8 182	8 182	4 812	3 370
	10 387	15 309	1 314 674	1 109 058	205 616

6 CASH AND CASH EQUIVALENTS

R million	2021	2020
Coins and bank notes	**8 569**	8 240
Money at call and short notice	**54 993**	65 155
Balances with central banks*	**36 084**	26 386
Mandatory reserve balance with central banks	**35 239**	26 225
Other balances with central banks not included in mandatory reserve balance	**845**	161
Total cash and cash equivalents**	**99 646**	99 781

* *Balance with central banks has been disaggregated into mandatory reserves and other balances. The total balance with central banks previously reported has not changed.*

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

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

For further details on the valuation of derivatives refer to note 28.

Qualifying for hedging accounting

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

The bank defines interest rate risk in the banking book (IRRBB) as the sensitivity of the statement of financial position and income statement to unexpected adverse movements in interest rates. IRRBB and equity price risk are managed by Group Treasury and the FirstRand asset, liability and capital committee (ALCCO) under approved policies. For further details on the bank's approach to managing interest rate risk and market risk, refer to note 32.

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

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

Held for trading activities

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

	2021		2020	
R million	**Notional**	**Fair value**	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**210 228**	**8 937**	327 246	11 785
- Interest rate derivatives	**208 955**	**8 272**	327 109	11 783
- Equity derivatives	**1 273**	**665**	137	2
Fair value hedges	**28 312**	**504**	10 692	559
- Interest rate derivatives	**28 312**	**504**	10 692	559
Held for trading	**4 832 716**	**61 333**	7 679 025	108 167
Currency derivatives	**259 859**	**8 948**	299 060	15 266
Interest rate derivatives	**4 468 335**	**49 138**	7 280 489	89 577
Equity derivatives	**59 471**	**2 758**	66 423	2 248
Commodity derivatives	**27 159**	**281**	18 039	754
Energy derivatives	**3 688**	**119**	799	175
Credit derivatives	**14 204**	**89**	14 215	147
Total	**5 071 256**	**70 774**	8 016 963	120 511
Exchange traded	**27 307**	**41**	80 610	50
Over the counter	**5 043 949**	**70 733**	7 936 353	120 461
Total	**5 071 256**	**70 774**	8 016 963	120 511

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – liabilities

	2021		2020	
R million	**Notional**	**Fair value**	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**271 024**	**7 298**	212 913	9 232
- Interest rate derivatives	**268 890**	**6 900**	210 317	8 047
- Equity derivatives	**2 134**	**398**	2 596	1 185
Fair value hedges	**21 924**	**696**	12 727	1 155
- Interest rate derivatives	**21 924**	**696**	12 727	1 155
Held for trading	**4 975 800**	**62 728**	7 775 600	124 101
Currency derivatives	**212 583**	**11 530**	295 913	27 656
Interest rate derivatives	**4 684 382**	**48 022**	7 381 549	89 684
Equity derivatives	**60 239**	**2 659**	65 764	4 292
Commodity derivatives	**12 312**	**338**	26 101	1 968
Energy derivatives	**2 691**	**89**	457	111
Credit derivatives	**3 593**	**90**	5 816	390
Total	**5 268 748**	**70 722**	8 001 240	134 488
Exchange traded	**39 968**	**41**	21 355	292
Over the counter	**5 228 780**	**70 681**	7 979 885	134 196
Total	**5 268 748**	**70 722**	8 001 240	134 488

Refer to note 30 for information on related party derivatives.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Fair value hedges

Interest rate risk

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

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

Where a hedging relationship involves government bonds classified at FVOCI designated as the hedged item, the hedged risk is the change in the fair value due to changes in the benchmark interest rate. However, the benchmark interest rate component of the coupon cash flows plus the principal is designated as the hedged item. Due to liquidity and other assessments made, the interest rate swap curve is regarded as the best indicator of the interest rate risk and as such the benchmark interest rate is obtained from the interest rate swap curve denominated in the exposure's currency. The swap curve enables the measurement of the benchmark interest rate component on designation. The difference between the benchmark rate and the base rate is therefore excluded from the hedge risk designated. As such, the benchmark interest rate risk is the component being hedged, while other risks such as credit risk is managed but not hedged by the group. This benchmark interest rate risk comprises the majority of the hedged items' fair value risk. For all other hedged items, the complete cash flow of the underlying financial asset or financial liability is designated as the hedged item, where the credit risk is proven not to dominate the fair value movements as a result of this risk.

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

The designated hedged items attract fixed-interest cash flows, which expose the bank to the risk of changes in the hedged item's fair value attributable to changes in the benchmark interest rate embedded in the hedge item. The bank enters into a variety of collateralised fixed-for-floating vanilla interest rate swaps.

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

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

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

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

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

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

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

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

The reliefs provided by the amendments that apply to the bank are as follows:

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

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

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

These derivatives will be transitioned via ISDA protocols. Refer to note 32.4.1 *Interest rate risk in the banking book* for a detailed explanation on how FirstRand is managing the transition to alternative risk-free rates.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	**2021** **Interest rate risk** **Notional amount**	2020 Interest rate risk Notional amount
Derivative asset		
4 — 12 months	**-**	-
> 12 months	**12 533**	9 997
Total	**12 533**	9 997
Derivative liability		
4 — 12 months	**456**	-
> 12 months	**12 185**	17 694
Total	**12 641**	17 694

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

R million	**2021** **Average rate** **Interest rate risk** **%**	2020 Average rate Interest rate risk %
Derivative asset		
4 — 12 months	**-**	-
> 12 months	**6**	5
Derivative liability		
4 — 12 months	**3**	-
> 12 months	**4**	5

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	2021		
	Advances*	**Investment securities**	**Funding liabilities****
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	**583**	**18 041**	**7 188**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**3**	**643**	**241**
Total carrying amount of hedged items	**586**	**18 684**	**7 429**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**(64)**	**-**

** All amounts relate to the macro hedging portfolio to which a dynamic hedging strategy is applied.*

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

R million	2020		
	Advances*	Investment securities	Funding liabilities**
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	-	16 403	8 874
Accumulated fair value hedge adjustments for instruments that are actively hedged	-	1 307	562
Total carrying amount of hedged items	-	17 710	9 436
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	-	-	(11)

** All amounts relate to the macro hedging portfolio to which a dynamic hedging strategy is applied. In the prior year, the fair value macro hedges failed to qualify for hedge accounting. The on-balance sheet fair value adjustment related to these failed macro hedges is R9 million and was disclosed in other assets.*

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

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

R million	**2021**	2020
Interest rate risk		
Changes in fair value for the year arising on hedging instruments		
- Interest rate derivatives	**126**	(691)
On hedged items attributable to the hedged risk	**(134)**	773
- Advances	**(2)**	-
- Investment securities – amortised cost*	**(622)**	866
- Investment securities – FVOCI*	**185**	205
- Funding liabilities**	**305**	(298)
Ineffectiveness recognised in NIR	**(8)**	82

** The investment securities line has been disaggregated into balances measured at amortised cost and at FVOCI. The total for investment securities previously reported has not changed.*

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

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

- variable Johannesburg interbank average rate (JIBAR) linked advances (cash flow interest rate risk);
- variable overnight financial liabilities (cash flow interest rate risk); and
- the bank's share incentive scheme (cash flow equity price risk).

Interest rate risk

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

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

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

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

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

Equity price risk

Equity price risk exists within the bank's employee share incentive schemes that enable key management personnel and employees to benefit from the performance of FirstRand's share price. Refer to note 26 for further details.

These share incentive schemes, which are accounted for as cash-settled share-based payments in terms of IFRS 2, expose the bank to cash flow equity price risk due to the volatility in the share price of FirstRand. The fair value of the IFRS 2 liability, which is predominantly driven by movements in the FirstRand share price, is economically hedged with various total return swaps (TRS). When the share price increases/decreases, the share-based payment (SBP) expense increases/decreases in line with the share price movement. Similarly, the fair value gain of the TRS will increase/decreases for the share price component of the derivative in line with the increase/decrease in share price. Critical terms such as notional amounts and maturity dates are matched, resulting in a hedge ratio of 1:1. Thus changes in the cash flows of the hedged item and the hedging instrument are expected to offset each other, resulting in an economic relationship being present between the SBP expense and the TRS.

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

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

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Due to the IFRS 2 award not vesting in the current year and prior period, the hedging relationship for the schemes no longer qualified for hedge accounting.

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

	2021		2020	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
Derivative assets				
1 — 3 months	**5 048**	**-**	19 274	-
4 — 12 months	**39 209**	**1 273**	126 079	-
>12 months	**164 698**	**-**	181 756	137
Total	**208 955**	**1 273**	327 109	137
Derivative liabilities				
1 — 3 months	**10 354**	**327**	11 630	-
4 — 12 months	**88 633**	**292**	56 686	-
>12 months	**169 903**	**1 515**	142 001	2 596
Total	**268 890**	**2 134**	210 317	2 596

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

	2021		2020	
	Average rate/share price		Average rate/price	
R million	**Interest rate risk (%)**	**Equity price risk ZAR**	Interest rate risk (%)	Equity price risk ZAR
Derivative assets				
1 — 3 months	**7**	**-**	7	-
4 — 12 months	**5**	**35**	6	-
>12 months	**6**	**-**	7	34
Derivative liabilities				
1 — 3 months	**6**	**10**	7	-
4 — 12 months	**5**	**7**	7	-
>12 months	**7**	**45**	7	59

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	**2021**			2020		
	Interest rate risk	**Equity price risk**	**Total**	Interest rate risk*	Equity price risk	Total
Changes in fair value for the year						
On hedging instrument:	**(1 318)**	**232**	**(1 086)**	2 346	1 014	3 360
- Interest rate derivative	**(1 318)**	**-**	**(1 318)**	2 346	-	2 346
- Equity derivatives	**-**	**232**	**232**	-	1 014	1 014
On the hedged item subject to the hedged risk	**1 350**	**(258)**	**1 092**	(2 333)	(1 405)	(3 738)
- Advances	**4**	**-**	**4**	(1 930)	-	(1 930)
- Other funding liabilities	**1 346**	**-**	**1 346**	(403)	-	(403)
- Share based-payment liability	**-**	**(258)**	**(258)**	-	(1 405)	(1 405)
Ineffectiveness recognised in NIR and operating expense	**32**	**(26)**	**6**	13	(391)	(378)

** In the prior period, for the interest rate risk, the net amount of the hedged item was reflected in advances.The comparative number has been expanded in line with the current year to reflect the gross amount of the hedged items subject to interest rate risk hedge accounting. The net amount of R2 333 million was presented in the prior period.*

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

	2021		
R million	**Interest rate risk**	**Equity price risk***	**Total**
Cash flow hedge reserve – opening balance	**2 629**	**(569)**	**2 060**
(Losses)/gains recognised in reserves in the current year	**(518)**	**1 399**	**881**
Deferred tax on reserve movement	**557**	**(275)**	**282**
Transfers to NII, and operating expenses (staff costs)	**(1 473)**	**(417)**	**(1 890)**
Hedged item affects profit or loss	**(1 266)**	**(412)**	**(1 678)**
Hedged future cash flows no longer expected to occur	**(207)**	**(5)**	**(212)**
Cash flow hedge reserve – closing balance	**1 195**	**138**	**1 333**
Cash flow hedge reserve relating to continuing hedges	**1 092**	**138**	**1 230**
Cash flow hedge reserve relating to discontinued hedges	**103**	**-**	**103**
Cash flow hedge reserve – closing balance	**1 195**	**138**	**1 333**

	2020		
R million	Interest rate risk	Equity price risk*	Total
Cash flow hedge reserve – opening balance	568	273	841
Gains/(losses) recognised in reserves in the current year	2 961	(2 304)	657
Deferred tax on reserve movement	(802)	328	(474)
Transfers to NII, and operating staff costs	(98)	1 134	1 036
Hedged item affects profit or loss	144	1 128	1 272
Hedged future cash flows no longer expected to occur	(242)	6	(236)
Cash flow hedge reserve – closing balance	2 629	(569)	2 060
Cash flow hedge reserve relating to continuing hedges	2 631	(569)	2 062
Cash flow hedge reserve relating to discontinued hedges	(2)	-	(2)
Cash flow hedge reserve – closing balance	2 629	(569)	2 060

** Due to the IFRS 2 award not vesting in the current and prior financial year, the hedging relationship for these relevant schemes no longer qualified for hedge accounting. The TRS derivative designated as part of this hedging relationship was therefore classified as held for trading, with fair value movements being recognised in NIR, and the portion of the cash flow hedge reserve which related to this hedge relationship was released to profit or loss.*

8 COMMODITIES

R million	2021	2020
Agricultural commodities	**4 838**	1 553
Gold	**12 839**	19 695
Platinum group metals	**964**	96
Total commodities	**18 641**	21 344

9 INVESTMENT SECURITIES

R million	2021	2020
Treasury bills	**90 491**	37 146
Other government and government guaranteed stock	**159 834**	145 577
Other dated securities	**17 033**	18 415
Equities	**6 547**	7 931
Total gross carrying amount of investment securities	**273 905**	209 069
Loss allowance on investment securities	**(139)**	(43)
Total investment securities	**273 766**	209 026

Analysis of the impairment stages of investment securities

	2021			
	Amortised cost		**FVOCI (debt)**	
R million	**Carrying amount**	**ECL allowance**	**Carrying amount**	**ECL allowance**
Stage 1	**103 217**	**121**	**9 796**	**-**
Stage 2	**1 051**	**18**	**-**	**-**
Total investment securities	**104 268**	**139**	**9 796**	**-**

There were no movements between impairment stages during the current and prior financial year. ECL for FVOCI debt instruments are calculated using the loss rate approach and is immaterial.

	2020			
	Amortised cost		FVOCI (debt)	
R million	Carrying amount	ECL allowance	Carrying amount	ECL allowance
Stage 1	108 521	19	6 047	-
Stage 2	1 316	24	-	-
Total investment securities	109 837	43	6 047	-

9 INVESTMENT SECURITIES continued

Repurchase agreements

The table below sets out the details of investment securities that have been transferred in terms of repurchase agreements.

	Investment securities and other investments		**Associated liabilities recognised in deposits**	
R million	**2021**	2020	**2021**	2020
Repurchase agreements	**17 663**	19 862	**16 361**	19 500

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

The fair value of the investment securities is R17 446 million (2020: R19 891 million) and that of the associated liabilities is R16 453 million (2020: R19 575 million).

Equity investments designated at fair value through other comprehensive income

The fair value of strategic equity investments of the bank which have been classified as non-trading equity instruments designated on initial recognition as measured at FVOCI is R319 million (2020: R625 million). These strategic investments mainly relate to the bank's investments in African Bank and CLS Group Holdings. The FVOCI measurement was deemed more appropriate because these are strategic investments that the bank does not plan on selling. The fair value of the bank's investment in African Bank Holdings Limited declined in the current and prior year.

10 ADVANCES

10.1 Category analysis of advances

R million	Notes	2021	2020
Overdrafts and cash management accounts		**60 481**	72 364
Term loans		**48 984**	54 349
Card loans		**34 331**	32 415
Instalment sales, hire purchase agreements and lease payments receivable		**117 661**	123 206
Property finance		**253 223**	250 186
Personal loans		**49 376**	52 236
Preference share agreements		**39 367**	38 418
Assets under agreement to resell		**65 058**	26 618
Investment bank term loans		**126 196**	147 763
Long-term loans to group associates and joint ventures		**300**	529
Other		**30 135**	36 315
Total customer advances		**825 112**	834 399
Marketable advances		**71 312**	71 313
Gross value of advances		**896 424**	905 712
Impairment and credit of fair value advances	11	**(38 469)**	(37 772)
Net advances		**857 955**	867 940

10 ADVANCES

10.2 Analysis of hire purchase and lease payments receivable

R million	2021	2020*
Within 1 year	**28 648**	29 272
Between 1 and 2 years	**26 755**	28 684
Between 2 and 3 years	**23 894**	25 339
Between 3 and 4 years	**19 959**	21 384
Between 4 and 5 years	**14 026**	16 240
More than 5 years	**9 176**	8 741
Total gross amount**	**122 458**	129 660
Unearned finance charges	**(23 096)**	(25 427)
Net amount of hire purchase and lease payments receivable	**99 362**	104 233
Instalment sales	**18 299**	18 973
Total instalment sales, hire purchase agreements and lease payments receivable	**117 661**	**123 206**

**The prior year amounts have been restated. Previously, the maturity analysis included instalment sales receivable of R18 973 million. The balances have been restated to only reflect the maturity analysis of hire purchase and lease payments receivable which meet the definition of a finance lease receivable. The maturity period between one and five years has been disaggregated in the current period to reflect the undiscounted lease payments receivable on an annual basis for each of the first five years.*

***WesBank originates lease receivables within the bank. The decline in the total gross amount is attributable to decline new business volumes and reduced approval rates as credit scores declined.*

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

2020 – as previously reported						
	Gross cash flows			Unearned finance charge		
R million	Instalment sale, hire purchase and lease payments receivable	Instalment sale	Restated gross amount	Less: unearned finance charges	Instalment sale	Restated net amount
Within 1 year	38 936	(9 664)	29 272	(6 732)		
Between 1 and 5 years	102 812	(11 165)	91 647	(19 124)		
More than 5 years	9 135	(394)	8 741	(1 821)		
Total	150 883	(21 223)	129 660	(27 677)	2 250	(25 427)

10 ADVANCES continued

Transfers and derecognition of advances in structured transactions

Transfers without derecognition

Advances with the carrying amount of R16 600 million (2020: R21 104 million) have been transferred in terms of a structured transaction. The associated liability is an intercompany liability between the bank and a subsidiary of FirstRand Investment Holdings Limited.

10.3 Securitisation transactions

The following bankruptcy remote structured entities were created over the course of many years to facilitate traditional securitisation transactions for WesBank retail instalment sale advances (Nitro 6, Nitro Programme and FAST) and for MotoNovo retail hire purchase advances (Turbo Finance 8, MotoFirst, MotoPark and MotoWay). These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utilised to purchase additional advances post year end. The remaining transactions are in run down with no expected extensions.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2021	2020	**2021**	2020
FAST	July 2016	R6.8 billion	**9 883**	10 727	**9 164**	10 251
MotoFirst	October 2017	£400 million	**4 821**	11 766	**4 873**	11 781
MotoPark	January 2018	£540 million	**2 919**	7 555	**2 835**	7 620
Nitro 6	April 2018	R2 billion	**379**	745	**305**	677
Turbo Finance 8	November 2018	£400 million	**1 283**	3 665	**1 325**	3 705
Nitro Programme	May 2019	R2 billion	**861**	1 391	**808**	1 362
MotoWay	September 2019	£583 million	**5 351**	12 622	**5 590**	12 779

10 ADVANCES continued

10.4 Type of continuing involvement

The table below sets out the financial information about the continuing involvement in transferred financial assets which have been derecognised in their entirety.

	2021				
	Carrying amount of continuing involvement recognised in the statement of financial position		**Fair value of continuing involvement**		**Maximum exposure to loss**
R million	**Assets**	**Liabilities**	**Assets**	**Liabilities**	
Traditional securitisation transactions					
Derivative financial instruments	**51**	**142**	**51**	**142**	**4 833**
Investment securities and other investments	**6 033**	**1 965**	**6 036**	**1 965**	**6 033**
Other structured transactions					
Marketable advances	**1 266**	**-**	**1 266**	**-**	**1 266**
Total	**7 350**	**2 107**	**7 353**	**2 107**	**12 132**

	2020				
	Carrying amount of continuing involvement recognised in the statement of financial position		Fair value of continuing involvement		Maximum exposure to loss
R million	Assets	Liabilities	Assets	Liabilities	
Traditional securitisation transactions					
Derivative financial instruments	229	1 604	229	1 604	5 331
Investment securities and other investments	9 989	1 955	9 992	1 955	9 989
Other structured transactions					
Marketable advances	1 371	-	1 371	-	1 371
Total	11 589	3 559	11 592	3 559	16 691

The maximum exposure to loss from continuing involvement in derecognised financial assets is the total loss that the bank would suffer in a worst-case scenario, such as if the underlying derecognised financial asset were to lose all of its value. This includes any off-balance sheet commitments or contingencies related to the derecognised financial asset.

The maximum exposure to loss from continuing involvement through clean-up calls, included in derivatives, is determined as the agreed upon amount the bank may need to pay to repurchase a financial asset that has no value. Although the bank is not obliged to, it may decide to exercise the clean-up options even if the remaining assets are worth less than the exercise price of the options. The maximum exposure to loss from continuing involvement through derivatives is determined as any payments the bank is obligated to make in terms of the derivative contract (such as interest payments) that is based on the value of the underlying transferred financial assets. In the case of clean-up calls, maximum exposure to loss would be 10% of the value at issue.

10 ADVANCES continued

10.4 Type of continuing involvement continued

The maximum exposure to loss from continuing involvement through notes issued by the structured entity and held by the bank is determined as the value of the notes recognised as marketable advances by the bank.

The table below sets out the profit or loss impact of transfers of financial assets which are derecognised in their entirety.

	2021			2020		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Gain at date of transfer	**586**	**-**	**586**	1 844	-	1 844
Income recognised from continuing involvement	**3 095**	**142**	**3 237**	3 236	98	3 334
- for the current period	**424**	**27**	**451**	874	10	884
- cumulative	**2 671**	**115**	**2 786**	2 362	88	2 450

The table below sets out the undiscounted cash flows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred financial assets as at 30 June. It also sets out the maturity analysis of these undiscounted cash flows.

	2021			2020		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Total undiscounted cash outflows	**22 343**	**-**	**22 343**	41 251	-	41 251
- Call	**522**	**-**	**522**	255	-	255
- 1 to 3 months	**1 915**	**-**	**1 915**	1 019	-	1 019
- 4 to 12 months	**6 653**	**-**	**6 653**	4 671	-	4 671
- 1 to 5 years	**13 253**	**-**	**13 253**	35 306	-	35 306
- Over 5 years	**-**	**-**	**-**	-	-	-

10 ADVANCES continued

10.5 Analysis of advances per class

Basis of preparation of the analysis of advances per class

Temporary stress scenario

Given the unprecedented event-driven uncertainty in South Africa's already fragile economy, the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the pandemic, the bank incorporated a short-term forward-looking scenario at 30 June 2021 as a temporary measure to capture the extreme uncertainty. The group believes that the advances within the retail and commercial portfolio will be the hardest hit in the short term and as such, the stress scenario has only been applied to these portfolios. Due to the temporary nature of this stress scenario, the impact on the staging of the gross carrying amount and the additional ECL attributable to this scenario has been separately presented in all tables where information is shown per class in the line *Temporary stress scenario*.

RMB corporate and investment banking

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

In the current year, due to a change in the internal structures, the bank no longer sees a distinction between RMB corporate and RMB investment banking and concluded that a single class of customer will be shown

The bank has therefore combined RMB corporate and RMB investment banking, which had been presented separately in the prior period, and presents it as a single class in the current year. The bank has voluntarily updated the comparative information and presented totals of the two classes combined.

In addition, Ashburton transitioned into RMB corporate and investment banking as part of the group's evolution in approach to customer, product and operational infrastructure within its investment offering. The results of Ashburton were previously included in Group Treasury and other. The group has voluntarily updated the comparative information.

10 ADVANCES continued

10.5 Analysis of advances per class continued

R million	2021 Total	2021 Amortised cost	2021 Fair value through profit or loss	2021 Loss allowance
Residential mortgages	**221 362**	**225 666**	**-**	**(4 304)**
WesBank VAF	**84 887**	**90 516**	**-**	**(5 629)**
Total retail secured	**306 249**	**316 182**	**-**	**(9 933)**
FNB card	**26 566**	**31 249**	**-**	**(4 683)**
Personal loans	**31 056**	**39 686**	**-**	**(8 630)**
Other retail	**12 593**	**15 712**	**-**	**(3 119)**
Total retail unsecured	**70 215**	**86 647**	**-**	**(16 432)**
Temporary stress scenario	**(332)**	**-**	**-**	**(332)**
Total retail secured and unsecured	**376 132**	**402 829**	**-**	**(26 697)**
FNB commercial	**104 811**	**111 030**	**91**	**(6 310)**
- FNB commercial excluding scheme	**103 464**	**109 431**	**91**	**(6 058)**
- Government guaranteed loan scheme	**1 495**	**1 599**	**-**	**(104)**
- Temporary stress scenario	**(148)**	**-**	**-**	**(148)**
WesBank corporate	**26 431**	**26 986**	**-**	**(555)**
RMB corporate and investment banking*	**312 614**	**225 884**	**91 247**	**(4 517)**
Total corporate and commercial	**443 856**	**363 900**	**91 338**	**(11 382)**
Group Treasury and other	**36 404**	**34 902**	**1 636**	**(134)**
MotoNovo	**1 563**	**1 819**	**-**	**(256)**
Total advances	**857 955**	**803 450**	**92 974**	**(38 469)**
	2020			
Residential mortgages	220 488	224 404	-	(3 916)
WesBank VAF	88 377	94 024	-	(5 647)
Total retail secured	308 865	318 428	-	(9 563)
FNB card	26 009	30 210	-	(4 201)
Personal loans	33 177	41 874	-	(8 697)
Other retail	13 593	16 732	-	(3 139)
Total retail unsecured	72 779	88 816	-	(16 037)
FNB commercial	101 886	107 887	27	(6 028)
- FNB commercial excluding scheme	101 589	107 542	27	(5 980)
- Government guaranteed loan scheme	297	345	-	(48)
WesBank corporate	26 608	27 114	-	(506)
RMB corporate and investment banking**	317 344	258 206	64 031	(4 893)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	250 102	189 888	63 904	(3 690)
Total corporate and commercial	445 838	393 207	64 058	(11 427)
Group Treasury and other**	37 041	35 555	1 866	(380)
MotoNovo	3 417	3 782	-	(365)
Total advances	867 940	839 788	65 924	(37 772)

RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.

**Voluntary movement in classes of advances. Refer to note 33*

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances

Basis of preparation of the reconciliation

- The reconciliation of the gross carrying amount and ECL has been prepared using a year-to-date view. This means that the group reports exposures based on the impairment stage at the end of the reporting period. The reconciliation distinguishes between the back book and new business as this provides meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement in ECL is split between new business and back book and the temporary stress scenario.
- The group transfers opening balances (back book) at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in the back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July are transferred to the impairment stage at 30 June in the transfers section. The current year movements of the back book is included in changes in exposure and net movement on gross carrying amount (GCA) and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and other changes.
- The movement on GCA is the net amount of:
- additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and
- new business originated during the financial year, the transfers between stages of the new origination and any settlements.
- Current year ECL provided/(released) relates to:
- an increase/(decrease) in the carrying amount of the back book during the current financial year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and
- includes interest on stage 3 advances for stage 3 exposures in the back book and new business.
- New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease during the current financial year. All new business is included in the change in exposure due to new business in the current year based on the exposures' impairment stage at the end of the reporting period. Therefore, exposures in the new business lines can be reported in stage 3 at the end of the reporting date.
- The majority of the fair value advances is originated within the RMB corporate and investment banking.
- The decrease in the advance as a result of a write-off is equal to the decrease in the ECL (bad debts written off), as exposures are 100% provided for before being written off. There is however an exception in the RMB corporate and investment banking portfolio, where partial write-offs are permitted on a case-by-case basis.

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127
Amount as at 1 July 2020	**905 712**	**782 667**	**75 792**	**46 225**	**1 028**
Current year movement in the back book					
Stage 1	**(140 762)**	**(114 907)**	**(24 586)**	**(1 269)**	**-**
Transfer from stage 2 to stage 1	-	24 586	(24 586)	-	-
Transfer from stage 3 to stage 1	-	1 269	-	(1 269)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(140 762)	(140 762)	-	-	-
Stage 2	**(16 729)**	**(37 906)**	**23 807**	**(2 630)**	**-**
Transfer from stage 1 to stage 2	-	(37 906)	37 906	-	-
Transfer from stage 3 to stage 2	-	-	2 630	(2 630)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(16 729)	-	(16 729)	-	-
- Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 828)	-	(1 828)	-	-
- Other changes in stage 2 exposures and ECL	(14 901)	-	(14 901)	-	-
Stage 3	**(4 383)**	**(11 827)**	**(9 419)**	**16 863**	**-**
Transfer from stage 1 to stage 3	-	(11 827)	-	11 827	-
Transfer from stage 2 to stage 3	-	-	(9 419)	9 419	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(4 383)	-	-	(4 383)	-
Purchased or originated credit-impaired	**(221)**	**-**	**-**	**-**	**(221)**
Current year change in exposure and net movement on GCA and ECL provided/(released)	(221)	-	-	-	(221)
New business	**174 617**	**161 324**	**11 143**	**2 059**	**91**
Current year change in exposure and net movement on GCA and ECL provided/(released)	174 617	161 324	11 143	2 059	91
Other movements applicable to new business and back book	**(21 810)**	**(5 827)**	**(611)**	**(15 372)**	**-**
Acquisition/(disposal) of advances	(1 640)	(1 607)	(11)	(22)	-
Modifications that did not give rise to derecognition	(600)	(1)	(60)	(539)	-
Exchange rate differences	(4 906)	(4 219)	(540)	(147)	-
Bad debts written off	(14 664)	-	-	(14 664)	-
Temporary stress scenario	-	(1 309)	1 309	-	-
Amount as at 30 June 2021	**896 424**	**772 215**	**77 435**	**45 876**	**898**
Amortised cost	803 450	681 912	74 920	45 802	816
Fair value	92 974	90 303	2 515	74	82

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R13 022 million.

	2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 042	7 699	8 336	21 007	-
	730	348	262	-	120
	37 772	8 047	8 598	21 007	120
	(3 064)	(780)	(2 004)	(280)	-
	-	2 004	(2 004)	-	-
	-	280	-	(280)	-
	(3 064)	(3 064)	-	-	-
	2 470	(747)	3 643	(426)	-
	-	(747)	747	-	-
	-	-	426	(426)	-
	2 470	-	2 470	-	-
	207	-	207	-	-
	2 263	-	2 263	-	-
	12 120	(869)	(2 076)	15 065	-
	-	(869)	-	869	-
	-	-	(2 076)	2 076	-
	12 120	-	-	12 120	-
	49	-	-	-	49
	49	-	-	-	49
	3 582	1 651	1 018	910	3
	3 582	1 651	1 018	910	3
	(14 940)	(62)	(67)	(14 811)	-
	(42)	(24)	(4)	(14)	-
	-	-	-	-	-
	(234)	(38)	(63)	(133)	-
	(14 664)	-	-	(14 664)	-
	480	253	183	44	-
	38 469	7 493	9 295	21 509	172
	37 756	7 257	8 910	21 499	90
	713	236	385	10	82

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021

Pandemic-related risk cuts resulted in a slowdown in asset origination, but improved the overall risk profile of the group. Whilst elevated risk remains in specific industries, general consumer and business income continues to recover, with certain industries reflecting positive economic activity and recovery. The bank continues to follow a targeted approach to origination, with data analytics providing improved insights into customer income sources and industry sectors. Credit risk appetite refinements continue to be made accordingly to support responsible growth.

FNB advances increased marginally with 1% growth in residential mortgages offset by a 2% decline in unsecured advances, specifically the personal loans portfolio, which contracted 8%, excluding the Covid-19 relief portfolio. This was primarily due to the cautious underwriting approach maintained through most of the financial year. The personal loans book run-down outpaced the more cautious origination approach given the backdrop of unemployment and income uncertainty. Card advances grew 3%, outpaced the more cautious origination approach given the backdrop of unemployment and income uncertainty.as consumer card spending recovered., away from Retail other contracted due to lower overdrafts.

WesBank VAF were down 4% as the rate at which the book ran down (including higher levels of write-offs related to Covid-19 arrears), exceeded new business inflows.

FNB commercial advances grew 2%, excluding the government's loan guarantee scheme, which reflects strain in the economy and lower risk appetite. There was generally low demand for working capital and a switch to the SME government-guaranteed scheme, which grew R1.3 billion.

RMB's corporate and investment banking advances declined 2% year-on-year. This reflects the stabilisation of clients' liquidity needs during the current financial year following significant Covid-19 related support provided to clients after the first lockdown in March 2020. In addition, large settlements were received from various local and cross-border exposures during the year and the rand appreciated 18% against the dollar, contributing to the corporate and investment banking advances book declining. RMB continued its deliberate cautious approach to new origination, in part reflecting the slow structural economic recovery from the pandemic, the ongoing pressure in sectors of the economy hardest hit by the pandemic and the ongoing focus on protecting the return profile from new business origination given significant market-driven margin pressure experienced.

The MotoNovo back book (i.e. business written prior to the integration with Aldermore) decreased by 52% during the current year, in rand terms as the book is winding down.

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2021 continued

The table below provides a breakdown of the movement in the gross carrying amount of advances across the bank's classes and the resulting impact on the ECL provisions. The ECL charge for the period is further analysed into the key drivers of the movement in note 11.3. The comparative period information has not been updated in line with the information presented below. As IFRS 9 is refined and embedded in the group's reporting process, changes and additional disclosure is included.

R million	Total change GCA	% change in GCA	Total change ECL	% change in ECL	GCA related to new business	ECL related to new business
Residential mortgages	1 262	1	(388)	10	31 889	(116)
WesBank VAF	(3 508)	(4)	18	-	31 408	(890)
Total retail secured	(2 246)	(1)	(370)	4	63 297	(1 006)
FNB card	1 039	3	(482)	11	2 443	(148)
Personal loans	(2 188)	(5)	67	(1)	15 462	(1 448)
Retail other	(1 020)	(6)	20	(1)	1 757	(153)
Total retail unsecured	(2 169)	(2)	(395)	2	19 662	(1 749)
Temporary stress scenario	-	-	(332)	-	-	-
Total retail secured and unsecured	(4 415)	(1)	(1 097)	4	82 959	(2 755)
FNB commercial	3 207	3	(282)	5	22 151	(364)
- FNB commercial excluding scheme	1 953	2	(78)	1	21 211	(307)
- Government guaranteed scheme	1 254	>100	(56)	>100	940	(57)
- Temporary stress scenario	-	-	(148)	-	-	-
WesBank corporate	(128)	-	(49)	10	5 359	(78)
RMB corporate and investment banking	(5 106)	(2)	376	(8)	64 523	(373)
Total corporate and commercial	(2 027)	-	45	-	92 033	(815)
Group Treasury and other	(883)	(2)	246	(65)	(375)	(12)
MotoNovo	(1 963)	(52)	109	(30)	-	-
Total advances at 30 June 2021	(9 288)	(1)	(697)	2	174 617	(3 582)

Included in the gross carrying amount is advances of R2 179 million for which no ECL is raised due to over collaterialisation. These advances are originated in FNB commercial and RMB corporate and investment banking.

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

	2020				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	844 850	753 825	56 998	34 027	-
Fair value	76 996	76 019	799	73	105
Amount as at 1 July 2019	921 846	829 844	57 797	34 100	105
Current year movement in the back book					
Stage 1	(157 253)	(142 163)	(14 376)	(714)	-
Transfer from stage 2 to stage 1	-	14 376	(14 376)	-	-
Transfer from stage 3 to stage 1	-	714	-	(714)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(157 253)	(157 253)	-	-	-
Stage 2	(10 957)	(38 871)	30 421	(2 507)	-
Transfer from stage 1 to stage 2	-	(38 871)	38 871	-	-
Transfer from stage 3 to stage 2	-	-	2 507	(2 507)	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(10 957)	-	(10 957)	-	-
- Exposures with a change in measurement basis from 12 months to lifetime ECL	3 145	-	3 145	-	-
- Other changes in stage 2 exposures and ECL	(14 102)	-	(14 102)	-	-
Stage 3	(2 220)	(14 168)	(11 363)	23 311	-
Transfer from stage 1 to stage 3	-	(14 168)	-	14 168	-
Transfer from stage 2 to stage 3	-	-	(11 363)	11 363	-
Current year change in exposure and net movement on GCA and ECL provided/(released)	(2 220)	-	-	(2 220)	-
Purchased or originated credit-impaired	22	-	-	-	22
Current year change in exposure and net movement on GCA and ECL provided/(released)	22	-	-	-	22
New business†	178 024	159 848	12 592	4 683	901
Current year change in exposure and net movement on GCA and ECL provided/(released)	178 024	159 848	12 592	4 683	901
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances	(16 529)	(15 994)	(299)	(236)	-
Transfers (to)/from non-current assets or disposal groups held for sale	(1 588)	(1 509)	(79)	-	-
Modifications that did not give rise to derecognition	(758)	-	(64)	(694)	-
Exchange rate differences	7 148	5 680	1 163	305	-
Bad debts written off	(12 023)	-	-	(12 023)	-
Amount as at 30 June 2020	905 712	782 667	75 792	46 225	1 028
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127

2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
26 988	5 693	5 614	15 681	-
315	266	49	-	-
27 303	5 959	5 663	15 681	-
(400)	954	(1 208)	(146)	-
-	1 208	(1 208)	-	-
-	146	-	(146)	-
(400)	(400)	-	-	-
3 561	(412)	4 628	(655)	-
-	(412)	412	-	-
-	-	655	(655)	-
3 561	-	3 561	-	-
1 152	-	1 152	-	-
2 409	-	2 409	-	-
13 066	(458)	(2 020)	15 544	-
-	(458)	-	458	-
-	-	(2 020)	2 020	-
13 066	-	-	13 066	-
120	-	-	-	120
120	-	-	-	120
6 100	2 107	1 538	2 455	-
6 100	2 107	1 538	2 455	-
(247)	(133)	(44)	(70)	-
(42)	(19)	(23)	-	-
-	-	-	-	-
334	49	64	221	-
(12 023)	-	-	(12 023)	-
37 772	8 047	8 598	21 007	120
37 042	7 699	8 336	21 007	-
730	348	262	-	120

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

Changes in the gross carrying amount of advances – 30 June 2020

In the prior period, the decline in gross advances of 2%, coupled with the increase in levels of total ECL provisions of 45% was due to the strained macroeconomic environment which had been further weakened by the Covid-19 pandemic and resulting lockdown.

The following changes in the gross carrying amount of advances contributed in part to the change in ECL in the prior financial year:

- Residential mortgages increased by R7 240 million reflecting a 3% increase from the prior year. This mainly relates to growth in premium residential mortgages, benefiting from new client acquisition, up-sell initiatives and strong demand in private bank mortgage lending;
- WesBank VAF declined by R727 million, reflecting the impact of the lock down on motor vehicle sales in addition to the lengthening of customer’s vehicle replacement cycles, further risk cuts in origination and increased competition.
- FNB card advances increased by R2 095 million, as a result of targeted client acquisition, client migration and the shift to card transactional accounts (Fusion product) away from more traditional transactional products included in retail other.
- Personal loans increased by R2 505 million driven by the Covid-19 emergency relief loan offering. Excluding the emergency loans, personal loan growth was negatively impacted by reduced risk appetite and lower customer demand.
- The decline in retail other advances of R1 176 million reflects the lower usage of transactional banking accounts (primarily overdrafts) and the move to card transactional accounts (Fusion product).
- The increase in FNB commercial advances of R2 786 million was largely driven by targeted new client acquisition in the business segment. R345 million of the growth in advances relates to loans granted under the SME government guaranteed scheme.

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on total advances continued

- RMB corporate bank grew advances by R10 513 million driven by higher corporate bank utilisation. Included in the RMB corporate bank growth was originated credit impaired advances of R127 million following a distressed restructure.
- RMB investment bank experienced a net basis decrease of R13 290 million, reflecting a decrease of amortised cost advances of R1 493 million and a decrease in fair value advances of R11 797 million. The decrease in fair value advances is mainly driven by a decrease in advances under reverse repurchase agreements, which carry no ECL as well as the decrease in investment bank term loans at fair value. RMB investment bank originated credit impaired assets of R901 million following distressed restructures, which did not result in ECL being recognised as these amounts are initially recognised net of impairments. In the current year and additional impairments of R120 million was recognised on credit impaired advances originated in the previous financial year.
- The MotoNovo back book (i.e. business written prior to the integration with Aldermore) decreased during the prior year as advances were sold and derecognised as part of the MotoWay securitisation and the back book winding down.

The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R11 014 million. The gross carrying amount in advances for which no ECL was raised because of over collateralisation was R2 218 million.

10 ADVANCES continued

10.7 Analysis of the gross advances and loss allowance on total advances

	2021					
	Gross advances					
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Residential mortgages	225 666	196 375	15 935	13 356	-	
WesBank VAF	90 516	69 224	11 821	9 471	-	
Total retail secured	316 182	265 599	27 756	22 827	-	
FNB card	31 249	24 553	2 662	4 034	-	
Personal loans	39 686	25 153	6 987	7 546	-	
Other retail	15 712	11 680	1 540	2 492	-	
Total retail unsecured	86 647	61 386	11 189	14 072	-	
Temporary stress scenario	-	(1 210)	1 210	-	-	
Total retail secured and unsecured	402 829	325 775	40 155	36 899	-	
Total FNB commercial	111 121	94 518	10 225	6 378	-	
- FNB commercial	111 121	94 617	10 126	6 378	-	
- Temporary stress scenario	-	(99)	99	-	-	
WesBank corporate	26 986	24 174	1 998	814	-	
RMB corporate and investment banking	317 131	289 837	24 900	1 496	898	
Total corporate and commercial	455 238	408 529	37 123	8 688	898	
Group Treasury and other	36 538	36 488	50	-	-	
MotoNovo	1 819	1 423	107	289	-	
Total advances	896 424	772 215	77 435	45 876	898	

	2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	4 304	646	841	2 817	-
	5 629	708	1 039	3 882	-
	9 933	1 354	1 880	6 699	-
	4 683	861	654	3 168	-
	8 630	1 611	1 722	5 297	-
	3 119	718	575	1 826	-
	16 432	3 190	2 951	10 291	-
	332	129	159	44	-
	26 697	4 673	4 990	17 034	-
	6 310	1 157	1 548	3 605	-
	6 162	1 033	1 524	3 605	-
	148	124	24	-	-
	555	108	122	325	-
	4 517	1 425	2 613	307	172
	11 382	2 690	4 283	4 237	172
	134	126	8	-	-
	256	4	14	238	-
	38 469	7 493	9 295	21 509	172

10 ADVANCES continued

10.7 Analysis of the gross advances and loss allowance on total advances continued

Breakdown of temporary stress scenario

	2021					
	Gross advances					
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Residential mortgages	-	(735)	735	-	-	
WesBank VAF	-	(109)	109	-	-	
Total retail secured	-	(844)	844	-	-	
FNB card	-	(88)	88	-	-	
Personal loans	-	(248)	248	-	-	
- FNB and Direct Axis	-	(248)	248	-	-	
- COVID 19 relief	-	-	-	-	-	
Retail other	-	(30)	30	-	-	
Total retail unsecured	-	(366)	366	-	-	
FNB Commercial	-	(99)	99	-	-	
Temporary stress scenario	-	(1 309)	1 309	-	-	

	2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	96	20	39	37	-
	68	23	39	6	-
	164	43	78	43	-
	68	37	31	-	-
	66	29	37	-	-
	58	24	34	-	-
	8	5	3	-	-
	34	20	13	1	-
	168	86	81	1	-
	148	124	24	-	-
	480	253	183	44	-

10 ADVANCES continued

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

	2020				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Residential mortgages	224 404	197 845	14 897	11 662	-
WesBank VAF	94 024	73 399	10 815	9 810	-
Total retail secured	318 428	271 244	25 712	21 472	-
FNB card	30 210	24 352	2 183	3 675	-
Personal loans	41 874	28 371	6 079	7 424	-
Other retail	16 732	12 879	1 646	2 207	-
Total retail unsecured	88 816	65 602	9 908	13 306	-
FNB commercial	107 914	92 639	8 245	7 030	-
WesBank corporate	27 114	24 385	1 855	874	-
RMB corporate and investment banking*	322 237	288 689	29 672	2 848	1 028
- RMB corporate banking	68 445	59 847	7 745	726	127
- RMB investment banking	253 792	228 842	21 927	2 122	901
Total corporate and commercial	457 265	405 713	39 772	10 752	1 028
Group Treasury and other	37 421	37 235	44	142	-
MotoNovo	3 782	2 873	356	553	-
Total advances	905 712	782 667	75 792	46 225	1 028

** Voluntary movement in classes of advances. Refer to note 33.*

	2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	3 916	731	777	2 408	-
	5 647	546	1 262	3 839	-
	9 563	1 277	2 039	6 247	-
	4 201	917	562	2 722	-
	8 697	1 812	1 653	5 232	-
	3 139	782	701	1 656	-
	16 037	3 511	2 916	9 610	-
	6 028	1 394	1 339	3 295	-
	506	114	111	281	-
	4 893	1 442	2 123	1 208	120
	1 203	323	647	113	120
	3 690	1 119	1 476	1 095	-
	11 427	2 950	3 573	4 784	120
	380	264	-	116	-
	365	45	70	250	-
	37 772	8 047	8 598	21 007	120

10 ADVANCES continued

10.7 Analysis of the gross advances and loss allowance on total advances continued

Voluntary changes to the classes previously reported at 30 June 2020

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	224 404	-	224 404
WesBank VAF	94 024	-	94 024
Total retail secured	318 428	-	318 428
FNB card	30 210	-	30 210
Personal loans	41 874	-	41 874
Retail other	16 732	-	16 732
Total retail unsecured	88 816	-	88 816
FNB commercial	107 914	-	107 914
WesBank corporate	27 114	-	27 114
RMB corporate and investment banking*	322 114	123	322 237
- RMB corporate banking	68 445	-	68 445
- RMB investment banking	253 669	123	253 792
Total corporate and commercial	457 142	123	457 265
Group Treasury and other*	37 544	(123)	37 421
MotoNovo	3 782	-	3 782
Total advances at 30 June 2020	905 712	-	905 712

**The bank reclassified advances between classes and elected to voluntarily restate its comparative information both in Note 10 (Advances) and Note 32 (Financial Risks). Refer to note 33 for detail around voluntary movements in classes of advances.*

	Loss allowance		
	As previously reported	Movement	Updated amount
	3 916	-	3 916
	5 647	-	5 647
	9 563	-	9 563
	4 201	-	4 201
	8 697	-	8 697
	3 139	-	3 139
	16 037	-	16 037
	6 028	-	6 028
	506	-	506
	4 893	-	4 893
	1 203	-	1 203
	3 690	-	3 690
	380	-	380
	365	-	365
	37 772	-	37 772

11 IMPAIRMENT OF ADVANCES

11.1 Analysis of the loss allowance closing balance

	2021					
	Loss allowance					
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired	
Amount as at 30 June	**38 469**	**7 493**	**9 295**	**21 509**	**172**	
Included in the total loss allowance						
On and off-balance sheet exposure*	**38 425**	**7 481**	**9 290**	**21 505**	**149**	
Letters of credit and guarantees	**44**	**12**	**5**	**4**	**23**	
Components of total loss Allowance as at 30 June						
— Stress information**	**3 494**	**1 958**	**1 320**	**216**	**-**	
— Changes in models#	**298**	**173**	**27**	**98**	**-**	
— Interest on stage 3 advances†	**2 858**	**-**	**-**	**2 858**	**-**	

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

*** This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation refer to accounting policy note 8.4.*

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

† Cumulative balance of interest on stage 3 advances as at 30 June.

	2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 772	8 047	8 598	21 007	120
	37 385	7 836	8 445	20 984	120
	387	211	153	23	-
	3 749	1 636	1 434	679	-
	398	176	417	(195)	-
	2 480	-	-	2 480	-

11 IMPAIRMENT OF ADVANCES continued

11.2 Reconciliation of the loss allowance on total advances per class

Amortised cost

	Retail secured		Retail unsecured			Retail secured and unsecured
R million	Residential mortgages	WesBank VAF	FNB	Persona loans	Other retail	Temporary stress scenario
Currently reported as at 1 July 2019	2 541	4 181	2 650	6 815	2 725	-
- Stage 1	360	592	555	1 415	724	-
- Stage 2	510	1 246	347	971	464	-
- Stage 3	1 671	2 343	1 748	4 429	1 537	-
Acquisition/(disposal) of advances	-	-	-	(90)	-	-
Transfers from/(to) non-current assets	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(259)	(1 854)	(1 114)	(4 351)	(1 755)	-
Current period provision created/(released)*	1 634	3 320	2 665	6 323	2 169	-
- Stage 1	275	(240)	349	627	(12)	-
- Stage 2	423	554	458	966	415	-
- Stage 3	936	3 006	1 858	4 730	1 766	-
Amount as at 30 June 2020	3 916	5 647	4 201	8 697	3 139	-
Stage 1	731	546	917	1 812	782	-
Stage 2	777	1 262	562	1 653	701	-
Stage 3	2 408	3 839	2 722	5 232	1 656	-
Acquisition/(disposal) of advances	**-**	**-**	**-**	**-**	**(41)**	**-**
Transfers from/(to) other divisions	**-**	**-**	**182**	**-**	**(66)**	**-**
Transfers from/(to) non-current assets	**-**	**-**	**-**	**-**	**-**	**-**
Exchange rate differences	**-**	**-**	**-**	**-**	**-**	**-**
Bad debts written off	**(367)**	**(2 310)**	**(1 789)**	**(5 292)**	**(1 779)**	**-**
Current period provision created/(released)*	**755**	**2 292**	**2 089**	**5 225**	**1 866**	**332**
- Stage 1	**(334)**	**80**	**(138)**	**196**	**6**	**129**
- Stage 2	**389**	**88**	**477**	**700**	**19**	**159**
- Stage 3	**700**	**2 124**	**1 750**	**4 329**	**1 841**	**44**
Amount as at 30 June 2021	**4 304**	**5 629**	**4 683**	**8 630**	**3 119**	**332**
Stage 1	**646**	**708**	**861**	**1 611**	**718**	**129**
Stage 2	**841**	**1 039**	**654**	**1 722**	**575**	**159**
Stage 3	**2 817**	**3 882**	**3 168**	**5 297**	**1 826**	**44**

**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 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							
FNB commercial	**Temporary stress scenario**	**WesBank corporate**	**RMB corporate investment banking**	**Group Treasury and other**	**Rest of Africa**	**MotoNovo**	**Total**
3 812	-	338	3 069	255	-	602	26 988
733	-	92	927	98	-	197	5 693
776	-	67	1 032	36	-	165	5 614
2 303	-	179	1 110	121	-	240	15 681
-	-	-	(21)	-	-	(136)	(247)
-	-	-	-	(42)		-	(42)
-	-	-	198	-	-	119	317
(1 285)	-	(114)	(665)	(201)	(28)	(397)	(12 023)
3 501	-	282	1 827	123	28	177	22 049
489	-	10	231	(57)	-	(61)	1 611
1 070	-	64	1 018	(15)	-	(36)	4 917
1 942	-	208	578	195	28	274	15 521
6 028	-	506	4 408	135	-	365	37 042
1 394	-	114	1 339	19	-	45	7 699
1 339	-	111	1 861	-	-	70	8 336
3 295	-	281	1 208	116	-	250	21 007
-	**-**	**1**	**(2)**	**-**	**-**	**-**	**(42)**
-	**-**	**-**	**-**	**(116)**	**-**	**-**	**-**
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
-	**-**	**-**	**(163)**	**-**	**-**	**(34)**	**(197)**
(1 686)	**-**	**(84)**	**(1 060)**	**-**	**28**	**(177)**	**(14 516)**
1 820	**148**	**132**	**732**	**4**	**(28)**	**102**	**15 469**
(923)	**124**	**(18)**	**(262)**	**4**	**-**	**(47)**	**(1 183)**
979	**24**	**27**	**683**	**-**	**-**	**(47)**	**3 498**
1 764	**-**	**123**	**311**	**-**	**(28)**	**196**	**13 154**
6 162	**148**	**555**	**3 915**	**23**	**-**	**256**	**37 756**
1 033	**124**	**108**	**1 292**	**23**	**-**	**4**	**7 257**
1 524	**24**	**122**	**2 236**	**-**	**-**	**14**	**8 910**
3 605	**-**	**325**	**387**	**-**	**-**	**238**	**21 589**

11 IMPAIRMENT OF ADVANCES continued

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

Fair value

R million	2021		
	RMB corporate and investment banking	Group Treasury and other	Total
Currently reported as at 1 July 2019	136	179	315
- Stage 1	89	177	266
- Stage 2	47	2	49
- Stage 3	-	-	-
Exchange rate differences	17	-	17
Current period provision created/(released)	332	66	398
- Stage 1	30	66	96
- Stage 2	182	-	182
- Stage 3	120	-	120
Amount as at 30 June 2020	485	245	730
Stage 1	103	245	348
Stage 2	262	-	262
Stage 3	120	-	120
Exchange rate differences	**(37)**	**-**	**(37)**
Bad debts written off	**-**	**(148)**	**(148)**
Current period provision created/(released)	**154**	**14**	**168**
- Stage 1	**16**	**7**	**23**
- Stage 2	**166**	**7**	**173**
- Stage 3	**(28)**	**-**	**(28)**
Amount as at 30 June 2021	**602**	**111**	**713**
Stage 1	**133**	**103**	**236**
Stage 2	**377**	**8**	**385**
Stage 3	**92**	**-**	**92**

11 IMPAIRMENT OF ADVANCES continued

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

RMB corporate and investment banking

Amortised cost and fair value

	RMB corporate and investment banking					
	Amortised cost			Fair value		
R million	RMB corporate banking	RMB investment banking	RMB corporate and investment banking	RMB corporate banking	RMB investment banking	RMB corporate and investment banking
Reported as at 1 July 2019	688	2 381	3 069	-	136	136
- Stage 1	231	696	927	-	89	89
- Stage 2	364	668	1 032	-	47	47
- Stage 3	93	1 017	1 110	-	-	-
Acquisition/(disposal) of advances	-	(21)	(21)	-	-	-
Exchange rate differences	10	188	198	-	17	17
Bad debts written off	(141)	(524)	(665)	-	-	-
Current period provision created/(released)	526	1 301	1 827	120	212	332
- Stage 1	71	160	231	-	30	30
- Stage 2	347	671	1 018	-	182	182
- Stage 3	108	470	578	120	-	120
Amount as at 30 June 2020	1 083	3 325	4 408	120	365	485
Stage 1	323	1 016	1 339	-	103	103
Stage 2	647	1 214	1 861	-	262	262
Stage 3	113	1 095	1 208	120		120

11 IMPAIRMENT OF ADVANCES continued

11.3 Breakdown of ECL created in the reporting period

11.3.1 Breakdown of ECL created in the reporting period per impairment stage

R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Current year ECL provided	**15 637**	**(1 160)**	**3 671**	**13 074**	**52**
ECL on new business and back book	**15 157**	**(1 413)**	**3 488**	**13 030**	**52**
Temporary stress scenario	**480**	**253**	**183**	**44**	**-**
Interest on stage 3 advances	**(3 059)**	**-**	**-**	**(3 059)**	**-**
Current year change in ECL provided after interest on stage 3 advances	**12 578**	**(1 160)**	**3 671**	**10 015**	**52**
Post write-off recoveries	**(2 063)**	**-**	**-**	**(2 063)**	**-**
Modification losses	**600**	**1**	**60**	**539**	**-**
Impairment recognised in the income statement at 30 June 2021	**11 115**	**(1 159)**	**3 731**	**8 491**	**52**
Current year ECL provided	22 447	1 707	5 099	15 521	120
Interest on stage 3 advances	(2 851)	-	-	(2 851)	-
Current year change in ECL provided after interest on stage 3 advances	19 596	1 707	5 099	12 670	120
Post write-off recoveries	(2 085)	-	-	(2 085)	-
Modification losses	758	-	64	694	-
Impairment recognised in the income statement at 30 June 2020	18 269	1 707	5 163	11 279	120

11.3.2 Breakdown of impairment charge recognised in the income statement

	2021			2020		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value
Increase in loss allowance	**(12 578)**	**(12 410)**	**(168)**	(19 596)	(19 198)	(398)
Recoveries of bad debts	**2 063**	**2 063**	**-**	2 085	2 085	-
Modification loss	**(600)**	**(600)**	**-**	(758)	(758)	-
Impairment of advances recognised in the income statement	**(11 115)**	**(10 947)**	**(168)**	(18 269)	(17 871)	(398)

11 IMPAIRMENT OF ADVANCES continued

11.3 Breakdown of ECL created in the current period continued

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

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

- **Volume change in stage 1** – This represents the change in the impairment on stage 1 advances assuming that the coverage ratio has remained unchanged from the prior period. This column therefore represents the change in volume of stage 1 advances due to new business, stage migration, loans commencing in the period in stage 1 subsequently written off or curing. The volume change in stage 1 reflects the low origination in stage 1 advances and higher rolls into stage 2 in retail. This was offset by increased stage 1 advances in corporate and commercial.
- **Change in stage 1 coverage** – This represents the change in the impairment on stage 1 advances due to a change in the coverage ratio for stage 1 advances. The increase was largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments. Stage 1 coverage decreased in total, with increased coverage in retail to capture the increased uncertain environment offset by lower stage 1 coverage in commercial.
- **Volume change in stage 2** – This represents the change in the impairment on stage 2 advances assuming that the coverage ratio remained unchanged from the prior period. This column therefore represents the change in volume of stage 2 advances due to stage migration, loans commencing the period in stage 2 subsequently migrating to stage 3 or curing. The volume change in stage 2 advances is driven by the increasing roll rates due to the expiration of relief periods, the application of the refined SICR indicators and the temporary stress scenario impacting the retail and commercial, offset by large stage 2 settlements and cure in corporate.
- **Change in stage 2 coverage** – This represents the change in the impairment on stage 2 advances due to a change in the coverage ratio for stage 2 advances. The change in stage 2 reflects lower coverage for the retail and commercial as the enhancements to the SICR rules and application of the temporary stress scenario does not fully offset the improved FLI, however corporate retained conservative coverage to address specific high risk industries.
- **Stage 3** – This represents the change in the impairment on stage 3 advances due to a change in the coverage ratio and volume changes due to loans commencing in the period in stage 3 subsequently written off or curing. The increase is a consequence of the growth in NPLs with coverage increasing in all portfolios other than rest of Africa, which reflects significant write-off during the year.
- **Modification gains or losses** are recognised on modified exposures that are not derecognised. During the current period modification gains or losses reduced as the number of distressed restructures decline, particularly as the Covid-19 relief measures cease.
- **Gross write-offs and other charges** include advances written off in the current period, exchange rate differences and ECL changes due to acquisition or disposal transactions. Write-off of gross balances excludes prior year provisions held. Gross write-off reflects the gross advances written off excluding ECL. Gross advances written off increased R2.8 billion (30%) to R11.9 billion (June 2020: R9.1 billion). The increase was due to the backlog from the court process started to clear and earlier write-off point is applied to the Covid-19 relief loans R395 million).

The comparative period information has not been updated in line with the information presented below.

11 IMPAIRMENT OF ADVANCES continued

11.3 Breakdown of ECL created in the reporting period continued

	2021			
R million	Change in volume stage 1*	Change in coverage stage 1**	Change in volume stage 2#	Change in coverage stage 2^
Total retail secured	(36)	113	171	(330)
Total retail unsecured	(270)	(51)	176	(141)
Temporary stress scenario	-	129	-	159
Total retail secured and unsecured	(306)	191	347	(312)
Total FNB commercial	190	(427)	308	(99)
- FNB commercial	190	(551)	308	(123)
- Temporary stress scenario	-	124	-	24
- WesBank corporate	(1)	(5)	9	2
- RMB corporate and investment banking	21	(38)	(387)	877
Total corporate and commercial	210	(470)	(70)	780
Rest of Africa	-	-	-	-
Group Treasury and other	6	(144)	-	8
MotoNovo	(23)	(18)	(49)	(7)
Total	(113)	(441)	228	469

* *Calculated as the movement in the gross carrying amount of stage 1 advances (30 June 2021 less 30 June 2020) multiplied by the prior year stage 1 coverage ratio.*

** *Calculated as the gross carrying amount of stage 1 advances at 30 June 2021 multiplied by the difference in the current year and prior year stage 1 coverage ratio.*

\# *Calculated as the movement in the gross carrying amount of stage 2 advances (30 June 2021 less 30 June 2020) multiplied by the prior year stage 2 coverage ratio.*

^ *Calculated as the gross carrying amount of stage 2 advances at 30 June 2021 multiplied by the difference in the current year and prior year stage 2 coverage ratio.*

	2021					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other	Post write-off recoveries	Total
	452	370	166	2 183	(305)	2 414
	681	395	441	6 850	(1 620)	6 066
	44	332	-	-	-	332
	1 177	1 097	607	9 033	(1 925)	8 812
	310	282	(8)	1 119	(86)	1 307
	310	134	(8)	1 119	(86)	1 159
	-	148	-	-	-	148
	44	49	-	66	(9)	106
	(849)	(376)	-	1 233	(5)	852
	(495)	(45)	(8)	2 418	(100)	2 265
	-	-	-	(28)	-	(28)
	(116)	(246)	-	264	-	18
	(12)	(109)	1	194	(38)	48
	554	697	600	11 881	(2 063)	11 115

11 IMPAIRMENT OF ADVANCES continued

11.4 Modified advances measured at amortised cost

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

Where the modification did not result in a modification gain or loss being recognised these modifications are not disclosed below.

	2021				
	Stage 2 and stage 3				
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)	
Residential mortgages	292	(23)	269	(31)	
WesBank VAF	1 220	(240)	980	(135)	
Total retail secured	1 512	(263)	1 249	(166)	
FNB card	386	(243)	143	(50)	
Personal loans	2 374	(1 032)	1 342	(358)	
Other retail	924	(531)	393	(33)	
Total retail unsecured	3 684	(1 806)	1 878	(441)	
FNB commercial	563	(40)	523	8	
Total corporate and commercial	563	(40)	523	8	
Group Treasury and other	-	-	-	-	
MotoNovo	65	(10)	55	(1)	
Total	5 824	(2 119)	3 705	(600)	

The gross carrying amount in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved said amounts into stage 1, amounted to R4 million (2020: R844 million).

2020				
Stage 2 and stage 3				
	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
	1 676	(109)	1 567	(40)
	1 158	(339)	819	1
	2 834	**(448)**	**2 386**	**(39)**
	460	(274)	186	(90)
	2 714	(1 379)	1 335	(486)
	817	(489)	328	(143)
	3 991	**(2 142)**	**1 849**	**(719)**
	338	(24)	314	-
	338	**(24)**	**314**	**-**
	-	-	-	-
	275	(92)	-	-
	7 438	**(2 706)**	**4 549**	**(758)**

12 OTHER ASSETS

R million	2021	2020
Items in transit	**913**	813
Interest and commission accrued	**19**	43
Prepayments	**1 382**	1 760
Sundry debtors	**289**	353
Fair value hedge asset*	**5**	9
Other accounts receivable**	**2 513**	2 282
Total gross carrying amount of other assets	**5 121**	5 260
- Financial	**3 265**	2 970
- Non-financial	**1 856**	2 290
Loss allowance on other financial assets#	**(193)**	(111)
Total other assets	**4 928**	5 149

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

** *In the prior period, the bank as the lessor has granted lease concessions on operating leases to its customers in the form of payment holidays. The lease payments amounting to R28 million (2020: R82 million) are deferred and included in other accounts receivable and are tested for ECL. This account also includes variation margin debtors and trade debtors.*

\# *No further information is provided on the loss allowance on other assets as it is insignificant.*

13 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	2021	2020
Disposal group held for sale		
Advances*	**-**	1 558
Deposits*	**-**	(85)
Net assets of disposal group held for sale	**-**	1 473

* *Carrying amount approximates fair value.*

During the prior year, advances, facilities and related deposits that were previously originated by the bank relating to Discovery branded credit cards were disposed of as part of the Discovery card transaction. These advances and facilities were transferred at their net book value, resulting in no gain or loss being recognised. The remaining disposal group of advances with a gross carrying amount of R1 600 million and an impairment allowance of R42 million at 30 June 2020 as well as deposits with a carrying amount of R85 million, were transferred during July 2020 and are included in the segment report under FCC and other.

14 AMOUNTS DUE (TO)/BY HOLDING COMPANY AND FELLOW SUBSIDIARIES

R million	2021	2020
Amounts due by holding company	**-**	-
Amounts due by fellow subsidiaries	**67 231**	67 450
Impairment provision on amounts due to fellow subsidiaries	**(123)**	(141)
Total amounts due by holding company and fellow subsidiaries	**67 108**	67 309
Amounts due to holding company	**(593)**	(236)
Amounts due to fellow subsidiaries	**(26 621)**	(36 018)
Total amounts due to holding company and fellow subsidiaries	**(27 214)**	(36 254)
Net amounts due by holding company and fellow subsidiaries	**39 894**	31 055

As at 30 June 2021 all amounts due from fellow subsidiaries are classified as stage 1 and there have been no transfers between the impairment stages during the year.

These loans have no fixed terms of repayment and carry varying rates of interest. Loans to fellow subsidiaries amounting to R23 million (2020: R23 million) are subject to subordination agreements until such time that their assets, fairly valued, exceed their liabilities.

Included in the above amounts are the following:

	Amounts due by fellow subsidiaries		**Amounts due to fellow subsidiaries**	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**
2021				
Derivative financial instruments	**1 116 227**	**8 715**	**(1 204 383)**	**(10 047)**
2020				
Derivative financial instruments	1 469 119	16 081	(1 297 140)	(16 387)

15 PROPERTY AND EQUIPMENT

R million	Property: Freehold property	Property: Right of use property	Right of use equip-ment	Computer equipment	Other equip-ment	Total
Net book value at 1 July 2019	7 152	1 515	-	2 568	4 117	15 352
Cost	8 949	3 334	-	7 615	7 739	27 637
Accumulated depreciation	(1 797)	(1 819)	-	(5 047)	(3 622)	(12 285)
IFRS 16 opening balance adjustment	868	456	217	-	-	1 541
Reclassification of property held under finance lease	868	(868)	-	-	-	-
ROUA recognised on transition	-	1 324	217	-	-	1 541
Movement for the year	(189)	(18)	46	233	726	798
Acquisitions	79	773	116	1 427	2 510	4 905
Disposals	(16)	(9)	-	(143)	(596)	(764)
Exchange rate difference	-	11	-	-	-	11
Depreciation charge for the year	(252)	(777)	(123)	(1 051)	(1 188)	(3 391)
Early terminations/modification of leases	-	(16)	53	-	-	37
Net book value at 30 June 2020	**7 831**	**1 953**	**263**	**2 801**	**4 843**	**17 691**
Cost	**9 870**	**4 465**	**385**	**8 549**	**9 002**	**32 271**
Accumulated depreciation	**(2 039)**	**(2 512)**	**(122)**	**(5 748)**	**(4 159)**	**(14 580)**
Movement for the year	**43**	**(142)**	**10**	**(435)**	**(302)**	**(826)**
Acquisitions*	**510**	**1 079**	**161**	**579**	**1 382**	**3 711**
Disposals	**(18)**	**(13)**	**-**	**(17)**	**(493)**	**(541)**
Exchange rate difference	**-**	**(18)**	**-**	**(19)**	**(21)**	**(58)**
Depreciation charge for the year	**(449)**	**(871)**	**(132)**	**(978)**	**(1 170)**	**(3 600)**
Early terminations/modification of leases	**-**	**(319)**	**(19)**	**-**	**-**	**(338)**
Net book value at 30 June 2021	**7 874**	**1 811**	**273**	**2 366**	**4 541**	**16 865**
Cost	**10 340**	**4 885**	**514**	**8 316**	**8 553**	**32 608**
Accumulated depreciation	**(2 466)**	**(3 074)**	**(241)**	**(5 950)**	**(4 012)**	**(15 743)**

** Acquisitions right of use property include capitalised improvements to property of R351 million (2020: R180 million).*

16 INTANGIBLE ASSETS

R million	Goodwill	Software and development costs	Total
Net book value as at 1 July 2019	-	636	636
Cost	104	1 603	1 707
Accumulated amortisation and impairment	(104)	(967)	(1 071)
Movements for the year	-	56	56
Acquisitions/capitalisations	-	256	256
Amortisation for the year	-	(193)	(193)
Impairments recognised	-	(7)	(7)
Net book value as at 30 June 2020	**-**	**692**	**692**
Cost	**104**	**1 862**	**1 966**
Accumulated amortisation and impairment	**(104)**	**(1 170)**	**(1 274)**
Movements for the year	**-**	**(354)**	**(354)**
Acquisitions/capitalisations	**-**	**60**	**60**
Derecognised	**-**	**(192)**	**(192)**
Amortisation for the year	**-**	**(211)**	**(211)**
Impairments recognised	**-**	**(11)**	**(11)**
Net book value as at 30 June 2021	**-**	**338**	**338**
Cost	**104**	**1 654**	**1 758**
Accumulated amortisation and impairment	**(104)**	**(1 316)**	**(1 420)**

17 INVESTMENT PROPERTIES

R million	Notes	2021	2020
Opening balance		**-**	-
Additions		**249**	-
Closing balance		**249**	-

As at the 30 June 2021, the bank has no contractual obligations to purchase, construct or develop investment property.

The property was acquired from a fellow subsidiary during June 2021.

Valuations are performed every two years. The next valuation is scheduled to be performed during the 2022 financial year or in the event that there has been an expectation of a significant change in the fair value of investment properties.

Refer to note 28 for the significant inputs used to determine the fair value of investment properties.

18 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	**2021**	2020
Deferred income tax asset		
Opening balance	**3 711**	3 631
Recognised in profit or loss	**731**	651
Deferred income tax on amounts charged directly to other comprehensive income	**285**	(571)
Total deferred income tax asset	**4 727**	3 711

The deferred income tax asset and deferred income tax charged/released to profit or loss are attributable to the items below.

	As at 30 June		**Recognised in income statement**	
R million	**2021**	**2020**	**2021**	**2020**
Deferred income tax asset				
Tax losses	**9**	-	**9**	-
Provision for loan impairment	**3 892**	3 853	**39**	1 130
Provision for post-employment benefits	**326**	268	**(17)**	30
Other provisions	**751**	455	**297**	(140)
Cash flow hedges	**(518)**	(801)	**-**	-
Equity instruments designated at FVOCI	**(69)**	30	**-**	(25)
Instalment credit assets	**(176)**	(167)	**(9)**	(13)
Debt instruments held at FVOCI	**87**	22	**(4)**	26
Capital gains tax	**155**	190	**(34)**	8
Share-based payments	**531**	252	**278**	(677)
Deferred revenue liability	**(321)**	(353)	**32**	249
Other	**60**	(38)	**140**	62
Total deferred income tax asset	**4 727**	3 711	**731**	650

19 SHORT TRADING POSITIONS

R million	**2021**	2020
Government and government guaranteed	**18 522**	4 707
Other dated securities	**138**	79
Total short trading positions	**18 660**	4 786

20 CREDITORS, ACCRUALS AND PROVISIONS

R million	**2021**	2020
Net unclaimed balances	**533**	415
Other accounts payable	**9 344**	9 051
Withholding tax for employees	**598**	572
Customer loyalty programme liability*	**1 885**	1 878
Payments received in advance	**450**	453
Accrued expenses	**1 994**	1 609
Audit fees accrued	**177**	142
Provisions (including litigation and claims)	**833**	230
Total creditors, accruals and provisions	**15 814**	14 350

** The customer loyalty programme liability relates to eBucks and is determined based on the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of when the customers uses these eBucks as reward credits redeemable against future purchases with the bank or a loyalty programme strategic partner, is purely at the customer's discretion.*

20.1 Reconciliation of provisions

R million	**2021**	2020
Opening balance	**230**	121
Exchange rate differences	**(5)**	7
Charge to profit or loss	**658**	119
- Additional provisions created	**695**	157
- Unused provisions reversed	**(37)**	(38)
Utilised	**(50)**	(17)
Closing balance	**833**	230

21 DEPOSITS

R million	2021	2020
Category analysis		
Deposits from customers	**921 689**	840 688
- Current accounts	**286 438**	277 891
- Call deposits	**258 410**	237 987
- Savings accounts	**26 727**	22 163
- Fixed and notice deposits	**275 960**	264 972
- Other deposits from customers	**74 154**	37 675
Debt securities	**165 125**	202 612
- Negotiable certificates of deposit	**22 760**	36 993
- Fixed and floating rate notes	**141 133**	164 320
- Exchange-traded notes	**1 232**	1 299
Other	**48 771**	45 652
- Repurchase agreements	**23 331**	23 559
- Securities lending	**923**	3 905
- Cash collateral and credit-linked notes	**22 660**	18 188
- SARB funding facility	**1 857**	-
Total deposits	**1 135 585**	1 088 952

22 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2021	2020
Liability for short-term employee benefits		**6 768**	5 928
Share-based payment liability		**1 895**	901
Defined benefit post-employment liability	22.1	**1 165**	956
Other long-term employee liabilities		**31**	29
Defined contribution post-employment liability	22.2	**-**	-
Total employee liabilities		**9 859**	7 814

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

22.1 Defined benefit post-employment liability

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

Nature of benefits	
Pension	**Medical**
The pension plan (FirstRand Retirement Fund) provides retired employees with a pension benefit after service. A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners, the fund pays a pension to the members and a dependant's pension to the spouse and eligible children on death of the pensioner. There is also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed in the rules of the fund. For the small number of defined benefit contributing members in the pension plan (16 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. The liability of the plan in respect of defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets. The fund provides a pension that can be purchased with the member's fund credit (equal to member contributions at retirement should the member so choose).	The medical scheme provides retired employees with medical benefits after service. The employer's post-employment health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

22 EMPLOYEE LIABILITIES AND RELATED ASSETS CONTINUED

Nature of benefits	
Pension	**Medical**
Should the pension account in the fund be in deficit to the extent that current pensions in payment cannot be maintained, the bank is liable to maintain the nominal value of pensions in payment. The fund also provides death, retrenchment and withdrawal benefits.	

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

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies
The bank ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the schemes. Within this framework, the bank's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match the benefit payments as they fall due. The bank actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets. The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely aims to achieve 80% exposure in fixed-interest instruments to immunise against the interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective. The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level. The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, inflation-linked and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy, as elements such as salary inflation and decrement rates cannot be matched. This is, however, an insignificant liability compared to the liability of the pension fund.

Risks associated with the plans
Through its defined benefit pension plans and post-employment medical plans, the bank is exposed to a number of risks, the most significant of which are detailed below: **Asset volatility** – Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets would create a deficit. **Inflation risk** – The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation form part of the financial assumptions used in the valuation. **Life expectancy** – The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. **Demographic movements** – The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should fewer eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the liabilities could be understated.

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

		2021			2020		
R million	Note	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**7 946**	**3 105**	**11 051**	7 584	2 716	10 300
Fair value of plan assets		**(8 371)**	**(1 940)**	**(10 311)**	(7 690)	(1 760)	(9 450)
- Listed equity instruments		**(2 281)**	**-**	**(2 281)**	(1 778)	-	(1 778)
- Cash and cash equivalents		**(223)**	**-**	**(223)**	(287)	-	(287)
- Debt instruments		**(2 669)**	**-**	**(2 669)**	(2 581)	-	(2 581)
- Derivatives		**(10)**	**-**	**(10)**	(8)	-	(8)
- Qualifying insurance policy		**-**	**(1 940)**	**(1 940)**	-	(1 760)	(1 760)
- Other		**(3 188)**	**-**	**(3 188)**	(3 036)	-	(3 036)
Total employee (asset)/liability		**(425)**	**1 165**	**740**	(106)	956	850
Limitation imposed by IAS 19 asset ceiling		**425**	**-**	**425**	106	-	106
Total net post-employment liability		**-**	**1 165**	**1 165**	-	956	956
Total amount recognised in the income statement (included in staff costs)	**3**	**(9)**	**149**	**140**	(23)	134	111
Movement in post-employment benefit fund liability							
Present value opening balance		**-**	**956**	**956**	-	1 591	1 591
Current service cost		**2**	**27**	**29**	4	41	45
Net interest		**(11)**	**122**	**111**	(27)	93	66
Remeasurements recognised in OCI**		**11**	**260**	**271**	27	(769)	(742)
- Actuarial gains/losses from changes in demographic assumptions		**-**	**-**	**-**	-	(7)	(7)
- Actuarial gains/losses from financial assumptions		**495**	**410**	**905**	(764)	(912)	(1 676)
- Other remeasurements		**(484)**	**(150)**	**(634)**	791	150	941
Benefits paid		**(1)**	**-**	**(1)**	(2)	-	(2)
Employer contributions		**(1)**	**(200)**	**(201)**	(1)	-	(1)
Employee contributions		**-**	**-**	**-**	(1)	-	(1)
Closing balance		**-**	**1 165**	**1 165**	-	956	956

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

** *This amount has been disaggregated and the comparative amount has also been provided.*

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2021			2020		
R million	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Movement in the fair value of plan assets						
Opening balance	**7 690**	**1 760**	**9 450**	8 560	1 877	10 437
Interest income	**781**	**193**	**974**	796	226	1 022
Remeasurements recognised in OCI	**587**	**(8)**	**579**	(965)	(151)	(1 116)
Employer contributions	**1**	**200**	**201**	1	-	1
Employee contributions	**1**	**-**	**1**	1	-	1
Benefits paid and settlements	**(689)**	**(205)**	**(894)**	(703)	(192)	(895)
Closing balance	**8 371**	**1 940**	**10 311**	7 690	1 760	9 450
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**106**	**-**	**106**	280	-	280
Interest income	**11**	**-**	**11**	27	-	27
Change in the asset ceiling, excluding amounts included in interest	**308**	**-**	**308**	(201)	-	(201)
Closing balance	**425**	**-**	**425**	106	-	106
The actual return on plan assets	**10%**	**-**		11%	-	
Included in plan assets were the following						
FirstRand Limited ordinary shares with fair value of	**32**	**-**	**32**	20	-	20
Total exposure to FirstRand	**32**	**-**	**32**	20	-	20

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

	2021		2020	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases %	**7.8**	**-**	7.3	-
Long-term increase in health costs %	**-**	**8.4**	-	8.2
The effects of a 1% movement in the assumed health cost rate (medical) and the expected rates of salary (pension) were:				
Increase of 1%				
- Effect on the aggregate of the current service cost and interest cost (R million)	**0.7**	**45.1**	0.7	40.8
- Effect on the defined benefit obligation (R million)	**4.0**	**357.6**	3.7	298.8
Decrease of 1%				
- Effect on the aggregate of the current service cost and interest cost (R million)	**(0.7)**	**(38.0)**	(0.7)	(34.6)
- Effect on the defined benefit obligation (R million)	**(3.7)**	**(303.0)**	(3.5)	(255.3)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
- Effect on the defined benefit obligation (R million)	**279.2**	**99.2**	250.8	81.5
- Effect on the aggregate of the current service cost and interest cost (R million)	**50.9**	**11.6**	49.0	10.2
Decrease in life expectancy by 1 year				
- Effect on the defined benefit obligation (R million)	**(276.6)**	**(98.9)**	(249.6)	(81.5)
- Effect on the aggregate of the current service cost and interest cost (R million)	**(50.5)**	**(11.6)**	(48.8)	(10.3)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**2**	**-**	2	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**3.5**	**2.3**	4.3	3.5
The weighted average duration of the defined benefit obligation (years)	**7.9**	**10.9**	7.8	13.0

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Pension benefits	**714**	**2 841**	**23 968**	**27 523**
Post-employment medical benefits	**205**	**1 000**	**20 161**	**21 366**
Total as at 30 June 2021	**919**	**3 841**	**44 129**	**48 889**

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	741	2 900	34 526	38 167
Post-employment medical benefits	201	971	17 855	19 027
Total as at 30 June 2020	942	3 871	52 381	57 194

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

Mortality rates

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

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

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

22 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2021	2020
Pension		
The number of employees covered by the scheme		
Active members	**16**	17
Pensioners	**5 632**	5 726
Deferred plan participants	**249**	249
Total	**5 897**	5 992
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**7 947**	7 584
- Amounts attributable to future salary increases (R million)	**67**	57
- Other benefits (R million)	**7 880**	7 527
Medical		
The number of employees covered by the scheme		
Active members	**2 788**	3 077
Pensioners	**5 156**	5 214
Total employees	**7 944**	8 291
Benefits vested at the end of the reporting period (R million)	**2 223**	1 975
Benefits accrued but not vested at the end of the reporting period (R million)	**882**	741
Conditional benefits (R million)	**882**	741
Other benefits (R million)	**2 223**	1 975

22.2 Defined contribution post-employment liability

R million	2021	2020
Post-employment defined contribution plan		
Present value of obligation	**24 628**	19 974
Present value of assets	**(24 628)**	(19 974)
Net defined contribution liability	**-**	-

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

23 OTHER LIABILITIES

R million	**2021**	2020
Lease liabilities	**1 554**	1 803
Funding liabilities	**3 533**	3 452
- Preference shares*	**2 864**	3 198
- Other	**669**	254
Total other liabilities	**5 087**	5 255

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

Other liabilities reconciliation

	2021			2020		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease*	Total
Opening balance	**3 452**	**1 803**	**5 255**	3 322	-	3 322
IFRS 16 adjustment	**-**	**-**	**-**	-	1 631	1 631
Cash flow movements	**(208)**	**(853)**	**(1 061)**	107	(14)	93
- Proceeds on the issue of other liabilities	**210**	**-**	**210**	3 091	709	3 800
- Redemption of other liabilities	**(348)**	**-**	**(348)**	(2 606)	-	(2 606)
- Principal payments towards lease liabilities	**-**	**(729)**	**(729)**	-	(595)	(595)
- Interest paid	**(70)**	**(124)**	**(194)**	(378)	(128)	(506)
Non-cash flow movements	**289**	**604**	**893**	23	186	209
- Fair value movement	**244**	**-**	**244**	(376)	-	(376)
- Foreign exchange	**(12)**	**-**	**(12)**	15	9	24
- New leases recognised during the year	**-**	**868**	**868**	-	-	-
- Early termination/modification of lease	**-**	**(390)**	**(390)**	-	37	37
- Interest accrued	**57**	**126**	**183**	384	140	524
Total other liabilities	**3 533**	**1 554**	**5 087**	3 452	1 803	5 255

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

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

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

For details on the contractual maturity of lease liabilities, refer to Note 32.2.1 (Liquidity risk).

24 TIER 2 LIABILITIES

R million	Maturity dates	Interest rate	2021	2020
Fixed rate bonds			**8 862**	10 646
- ZAR denominated	14 April 2021 to 3 June 2026	8.15% — 10.19%	**1 430**	1 359
- USD denominated	23 April 2023	6.25%	**7 432**	9 287
Floating rate bonds			**9 951**	11 676
- ZAR denominated	24 November 2021 to 19 April 2026	Three-month JIBAR 224 bps — 390 bps	**9 951**	11 676
Total Tier 2 liabilities			**18 813**	22 322

Tier 2 liabilities reconciliation

R million	2021	2020
Opening balance	**22 322**	22 428
Cash flow movements	**(1 659)**	(2 049)
- Proceeds from the issue of Tier 2 liabilities	**3 111**	-
- Capital repaid on Tier 2 liabilities	**(4 770)**	(2 049)
Non-cash flow movements	**(1 850)**	1 943
- Foreign exchange	**(2 039)**	1 142
- Fair value hedging adjustment	**(307)**	303
- Interest accrued	**496**	498
Tier 2 liabilities	**18 813**	22 322

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER

25.1 Share capital and share premium classified as equity

R million	2021	2020
Ordinary shares		
Authorised		
2 000 000 shares with a par value of R2 per share	**4**	4
Issued		
1 866 836 (2020: 1 866 836) ordinary shares with a par value of R2 per share	**4**	4
All issued share capital is fully paid up		
Ordinary share premium	**16 804**	16 804
Total issued ordinary share capital and share premium	**16 808**	16 808

25.2 Additional Tier 1 capital

R million	Rate	2021	2020
FRB24	3-month JIBAR plus 445 basis points	**2 265**	2 265
FRB25	3-month JIBAR plus 440 basis points	**3 461**	3 461
FRB28*	3-month JIBAR plus 440 basis points	**1 400**	-
Total additional Tier 1 capital		**7 126**	5 726

* *Includes an issuance of R1 400 million in the current year.*

25 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES continued

FRB24, FRB25 and FRB28

FRB's Additional Tier 1 (AT1) capital instruments are perpetual and pay non-cumulative, discretionary coupons on a quarterly basis. The terms and conditions provide for an issuer call option after five years, and at every coupon payment date that follows.

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

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

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

The total coupon paid during the financial year was R525 million (2020: R629 million). Current tax of R147 million (2020: R176 million) was recognised in the income statement.

25.3 Other reserves

Other reserves are made up of the following:

R million	**2021**	2020
FVOCI reserve – debt instruments	**178**	(78)
FVOCI reserve – equity instruments	**(312)**	(77)
Capital redemption reserve fund	**1 345**	1 345
Other reserves	**1**	1
Total other reserves	**1 212**	1 191

26 REMUNERATION SCHEMES

R million	Note	**2021**	2020
The charge to profit or loss for share-based payments is as follows:			
Conditional incentive plan		**940**	567
Amount included in profit or loss	**3**	**940**	567

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the bank. The performance vesting conditions attached to the 2018 scheme were not met and the full obligation raised in prior periods was reversed in the current year.

26 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

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

Corporate performance targets

The FirstRand Limited group remuneration committee sets the CPTs for each award based on the expected macroeconomic conditions and group earnings returns forecasts over the performance period. These criteria vary from year to year, depending on the expectations for each of the aforementioned variables. For vesting to occur, the criteria must be met or exceeded. For the 2018 award schemes, the scheme rules allowed the remuneration committee the discretion to determine whether the conditional awards would vest, in full or partially, in circumstances where the performance conditions were not fulfilled. The application of this discretion is limited. For the 2019 award, this discretion is removed and if the performance conditions are not met the award fails. The 2019 and 2020 schemes have a structure of graded vesting. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee.

In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For certain non-senior employees eligible for a CIP, a portion of the award is not subject to the performance conditions, and only requires continued employment.

26 REMUNERATION SCHEMES continued

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

Expired schemes

2017 (Did not vest at the expected vesting date of September 2020) – FirstRand Limited must achieve growth in normalised earnings per share (EPS), adjusted for consumer price index (CPI), which equals or exceeds the South African real GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2017, to the year end immediately preceding the vesting date, and the bank must deliver a ROE of at least 18% over the performance period. Real GDP and CPI are advised by Group Treasury's macro strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the performance period of1 July 2017 to June 2020 the bank failed to achieve the targets set for the cumulative growth in normalised earnings per share. Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

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

2019 (Vesting in 2022) – The vesting conditions of the 2019 award are set out below with the apportionment to vesting without conditions described below. The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment and the remaining 50% of the awards remain subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a super stretch target with linear grading between targets. If the minimum ROE and earnings growth conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

26 REMUNERATION SCHEMES continued

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

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on net asset value (NAV) without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

2020 (Vesting date in 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading between targets. If the minimum conditions are met, vesting will commence at 70% and if these are not met, the award will lapse.

26 REMUNERATION SCHEMES continued

Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include issues that materially damaged the bank's businesses, including its reputation, material enterprise-wide risk and control issues, as recommended to it by the risk, capital management and compliance (RCC) committee; and concerns regarding the adherence to the liquidity and capital management strategies in place.

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

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

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

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

26 REMUNERATION SCHEMES continued

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

	Conditional incentive plan	
	2021	2020
Award life (years)	**2 – 4**	2 – 4
Risk-free rate (%)	**3.67 – 5.74**	3.91 – 5.32

	Conditional incentive plan (FirstRand shares)	
Share awards outstanding	**2021**	2020
Number of awards in force at the beginning of the year (millions)	**56.4**	82.1
Number of awards granted during the year (millions)	**65.2**	32.2
Number of awards transferred (within the group) during the year (millions)	**-**	(0.3)
Number of awards exercised/released during the year (millions)	**(4.2)**	(29.8)
- Market value range at date of exercise/release (cents)*	**3 768 – 5 534**	3 893 – 6 637
- Weighted average (cents)	**3 929**	6 513
Number of shares cancelled/lapsed during the year (millions)**	**(26.5)**	(27.8)
Number of awards in force at the end of the year (millions)	**90.9**	56.4

	Conditional share plan (FirstRand shares)			
	2021		2020	
Share awards outstanding#	**Weighted average remaining life (years)**	**Out-standing awards (millions)**	Weighted average remaining life (years)	Out-standing awards (millions)
Vested during 2020			0.30	4.2
Vesting during 2021	**0.30**	**9.8**	1.30	26.7
Vesting during 2022	**1.30**	**26.9**	2.30	25.5
Vesting during 2023	**2.31**	**54.2**		
Total conditional awards	**-**	**90.9**	-	56.4
Number of participants		**4 582**		4 271

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

** *Scheme vesting during 2020 and 2021 failed to vest due to not achieving the performance conditions attached to the scheme.*

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

27 CONTINGENCIES AND COMMITMENTS

R million	**2021**	2020
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**36 335**	48 877
Letters of credit	**9 710**	8 285
Total contingencies	**46 045**	57 162
Irrevocable commitments*	**151 103**	118 049
Committed capital expenditure	**3 323**	3 073
Other	**7**	8
Total contingencies and commitments	**200 478**	178 292
Legal proceedings		
There are a small number of potential legal claims against the bank, the outcome of which uncertain at present. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.	**212**	321
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors	**3 323**	3 073
Guarantees		
Guarantees consisting predominantly of endorsements and performance guarantees granted to other FirstRand group companies amount to:	**8 521**	18 107

**Irrevocable commitments have been restated following an identification of R2 158 million that had been incorrectly omitted from the June 2020 numbers. The ECL relating to this restatement was recorded in the prior year and as such, the restatement does not require additional ECL to be raised.*

27.1 Future minimum lease payments receivable under operating leases where the bank is the lessor

The bank owns various assets that are leased to third parties under non-cancellable operating leases as part of the bank's revenue-generating operations. The minimum future lease payments under non-cancellable operating leases on assets where the bank is the lessor are detailed below.

	2021			
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**	**Total**
Property	**8**	**20**	**4**	**32**
Motor vehicles	**1 429**	**2 338**	**262**	**4 029**
Total receivable under non-cancellable operating leases	**1 437**	**2 358**	**266**	**4 061**
Property	7	18	10	35
Motor vehicles	1 400	2 175	218	3 793
Total receivable under non-cancellable operating leases	1 407	2 193	228	3 828

28 FAIR VALUE MEASUREMENTS

28.1 Valuation methodology

In terms of IFRS, the bank is required to or elects to measure certain assets and liabilities at fair value. The bank 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 as well as 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 bank level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

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.

Fair value measurements are determined by the bank 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 bank uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

Where the bank 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.

28 FAIR VALUE MEASUREMENTS continued

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 in section 28.4, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

28.2 Fair value hierarchy and measurements

The bank 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 an 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 bank 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 bank 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 bank considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

28 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the bank 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 flow	Future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and credit spreads
Swaps	Discounted cash flow and industry standard models	The discounted cash flow technique calculates fair value based on future cash flows projected using a related forecasting curve and then discounted using the related market-related discounting curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents. The industry standard models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, credit and currency basis curves, volatilities, dividends and share prices
Options	Option pricing and industry standard 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 by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate spot or forward rate, the volatility of the underlying, dividends and share prices
Forwards	Discounted cash flow	The future cash flows are projected using a related forecasting curve and then discounted using a market-related discounting 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

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices
Advances to customers			
Advances under repurchase agreements	Discounted cash flow	Future cash flows are discounted using a market-related interest rates adjusted for credit inputs over the contractual period. The amount repayable is referenced to a commodity price. Credit inputs are an insignificant input as the advance is fully collateralised.	Commodity prices
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 rates and credit spreads
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 a market-related interest rate.	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 transactions

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
		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, in which case level 2 classifications are used.	
Unlisted bonds or bonds listed in an inactive market	Discounted cash flow	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 rates and credit spreads.
Negotiable certificates of deposit (NCD)	Discounted cash flow	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 and market quotes for NCD instruments
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market quotes for money market and fixed income instruments
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 bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank 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	Market transactions (listed)

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
		with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	
Deposits			
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Discounting curve
Other deposits	Discounted cash flow	The related forecasting curve adjusted is 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 flow	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 curve and performance of underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

28 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the bank 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 and industry standard 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 by applying extrapolation techniques to match the appropriate risk profile.	Volatilities, dividends and unlisted share prices
Swaps	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves, credit and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
Advances to customers			
Corporate and investment banking book	Discounted cash flow	Certain of the bank's corporate and investment banking advances do not meet the requirements to be carried at amortised cost and are measured 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
Other advances	Discounted cash flow	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	Credit inputs

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Advances to customers continued			
		African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.	
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 foreign exchange 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 flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flow	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a	Growth rates and P/E ratios

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
		discounted cash flow valuation or by the observation of other market transactions that have taken place.	
Unlisted bonds or bonds listed in an inactive market	Discounted cash flow	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 bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations.	Third-party valuations used, minority and marketability adjustments

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
		Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are unlisted, the bank has classified them as level 3 of the fair value hierarchy, as there is no observable market data to compare the third-party valuations to.	
Investment properties			
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

28 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Deposits			
Deposits referencing credit-linked instruments	Discounted cash flow	These deposits reference credit-linked instruments. The related forecasting 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
Other deposits	Discounted cash flow	The related forecasting curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs and market risk
Other liabilities	Discounted cash flow	For preference shares which require the bank 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 therefore 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 flow	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, arising from non-current assets held for sale and disposal groups subject to IFRS 5, 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, the technique applied and the inputs into the models would be identical to those as set out in the table above. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

28 FAIR VALUE MEASUREMENTS continued

28.2.1 Fair value hierarchy and measurements continued

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

	2021			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**41**	**69 528**	**1 205**	**70 774**
Advances	**-**	**60 774**	**31 487**	**92 261**
Investment securities	**81 465**	**86 451**	**1 721**	**169 637**
Commodities	**18 641**	**-**	**-**	**18 641**
Investment properties	**-**	**-**	**249**	**249**
Amounts due by holding company and fellow subsidiaries	**-**	**8 715**	**-**	**8 715**
Total assets measured at fair value	**100 147**	**225 468**	**34 662**	**360 277**
Liabilities				
Recurring fair value measurements				
Short trading positions	**18 660**	**-**	**-**	**18 660**
Derivative financial instruments	**41**	**69 086**	**1 595**	**70 722**
Deposits	**1 046**	**39 989**	**4 254**	**45 289**
Other liabilities	**-**	**669**	**-**	**669**
Amounts due to holding company and fellow subsidiaries	**-**	**10 047**	**-**	**10 047**
Total liabilities measured at fair value	**19 747**	**119 791**	**5 849**	**145 387**

	2020			
	Level 1	Level 2	Level 3	Total fair value
	50	119 537	924	120 511
	-	21 745	43 449	65 194
	65 365	31 307	2 561	99 233
	21 344	-	-	21 344
	-	-	-	-
	-	16 081	-	16 081
	86 759	188 670	46 934	322 363
	4 786	-	-	4 786
	292	132 340	1 856	134 488
	1 299	39 801	4 840	45 940
	-	254	323	577
	-	16 387	-	16 387
	6 377	188 782	7 019	202 178

28 FAIR VALUE MEASUREMENTS

28.2.2 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.

	2021			
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**	
Level 1	**945**	**(24)**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 and level 2 into level 1.	
Level 2	**210**	**(992)**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.	
Level 3	**574**	**(713)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as active trading ceased during the period and the fair value was determined using significant unobservable inputs.	
Total transfers	**1 729**	**(1 729)**		

	2020		
	Transfers in	Transfers out	Reasons for significant transfers in
	-	-	There were no transfers into level 1.
	-	(911)	There were no transfers into level 2.
	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, hence their transfer from level 2 to level 3.
	911	(911)	

28 FAIR VALUE MEASUREMENTS continued

28.3 Additional disclosures for level 3 financial instruments

28.3.1 Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	Derivative financial assets	Advances	Investment securities	Investment properties
Balance as at 30 June 2019	802	32 564	1 763	-
Gains/(losses) recognised in profit or loss	142	4 215	(144)	-
Gains/(losses) recognised in other comprehensive income	-	-	(180)	-
Purchases, sales, issue and settlements	(88)	5 822	308	-
Net transfer to level 3	68	-	814	-
Exchange rate differences	-	848	-	-
Balance as at 30 June 2020	**924**	**43 449**	**2 561**	**-**
Gains/(losses) recognised in profit or loss	**816**	**250**	**87**	**-**
Gains/(losses) recognised in other comprehensive income	**-**	**-**	**(303)**	**-**
Purchases, sales, issue and settlements	**(535)**	**(11 274)**	**(487)**	**249**
Acquisitions/disposals of subsidiaries	**-**	**-**	**2**	**-**
Net transfer to level 3	**-**	**-**	**(139)**	**-**
Exchange rate differences	**-**	**(938)**	**-**	**-**
Balance as at 30 June 2021	**1 205**	**31 487**	**1 721**	**249**

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. Decreases in the value of liabilities are as a result of gains or settlements.

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 where the inherent risk is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

Derivative financial liabilities	Deposits	Other liabilities
842	1 052	322
1 418	59	219
-	-	-
(433)	3 729	(218)
29	-	-
-	-	-
1 856	**4 840**	**323**
319	**(235)**	**(72)**
-	**-**	**-**
(580)	**(351)**	**(251)**
-	**-**	**-**
-	**-**	**-**
-	**-**	**-**
1 595	**4 254**	**-**

28 FAIR VALUE MEASUREMENTS continued

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

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

The table below presents the total gains or losses relating to the remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments designated at FVTPL and FVOCI debt instruments, all gains or losses are recognised in NIR.

	2021		2020	
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	**782**	**-**	83	-
Advances*	**595**	**-**	4 057	-
Investment securities	**123**	**(300)**	(311)	(189)
Total	**1 500**	**(300)**	3 829	(189)
Liabilities				
Derivative financial instruments	**(288)**	**-**	(978)	-
Deposits	**68**	**-**	(59)	-
Total	**(220)**	**-**	(1 037)	-

* *Amount is mainly accrued interest on fair value advances and movements in interest rates 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. Refer to page C201 where the income statement impact of the credit fair value adjustments is disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

28 FAIR VALUE MEASUREMENTS continued

28.3.3 Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

	2021		
	IFRS 9		
Asset/ liability	**Significant unobservable inputs**	**Unobservable input to which reasonable possible changes are applied**	**Reasonably 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 in relation to 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	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent 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%.

28 FAIR VALUE MEASUREMENTS continued

28.3.4 Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

	2021			2020		
	Reasonable possible alternative fair value			Reasonable possible alternative fair value		
R million	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**1 205**	**1 344**	**1 067**	924	983	872
Advances	**31 487**	**31 643**	**31 333**	43 449	43 618	43 277
Investment securities	**1 721**	**1 780**	**1 567**	2 561	2 679	2 446
Investment properties	**249**	**274**	**225**	-	-	-
Total financial assets measured at fair value in level 3	**34 662**	**35 041**	**34 192**	46 934	47 280	46 595
Liabilities						
Derivative financial instruments	**1 595**	**1 508**	**1 680**	1 856	1 762	1 934
Deposits	**4 254**	**4 226**	**4 282**	4 840	4 789	4 907
Other liabilities	**-**	**-**	**-**	323	319	326
Total financial liabilities measured at fair value in level 3	**5 849**	**5 734**	**5 962**	7 019	6 870	7 167

28 FAIR VALUE MEASUREMENTS continued

28.4 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 is a reasonable approximation of the fair value.

	2021				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**765 694**	**779 091**	**-**	**121 121**	**657 970**
Investment securities	**104 129**	**103 726**	**93 629**	**10 097**	**-**
Total assets at amortised cost	**869 823**	**882 817**	**93 629**	**131 218**	**657 970**
Liabilities					
Deposits	**1 090 296**	**1 093 339**	**513**	**1 092 554**	**272**
Other liabilities	**2 864**	**2 864**	**-**	**2 864**	**-**
Tier 2 liabilities	**18 813**	**19 188**	**-**	**19 188**	**-**
Total liabilities at amortised cost	**1 111 973**	**1 115 391**	**513**	**1 114 606**	**272**

	2020				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	802 746	810 193	-	142 074	668 119
Investment securities	109 793	108 177	87 800	20 377	-
Total assets at amortised cost	912 539	918 370	87 800	162 451	668 119
Liabilities					
Deposits	1 043 012	1 043 901	-	1 043 740	161
Other liabilities	2 875	2 922	-	2 922	-
Tier 2 liabilities	22 322	22 661	-	22 661	-
Total liabilities at amortised cost	1 068 209	1 069 484	-	1 069 323	161

28 FAIR VALUE MEASUREMENTS continued

28.5 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	**2021**	2020
Opening balance	**198**	51
Day 1 profits or losses initially not recognised on financial instruments recognised in the current year	**281**	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(370)**	(182)
Closing balance	**109**	198

28.6 Financial instruments designated at fair value through profit or loss

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

28 FAIR VALUE MEASUREMENTS continued

28.6.1 Financial assets designated at fair value through profit or loss

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

	2021			
			Change in fair value due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**9 031**	**-**	**(110)**	**(257)**
Investment securities	**7**	**-**	**-**	**-**
Total	**9 038**	**-**	**(110)**	**(257)**

	2020			
			Change in fair value due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	7 999	180	(131)	(139)
Investment securities	6	-	-	-
Total	8 005	180	(131)	(139)

Losses are indicated in brackets.

28.6.2 Financial assets designated at fair value through profit or loss

	2021		2020	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**10 086**	**9 726**	8 247	7 816
Other liabilities	**669**	**669**	577	577
Total	**10 755**	**10 395**	8 824	8 393

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

R million	**2021**	2020
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**3 637**	4 659
Fair value of credit of advances included in the impairment of advances	**(168)**	(398)

* *Refer to note 2.3.*

29 SEGMENT INFORMATION

29.1 Reportable segments

Segment reporting	
Bank's chief operating decision maker	Chief executive officer (CEO)
Identification and measurement of operating segments	Aligned with internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately.
Major customers	FirstRand bank has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on revenue from one or more major customers.
Reportable segments	
RETAIL AND COMMERCIAL	
	Products and services
FNB	FNB represents the bank's activities in the retail and commercial segments in South Africa. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatal and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, investment and savings – and include mortgage loans, credit and debit cards, personal loans, and savings and investment products. Services include transactional, deposit-taking and card-acquiring services, as well as credit facilities and FNB distribution channels (branch network, ATMs, banking app, call centres, cellphone banking and online). DirectAxis forms part of a personal loans cluster alongside FNB loans.
FNB rest of Africa	Comprise a support division acting as strategic enabler, facilitator and coordinator for FNB's rest of Africa businesses.
	Products and services
WesBank	WesBank represents the group's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

29 SEGMENT INFORMATION continued

Reportable segments	
	Products and services
RMB	RMB represents the bank's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB offers advisory, financing, trading, corporate banking and principal investing solutions. Ashburton Investments's results have been incorporated into RMB as from 1 July 2020. They were previously reported in FCC and comparative information has been restated. This change was required to enable better execution of the investment product offering to corporate and institutional clients.
FCC and other	
Key group-wide functions	Group-wide functions include Group Treasury (capital, liquidity and financial resource management), Group Finance, Group Tax, STET, regulatory risk management and Group Internal Audit. This reportable segment includes management accounting entries. The total operational performance of MotoNovo's back book (i.e. business written prior to the integration with Aldermore) is reported in the London branch, which forms part of FCC/Group Treasury (GTSY).

29.2 Description of normalised adjustments

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

29 SEGMENT INFORMATION continued

<table>
<tr><th colspan="2">Normalised adjustments</th></tr>
<tr><td>Margin-related items included in fair value income</td><td>In terms of IFRS, the bank is either required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank’s IFRS accounting policies, the gains or losses in 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.</td></tr>
<tr><td>IAS 19 remeasurement of plan assets</td><td>In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.</td></tr>
</table>

29 SEGMENT INFORMATION continued

Normalised adjustments	
Cash-settled share-based payments and the economic hedge	The bank entered into various TRS with external parties in order to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes. In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense. When calculating normalised results, the bank defers the recognition of the fair value gain or loss on the hedging instrument to the specific reporting period in which the IFRS 2 impact will manifest in the bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the bank for the share schemes that are not hedge accounted. In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses, that remains is equal to the grant date fair value of the awards given.
Headline earnings adjustments	All adjustments that are required by *Circular 1/2021 Headline earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment. The description and amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit.

29 SEGMENT INFORMATION continued

29.3 Reportable segments*

	2021		
R million	**FNB**	**FNB Africa**	**WesBank**
Net interest income before impairment of advances	**34 013**	**(10)**	**4 303**
Impairment and fair value of credit of advances	**(8 214)**	**28**	**(2 011)**
Net interest income after impairment of advances	**25 799**	**18**	**2 292**
Non-interest revenue	**24 879**	**942**	**2 574**
Net income from operations	**50 678**	**960**	**4 866**
Operating expenses	**(29 445)**	**(1 291)**	**(4 218)**
Income before indirect tax	**21 233**	**(331)**	**648**
Indirect tax	**(705)**	**(2)**	**(67)**
Profit before income tax	**20 528**	**(333)**	**581**
Income tax expense	**(5 751)**	**93**	**(163)**
Profit for the year	**14 777**	**(240)**	**418**
The income statement includes			
Depreciation	**(2 606)**	**(1)**	**(866)**
Amortisation	**(38)**	**-**	**(19)**
Net impairment charge	**(3)**	**-**	**(14)**
Non-interest revenue includes the following external revenue from contracts with customers:**			
Banking fees and commissions	**25 485**	**(5)**	**464**
Non-banking fees and commissions	**699**	**-**	**14**
Insurance income (excluding risk related income)	**374**	**-**	**94**
Management, trust and fiduciary fees	**629**	**-**	**526**
Other non-interest revenue from customers	**720**	**-**	**253**
The statement of financial position includes			
Total assets	**419 827**	**183**	**115 572**
Total liabilities#	**404 301**	**518**	**116 116**

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

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

Total liabilities are net of interdivisional balances.

	2021					
	Retail and commercial	Corporate and institutional RMB	FCC (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	38 306	7 281	2 228	47 815	(811)	47 004
	(10 197)	(852)	(66)	(11 115)	-	(11 115)
	28 109	6 429	2 162	36 700	(811)	35 889
	28 395	8 888	(1 734)	35 549	1 136	36 685
	56 504	15 317	428	72 249	325	72 574
	(34 954)	(8 645)	(1 391)	(44 990)	36	(44 954)
	21 550	6 672	(963)	27 259	361	27 620
	(774)	(173)	(61)	(1 008)	-	(1 008)
	20 776	6 499	(1 024)	26 251	361	26 612
	(5 821)	(1 820)	947	(6 694)	(98)	(6 792)
	14 955	4 679	(77)	19 557	263	19 820
	(3 473)	(123)	(4)	(3 600)	-	(3 600)
	(57)	(156)	2	(211)	-	(211)
	(17)	(11)	-	(28)	(10)	(38)
	25 944	3 177	(15)	29 106	-	29 106
	713	11	35	759	-	759
	468	-	-	468	-	468
	1 155	236	-	1 391	-	1 391
	973	(1 784)	1 896	1 085	-	1 085
	535 582	536 353	343 094	1 415 029	-	1 415 029
	520 935	531 248	250 467	1 302 650	-	1 302 650

29 SEGMENT INFORMATION continued

29.3 Reportable segments* continued

	2020			
R million	FNB	FNB Africa	WesBank	
Net interest income before impairment of advances	33 326	(43)	4 777	
Impairment and fair value of credit of advances	(12 922)	(28)	(2 948)	
Net interest income after impairment of advances	20 404	(71)	1 829	
Non-interest revenue	23 053	928	2 587	
Net income from operations	43 457	857	4 416	
Operating expenses	(28 288)	(1 315)	(3 946)	
Income before indirect tax	15 169	(458)	470	
Indirect tax	(506)	(3)	(46)	
Profit before income tax	14 663	(461)	424	
Income tax expense	(4 107)	129	(119)	
Profit for the year	10 556	(332)	305	
The income statement includes				
Depreciation	(2 408)	(1)	(852)	
Amortisation	(49)	-	(21)	
Net impairment charge	5	-	(15)	
Non-interest revenue includes the following external revenue from contracts with customers#:				
Banking fees and commissions	24 349	(4)	440	
Non-banking fees and commissions	679	-	14	
Insurance income (excluding risk related income)	360	-	100	
Management, trust and fiduciary fees	660	-	531	
Other non-interest revenue from customers	496	-	195	
The statement of financial position includes				
Total assets	418 971	279	119 441	
Total liabilities†	409 071	739	120 151	

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

** *Restated in line with changes made to the reportable segment in the 30 June 2021 financial year. Previously RMB was split between investment banking and corporate banking. This split is no longer reviewed by the CODM.*

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

† *Total liabilities are net of interdivisional balances.*

	2020					
	Retail and commercial	Corporate and institutional RMB**	FCC (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	38 060	7 050	1 374	46 484	490	46 974
	(15 898)	(2 077)	(294)	(18 269)	-	(18 269)
	22 162	4 973	1 080	28 215	490	28 705
	26 568	8 981	(1 102)	34 447	(880)	33 567
	48 730	13 954	(22)	62 662	(390)	62 272
	(33 549)	(7 668)	(3 126)	(44 343)	358	(43 985)
	15 181	6 286	(3 148)	18 319	(32)	18 287
	(555)	(178)	(77)	(810)	-	(810)
	14 626	6 108	(3 225)	17 509	(32)	17 477
	(4 097)	(1 710)	2 689	(3 118)	9	(3 109)
	10 529	4 398	(536)	14 391	(23)	14 368
	(3 261)	(125)	(5)	(3 391)	-	(3 391)
	(70)	(123)	-	(193)	-	(193)
	(10)	(10)	(67)	(87)	(7)	(94)
	24 785	3 178	394	28 357	-	28 357
	693	15	52	760	-	760
	460	-	(11)	449	-	449
	1 191	233	1	1 425	-	1 425
	691	66	-	757	(16)	741
	538 691	579 024	296 997	1 414 712	-	1 414 712
	529 961	574 599	210 114	1 314 674	-	1 314 674

29 SEGMENT INFORMATION continued

Geographical segments

R million	**2021** South Africa	United Kingdom	Asia	Total
Net interest income after impairment of advances	**35 299**	**540**	**50**	**35 889**
Non-interest revenue*:	**36 103**	**501**	**81**	**36 685**
- Non-interest revenue from contracts with customers	**33 299**	**(537)**	**47**	**32 809**
- Other non-interest revenue	**2 804**	**1 038**	**34**	**3 876**
Non-current assets**	**17 406**	**41**	**5**	**17 452**

R million	2020 South Africa	United Kingdom	Asia	Total
Net interest income after impairment of advances	28 233	494	(22)	28 705
Non-interest revenue*:	32 598	796	173	33 567
- Non-interest revenue from contracts with customers	30 968	744	63	31 775
- Other non-interest revenue	1 630	52	110	1 792
Non-current assets**	18 311	61	11	18 383

* *Non-interest revenue has been disaggregated to disclosure revenue from contracts with customers distributed by geographical segment. The comparative information has been updated.*

** *Exclude financial instruments, other assets, deferred income tax assets, current tax assets and post-employment benefit assets.*

30 RELATED PARTIES

30.1 Balances with related parties

R million	**2021**	2020
Advances		
Fellow subsidiaries – bank accounts	**671**	118
Associates	**13 633**	11 632
Joint ventures	**3 159**	1 188
Key management personnel	**11**	34
Other assets		
Associates	**424**	363
Joint ventures	**22 076**	10 020
Amounts due by holding company and fellow subsidiaries		
Fellow subsidiaries	**67 108**	67 309
Derivative assets		
Joint ventures	**-**	176
Investments under co-investment scheme		
Key management personnel	**67**	53
Deposits		
Fellow subsidiaries – bank accounts*	**3 811**	3 215
Associates	**713**	1 610
Joint ventures	**1 741**	2 475
Key management personnel	**105**	105
Accounts payable		
Associates	**3**	6
Joint ventures	**1**	-
Amounts due to holding company and fellow subsidiaries		
Parent	**593**	236
Fellow subsidiaries	**26 621**	36 018
Derivative liabilities		
Fair value		
Joint ventures	**35**	-
Commitments		
Associates	**3 007**	3 707
Joint ventures	**5**	-

** Fellow subsidiaries bank accounts has been updated to include internal bank accounts to intercompany entities accounted for in deposits. The comparative information previously reflected as R165 million has been updated to correctly include the identified bank accounts.*

Refer to the remuneration disclosures on page C212 for details of the compensation payable to key management personnel. All associates and joint ventures are those in relation to FirstRand Limited. Transactions with related parties occur in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those for comparable transactions with other external parties. These transactions do not involve more than the normal risk of collectability or present other unfavourable features. The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts and market-related rates, terms and conditions apply.

30 RELATED PARTIES continued

30.2 Transactions with related parties

R million	2021	2020
Interest received		
Fellow subsidiaries	**1 634**	1 903
Associates	**643**	806
Joint ventures	**757**	986
Key management personnel	**3**	3
Interest paid		
Fellow subsidiaries*	**(284)**	(601)
Associates	**(49)**	(72)
Joint ventures	**(86)**	(66)
Key management personnel	**(1)**	(7)
Non-interest revenue		
Entities that have significant influence over the parent and its subsidiaries	**-**	76
Fellow subsidiaries	**3 235**	558
Associates	**1 101**	1 048
Joint ventures	**2 985**	527
Operating expenses		
Fellow subsidiaries (note 3)	**(817)**	(1 066)
Associates	**(965)**	(724)
Joint ventures	**(5)**	(5)
Dividends (paid)		
Parent	**(6 270)**	(16 667)
Net interest return credited in respect of investments under the co-investment scheme		
Key management personnel	**10**	3
Financial consulting fees and other		
Key management personnel	**-**	1
Salaries and other employee benefits		
Key management personnel	**98**	83
- Salaries and other short-term benefits	**46**	48
- Share-based payments	**52**	35

* *Interest paid on bank accounts with fellow subsidiaries amounted to R113 million (2020: R166 million).*

All associates and joint ventures are those in relation to FirstRand Limited.

Deferred compensation of R14 million (2020: R12 million) is due to key management personnel and is payable in FirstRand Limited shares. A list of the board of directors of the bank is contained in section A of the annual report. During the financial year, no contracts which directors or officers of the company had an interest in were entered into, or which significantly affected the business of the bank.

30 RELATED PARTIES continued

30.3 Post-retirement benefit fund

Details of transactions between the bank and the bank's post-retirement benefit plan are listed below

R million	**2021**	2020
Dividend income	**7**	5
Fee expense	**(1)**	-
Deposits and current accounts held with the bank	**770**	737
Interest income	**41**	45

Refer to note 22 for details of the closing balance of the group's post-employment benefit plan.

31 INTERESTS IN OTHER ENTITIES

In terms of IFRS 12 paragraph 29, disclosures about structured entities are only required in the consolidated financial statements, unless separate financial statements are the only annual financial statements prepared by an entity. As the bank does not prepare consolidated financial statements, these required disclosures have been included. Refer to accounting policy 8.2 for additional information about the bank's decision not to prepare consolidated financial statements.

31.1 Structured entities

The bank uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Vumela Enterprise Development Fund

The bank has significant influence over the Vumela Enterprise Development Fund. The entity provides funding to qualifying small and medium-sized enterprises in South Africa. As the bank does not prepare consolidated financial statements, no further disclosures have been provided. The investment was fully impaired during the prior financial year, resulting in an impairment of R66 million which was included in operating expenses.

Sponsorships of unconsolidated structured entities

The bank has provided support in the form of liquidity and credit enhancement facilities to a SPV. The bankruptcy remote SPV is consolidated by the bank's fellow subsidiary, FRIHL. During the current year, assets to the value of R5 488 million were transferred by the bank to this entity. Assets to the value of R2 438 million were transferred in the prior year.

The bank purchased R2 109 million of assets originated by the SPV in the current year. Assets to the value of R3 311 million were purchased in the prior year.

31 INTERESTS IN OTHER ENTITIES continued

31.2 Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the bank.

R million	Transaction type	2021	2020*
Own transaction		**4 301**	2 913
iVuzi	Asset-backed commercial paper programme	**4 301**	2 913
Total facilities provided		**4 301**	2 913

* *The prior period amount has been restated to include all liquidity facilities provided by the bank. In the prior year only the liquidity facility related to credit enhancement to the value R 1 957 million was included. The liquidity facilities has been restated by R956 million in the comparative period.*

All liquidity facilities granted in the table above rank senior in terms of payment priority in the event of a drawdown and represent the bank's maximum exposure to loss. Due to the liquidity facility and credit enhancement extended to iVuzi the same economic capital is allocated to each of the underlying assets held by the bank.

32 FINANCIAL RISKS

Risk governance in the bank

FirstRand believes that effective risk, performance and financial resource management is key to its success and underpins the delivery of sustainable returns to shareholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision-making.

Effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's business performance and risk management framework (BPRMF) describes the group's risk management structure and approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF along with the business functions, committee structures and risk universe.

The primary board committee overseeing risk matters across the group and bank is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in the bank's businesses, the governance structures of which align closely with that of the group. Additional risk, audit and compliance committees exist in the operating businesses, segments and subsidiaries, the governance structures of which align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at http://www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

32 FINANCIAL RISKS continued

Overview of financial risks

The financial instruments recognised on the bank's statement of financial position expose the bank to various financial risks. The information presented in this note represents the information required by IFRS 7 and sets out the bank's exposure to these financial risks This section also contains details about the bank's capital management process.

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
➢ advances; and
➢ certain investment securities.

Other sources of credit risk arise from:
➢ cash and cash equivalents;
➢ accounts receivable included in other assets;
➢ derivative balances; and
➢ off-balance sheet exposures.</td><td>The following information is presented for these assets:
➢ summary of all credit assets (32.1.1);
➢ information about the quality of credit assets (32.1.2 and 32.1.3);
➢ exposure to concentration risk (32.1.4); and
➢ credit risk mitigation and collateral held (32.1.5).</td></tr>
</table>

32 FINANCIAL RISKS continued

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">The risk that a bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.</td></tr>
<tr><td>Liquidity risk arises from all assets and liabilities with differing maturity profiles.</td><td>The following information is presented for these assets and liabilities:
➢ undiscounted cash flow analysis of financial liabilities (32.2.1);
➢ discounted cash flow analysis of total assets and liabilities (32.2.2);
➢ collateral pledged (32.2.3); and
➢ concentration analysis of deposits (32.2.4).</td></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The bank distinguishes between traded market risk and non-traded market risk. For non-traded market risk, the group distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Traded market risk is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Traded market risk (32.3.1) emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB.</td><td>The following information is presented for traded market risk:
➢ 1-day 99% value-at-risk (VaR) analysis; and
➢ 10-day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the banking book (32.4.1) is the sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. It originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</td><td>The following information is presented for interest rate risk in the banking book:
➢ projected NII sensitivity to interest rate movements; and
➢ banking book NAV sensitivity to interest rate movements as a percentage of total bank capital.</td></tr>
<tr><td>Structural foreign exchange risk (32.4.2) is the risk of an adverse impact on the group's financial position and earnings or other key ratios as a result of movements in foreign exchange rates impacting balance sheet exposures. It arises from balances denominated in foreign currencies and bank entities with functional currencies other than the South African rand.</td><td>Information on the bank's net structural foreign exposures and sensitivity of these exposures are presented.</td></tr>
</table>

32 FINANCIAL RISKS continued

<table>
<tr><th colspan="3">Overview of financial risks</th></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instruments.</td></tr>
<tr><td>Equity investment risk (32.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB and FCC.</td><td>The following information is presented for equity investments:
➢ investment risk exposure, risk weighted assets, and sensitivity analysis of investment risk; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
<tr><td>Tax risk</td><td colspan="2">Tax risk is defined as the risk of:
• financial loss due to the final determination of the tax treatment of a transaction by revenue authorities being different from the implemented tax consequences of such a transaction, combined with the imposition of penalties; sanction or reputational damage due to non-compliance with the various revenue acts; and/or
• the inefficient use of available mechanisms to benefit from tax dispensations.
Accordingly, any event, action or inaction in the strategy, operations, financial reporting or compliance that either adversely affects the entity’s tax or business position, or results in unanticipated penalties, assessments, additional taxes, harm to reputation, lost opportunities or financial statement exposure is regarded as tax risk.</td></tr>
<tr><td>Capital management</td><td colspan="2">The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the bank’s solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The bank, therefore, maintains capitalisation ratios aligned with its risk appetite and appropriate to safeguard operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.</td></tr>
</table>

32 FINANCIAL RISKS continued

32.1 Credit risk

Objective

Credit risk management objectives are twofold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management**: Credit risk is taken within the constraints of the bank's risk/return and credit risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in Enterprise Risk Management (ERM) and relevant board committees, fulfil this role.

Based on the bank's credit risk appetite, as measured on an ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the bank therefore spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement, as well as collection and recovery of delinquent accounts.

Assessment and management

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the bank is split into three distinct portfolios which are aligned to customer profiles. These portfolios are retail, commercial and corporate.

The assessment of credit risk across the bank relies on internally developed quantitative models for addressing regulatory and business needs. These models are used for the internal assessment of the three primary credit risk components:

- PD;
- EAD; and
- LGD.

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The bank employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand FR1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

32 FINANCIAL RISKS continued

Mapping of FR grades to rating agency scales

FR rating	Midpoint PD	International scale mapping (based on S&P)*
1 – 14	0.06%	AAA, AA+, AA, AA-, A+, A, A-
15 – 25	0.29%	BBB+, BBB(upper), BBB, BBB-(upper), BBB-, BB+(upper)
26 – 32	0.77%	BB+, BB(upper), BB, BB-(upper)
33 – 39	1.44%	BB-, B+(upper)
40 – 53	2.52%	B+
54 – 83	6.18%	B(upper), B, B-(upper)
84 – 90	13.68%	B-
91 – 99	59.11%	CCC+, CCC
100	100%	D (defaulted)

** Indicative mapping to the international rating scales of S&P Global Ratings (S&P). The bank currently only uses mapping to S&P rating scales.*

32 FINANCIAL RISKS

32.1.1 Credit assets

The following assets and off-balance sheet amounts expose the bank to credit risk. For all on-balance sheet exposures, the gross carrying amount disclosed represents the maximum exposure to credit risk, before taking collateral and other credit enhancements into account.

R million	2021	2020
On-balance sheet exposures		
Cash and short-term funds	**91 077**	91 541
- Money at call and short notice	**54 993**	65 155
- Balances with central banks	**36 084**	26 386
Gross advances	**896 424**	905 712
Retail secured	**316 182**	318 428
- Residential mortgages	**225 666**	224 404
- WesBank VAF*	**90 516**	94 024
Retail unsecured	**86 647**	88 816
- FNB card	**31 249**	30 210
- Personal loans	**39 686**	41 874
- Other retail	**15 712**	16 732
Corporate and commercial	**455 238**	457 265
- FNB commercial	**111 121**	107 914
- WesBank corporate	**26 986**	27 114
- RMB corporate and investment banking**	**317 131**	322 237
- RMB corporate banking		68 445
- RMB investment banking		253 792
Group Treasury and other	**36 538**	37 421
MotoNovo	**1 819**	3 782
Derivatives	**70 774**	120 511
Debt investment securities	**267 219**	201 095
Financial accounts receivable included in other assets	**3 265**	2 970
Amounts due by holding company and fellow subsidiaries	**67 108**	67 309
Off-balance sheet exposures	**202 878**	182 085
- Total contingencies	**46 045**	57 162
- Guarantees	**36 335**	48 877
- Letters of credit#	**9 710**	8 285
- Irrevocable commitments†	**151 103**	118 049
- Credit derivatives	**5 730**	6 874
Total	**1 598 745**	1 571 223

** Includes public sector.*

*** RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

 # Includes acceptances.

† The prior year amount has been restated. Refer to Note 27 Contingencies and commitments for the detail.

32 FINANCIAL RISKS continued

32.1.2 Quality of credit assets

The following table shows the gross carrying amount of advances carried at amortised cost and the fair value of advances measured at fair value through profit or loss, as well as the exposure to credit risk of loan commitments and financial guarantee per class of advance and per internal credit rating.

The amounts in stage 3 that do not have a rating of FR91-100 relate to technical cures (performing accounts that have previously defaulted but do not meet the 12-month curing definition and therefore remain in stage 3) and paying debt-review customers, as the PDs on these customers are lower than operational stage 3 advances and the PD drives the FR rating. In addition, where the bank holds a guarantee against a stage 3 advance, the FR rating would reflect the same.

32 FINANCIAL RISKS continued

	2021					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	**31 174**	**27 102**	**164 355**	**28 470**	**846**	**105**
Stage 2	**331**	**152**	**10 590**	**446**	**5 014**	**113**
Stage 3	**3**	**-**	**381**	**10**	**12 972**	**425**
Total residential mortgages	**31 508**	**27 254**	**175 326**	**28 926**	**18 832**	**643**
WesBank VAF						
Stage 1	**-**	**-**	**69 186**	**-**	**38**	**-**
Stage 2	**-**	**-**	**7 408**	**-**	**4 413**	**-**
Stage 3	**-**	**-**	**-**	**-**	**9 471**	**-**
Total WesBank VAF	**-**	**-**	**76 594**	**-**	**13 922**	**-**
Retail unsecured						
FNB card						
Stage 1	**243**	**-**	**24 160**	**-**	**150**	**-**
Stage 2	**2**	**-**	**2 074**	**-**	**586**	**-**
Stage 3	**-**	**-**	**-**	**-**	**4 034**	**-**
Total FNB card	**245**	**-**	**26 234**	**-**	**4 770**	**-**
Personal loans						
Stage 1	**15**	**-**	**24 376**	**-**	**762**	**-**
Stage 2	**13**	**-**	**1 854**	**-**	**5 120**	**-**
Stage 3	**-**	**-**	**-**	**-**	**7 546**	**-**
Total personal loans	**28**	**-**	**26 230**	**-**	**13 428**	**-**
Other retail unsecured						
Stage 1	**641**	**163**	**10 795**	**362**	**244**	**197**
Stage 2	**-**	**-**	**340**	**-**	**1 200**	**-**
Stage 3	**5**	**-**	**-**	**-**	**2 487**	**-**
Total other retail unsecured	**646**	**163**	**11 135**	**362**	**3 931**	**197**
Temporary stress scenario						
Stage 1	**-**	**-**	**(1 210)**	**-**	**-**	**-**
Stage 2	**-**	**-**	**1 210**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**
Corporate and commercial						
FNB commercial						
Stage 1	**208**	**507**	**93 574**	**17 293**	**736**	**39**
Stage 2	**5**	**-**	**6 828**	**199**	**3 392**	**541**
Stage 3	**-**	**-**	**103**	**6**	**6 275**	**151**
Total FNB commercial	**213**	**507**	**100 505**	**17 498**	**10 403**	**731**

32 FINANCIAL RISKS continued

R million	2021 FR1-25 On-balance sheet	2021 FR1-25 Off-balance sheet	2021 FR26-90 On-balance sheet	2021 FR26-90 Off-balance sheet	2021 FR91-100 On-balance sheet	2021 FR91-100 Off-balance sheet
WesBank corporate						
Stage 1	**9 429**	**3 007**	**14 434**	**-**	**311**	**-**
Stage 2	**27**	**-**	**1 532**	**-**	**439**	**-**
Stage 3	**-**	**-**	**-**	**-**	**814**	**-**
Total WesBank corporate	**9 456**	**3 007**	**15 966**	**-**	**1 564**	**-**
RMB corporate and investment banking*						
Stage 1	**130 024**	**50 037**	**159 632**	**50 480**	**181**	**83**
Stage 2	**187**	**-**	**23 344**	**3 784**	**1 369**	**1 094**
Stage 3	**-**	**-**	**-**	**-**	**1 496**	**136**
Purchased or originated credit impaired	**-**	**-**	**706**	**-**	**192**	**57**
Total RMB corporate and investment banking	**130 211**	**50 037**	**183 682**	**54 264**	**3 238**	**1 370**
Group Treasury and other						
Stage 1	**32 964**	**-**	**3 524**	**2 131**	**-**	**-**
Stage 2	**-**	**-**	**50**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Total Group Treasury and other	**32 964**	**-**	**3 574**	**2 131**	**-**	**-**
MotoNovo						
Stage 1	**-**	**-**	**1 423**	**313**	**-**	**-**
Stage 2	**-**	**-**	**107**	**-**	**-**	**-**
Stage 3	**-**	**-**	**289**	**-**	**-**	**-**
Total MotoNovo	**-**	**-**	**1 819**	**313**	**-**	**-**
Stage 1	**204 698**	**80 816**	**564 249**	**99 048**	**3 268**	**424**
Stage 2	**565**	**152**	**55 337**	**4 429**	**21 533**	**1 748**
Stage 3	**8**	**-**	**773**	**16**	**45 095**	**712**
Purchased or originated credit impaired	**-**	**-**	**706**	**-**	**192**	**57**
Total advances	**205 271**	**80 968**	**621 065**	**103 493**	**70 088**	**2 941**

**RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

32 FINANCIAL RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	32 335	26 548	164 503	23 345	1 007	41
Stage 2	37	24	9 514	582	5 346	71
Stage 3	-	3	857	21	10 805	112
Total residential mortgages	32 372	26 575	174 874	23 948	17 158	224
WesBank VAF						
Stage 1	-	-	70 643	-	2 756	-
Stage 2	-	-	4 188	-	6 627	-
Stage 3	-	-	-	-	9 810	-
Total WesBank VAF	-	-	74 831	-	19 193	-
Retail unsecured						
FNB card						
Stage 1	64	-	23 982	-	306	-
Stage 2	-	-	1 671	-	512	-
Stage 3	-	-	-	-	3 675	-
Total FNB card	64	-	25 653	-	4 493	-
Personal loans						
Stage 1	620	-	25 851	1 246	1 900	256
Stage 2	13	-	2 497	-	3 569	-
Stage 3	-	-	-	-	7 424	-
Total personal loans	633	-	28 348	1 246	12 893	256
Other retail unsecured						
Stage 1	457	141	11 147	285	1 275	133
Stage 2	-	-	93	-	1 553	-
Stage 3	4	-	2	-	2 201	-
Total other retail unsecured	461	141	11 242	285	5 029	133
Corporate and commercial						
FNB commercial						
Stage 1	106	421	91 444	12 412	1 089	105
Stage 2	-	-	4 563	732	3 682	51
Stage 3	-	-	527	1	6 503	140
Total FNB commercial	106	421	96 534	13 145	11 274	296
WesBank corporate						
Stage 1	9 340	3 707	14 308	-	737	-
Stage 2	8	-	1 317	-	530	-
Stage 3	-	-	-	-	874	-
Total WesBank corporate	9 348	3 707	15 625	-	2 141	-

32 FINANCIAL RISKS continued

	2020					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
RMB corporate banking						
Stage 1	31 167	23 943	28 680	23 653	-	117
Stage 2	-	-	7 410	6 105	335	417
Stage 3	-	-	-	-	726	314
Purchased or originated credit impaired	-	-	-	-	127	-
Total RMB corporate banking	31 167	23 943	36 090	29 758	1 188	848
RMB investment banking						
Stage 1	90 008	13 757	138 353	12 561	481	-
Stage 2	-	-	21 658	814	269	-
Stage 3	-	-	-	-	2 122	10
Purchased or originated credit impaired	-	-	-	-	901	-
Total RMB investment banking	90 008	13 757	160 011	13 375	3 773	10
Group Treasury and other						
Stage 1	33 062	-	4 064	1 000	109	-
Stage 2	-	-	44	-	-	-
Stage 3	-	-	-	-	142	-
Total Group Treasury and other	33 062	-	4 108	1 000	251	-
MotoNovo						
Stage 1	-	-	2 873	374	-	-
Stage 2	-	-	356	-	-	-
Stage 3	-	-	553	-	-	-
Total MotoNovo	-	-	3 782	374	-	-
Stage 1	197 159	68 517	575 848	74 876	9 660	652
Stage 2	58	24	53 311	8 233	22 423	539
Stage 3	4	3	1 939	22	44 282	576
Purchased or originated credit impaired	-	-	-	-	1 028	-
Total advances	197 221	68 544	631 098	83 131	77 393	1 767

32 FINANCIAL RISKS continued

Analysis of impaired advances (stage 3)

The following table represents an analysis of impaired advances (stage 3) for financial assets measured at amortised cost and debt instruments measured at both fair value through other comprehensive income and fair value through profit or loss, in line with the manner in which the bank manages credit risk.

	2021		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3			
Total retail secured	**22 827**	**16 128**	**6 699**
- Residential mortgages	**13 356**	**10 539**	**2 817**
- WesBank VAF	**9 471**	**5 589**	**3 882**
Total retail unsecured	**14 072**	**3 781**	**10 291**
- FNB card	**4 034**	**866**	**3 168**
- Personal loans	**7 546**	**2 249**	**5 297**
- Retail other	**2 492**	**666**	**1 826**
Temporary stress scenario	**-**	**(44)**	**44**
Total retail secured and unsecured	**36 899**	**19 865**	**17 034**
Total corporate and commercial	**9 586**	**5 177**	**4 409**
- FNB commercial	**6 378**	**2 773**	**3 605**
- WesBank corporate	**814**	**489**	**325**
- RMB corporate and investment banking*	**2 394**	**1 915**	**479**
Group Treasury and other	**-**	**-**	**-**
MotoNovo	**289**	**51**	**238**
Total stage 3	**46 774**	**25 093**	**21 681**
Stage 3 by category			
Overdrafts and cash management accounts	**4 384**	**1 140**	**3 244**
Term loans	**1 366**	**763**	**603**
Card loans	**4 458**	**898**	**3 560**
Instalment sales and hire purchase agreements	**11 050**	**6 422**	**4 628**
Lease payments receivable	**120**	**72**	**48**
Property finance	**14 821**	**11 558**	**3 263**
- Home loans	**13 233**	**10 465**	**2 768**
- Commercial property finance	**1 588**	**1 093**	**495**
Personal loans	**8 590**	**2 674**	**5 916**
Investment bank term loans	**1 585**	**1 449**	**136**
Other	**400**	**117**	**283**
Total stage 3	**46 774**	**25 093**	**21 681**

* *RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.*

32 FINANCIAL RISKS continued

R million	2020 Total	2020 Security held and expected recoveries	2020 Stage 3 impairment
Stage 3			
Total retail secured	21 472	15 225	6 247
- Residential mortgages	11 662	9 254	2 408
- WesBank VAF	9 810	5 971	3 839
Total retail unsecured	13 306	3 696	9 610
- FNB card	3 675	953	2 722
- Personal loans	7 424	2 192	5 232
- Retail other	2 207	551	1 656
Total corporate and commercial	15 656	9 424	6 232
- FNB commercial	7 030	3 735	3 295
- WesBank corporate	874	593	281
- RMB corporate banking and investment banking*	3 876	2 548	1 328
- RMB corporate banking	853	620	233
- RMB investment banking	3 023	1 928	1 095
Group Treasury and other	142	26	116
MotoNovo	553	303	250
Total stage 3	51 129	28 674	22 455
Stage 3 by category			
Overdrafts and cash management accounts	4 726	1 963	2 763
Term loans	2 488	1 114	1 374
Card loans	4 171	1 012	3 159
Instalment sales and hire purchase agreements	11 582	7 066	4 516
Lease payments receivable	206	154	52
Property finance	13 049	10 310	2 739
- Home loans	11 353	8 978	2 375
- Commercial property finance	1 696	1 332	364
Personal loans	8 335	2 282	6 053
Investment bank term loans	2 250	1 928	322
Other	446	297	149
Total stage 3	47 253	26 126	21 127

* *RMB corporate banking and RMB investment banking have combined in the current year and is reflected as RMB corporate and investment banking.*

32 FINANCIAL RISKS continued

32.1.3 Quality of credit assets – non-advances

The following table shows the gross carrying amount of non-advances carried at amortised cost and the fair value of non-advances measured at fair value through profit or loss or through other comprehensive income per external credit rating.

	2021		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**17 317**	**85 900**	**-**
Stage 2	**-**	**1 051**	**-**
Investment securities at fair value through comprehensive income			
Stage 1	**397**	**9 399**	**-**
Total investment securities	**17 714**	**96 350**	**-**
Other financial assets			
Stage 2	**663**	**2 710**	**46**
Stage 3	**-**	**-**	**37**
Total other financial assets	**663**	**2 710**	**83**
Cash and cash equivalents			
Stage 1	**23 677**	**67 328**	**72**
Total cash and cash equivalents	**23 677**	**67 328**	**72**
Derivative assets	**36 891**	**33 869**	**14**

	2020		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	10 012	98 509	-
Stage 2	-	1 316	-
Investment securities at fair value through comprehensive income			
Stage 1	762	5 285	-
Total investment securities	10 774	105 110	-
Other financial assets			
Stage 2	733	2 220	45
Stage 3	-	83	-
Total other financial assets	733	2 303	45
Cash and cash equivalents			
Stage 1	34 576	56 918	47
Total cash and cash equivalents	34 576	56 918	47
Derivative assets	65 640	54 865	6

32 FINANCIAL RISKS continued

32.1.4 Concentration risk

Credit concentration risk is the risk of loss to the bank arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The bank's credit portfolio is well diversified, and this is achieved through setting maximum exposure guidelines to individual counterparties. The bank regularly reviews its concentration levels and sets maximum exposure guidelines for these.

The bank seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

The following tables provide a breakdown of credit exposure across geographical areas.

Geographic concentration of significant credit asset exposure

	2021							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	**70 323**	**15**	**11 245**	**4 258**	**4 404**	**358**	**474**	**91 077**
Total advances	**818 048**	**19 132**	**42 058**	**7 559**	**2 171**	**4**	**7 452**	**896 424**
Stage 3 advances	**46 239**	**154**	**291**	**4**	**1**	**-**	**85**	**46 774**
Derivatives	**42 340**	**305**	**26 222**	**1 815**	**45**	**2**	**45**	**70 774**
Debt investment securities (excluding recourse investments)	**204 669**	**6 225**	**14 891**	**9 689**	**25 885**	**-**	**5 860**	**267 219**
Other assets*	**4 462**	**36**	**35**	**3**	**366**	**-**	**26**	**4 928**
Off-balance sheet exposures								
Guarantees, and letters of credit	**29 260**	**12 505**	**1 386**	**687**	**15**	**8**	**2 184**	**46 045**
Irrevocable commitments**	**140 954**	**6 168**	**220**	**3 154**	**37**	**71**	**499**	**151 103**

* *In the prior year, these amounts were described as accounts receivable. The description as 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 prior year amount has been restated. Refer to Note 27 Contingencies and commitments for the detail.*

	2020							
	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
	61 677	15	14 622	6 086	8 816	113	212	91 541
	831 552	34 081	13 895	11 528	6 678	3	7 975	905 712
	45 678	159	553	1	773	-	89	47 253
	72 609	671	43 238	3 861	110	-	22	120 511
	171 223	4 749	14 053	1 079	4 987	-	5 004	201 095
	4 741	14	40	10	329	-	15	5 149
	30 842	21 674	1 875	449	76	-	2 246	57 162
	109 088	4 259	623	2 245	492	-	1 342	118 049

32 FINANCIAL RISKS continued

Sector analysis concentration of advances

Advances expose the bank to concentration risk in the various industry sectors. The following tables set out the bank's exposure to various industry sectors for total advances and credit-impaired advances.

	2021			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**40 334**	**1 572**	**951**	**621**
Banks	**41 854**	**-**	**-**	**-**
Financial institutions	**146 001**	**1 442**	**982**	**460**
Building and property development	**54 824**	**1 113**	**491**	**622**
Government, Land Bank and public authorities	**20 672**	**825**	**639**	**186**
Individuals	**388 808**	**35 006**	**18 698**	**16 308**
Manufacturing and commerce	**103 816**	**2 942**	**1 609**	**1 333**
Mining	**7 599**	**106**	**41**	**65**
Transport and communication	**21 930**	**1 050**	**643**	**407**
Other services	**70 586**	**2 718**	**1 083**	**1 635**
Temporary stress scenario	**-**	**-**	**(44)**	**44**
Total advances	**896 424**	**46 774**	**25 093**	**21 681**

	2020			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	40 930	2 253	1 624	629
Banks	13 626	-	-	-
Financial institutions	145 528	278	87	191
Building and property development	55 268	1 396	615	781
Government, Land Bank and public authorities	20 491	1 191	1 164	27
Individuals	396 396	33 370	17 995	15 375
Manufacturing and commerce	110 855	2 909	1 873	1 036
Mining	21 694	887	57	830
Transport and communication	22 895	859	583	276
Other services	78 029	4 110	2 128	1 982
Total advances	905 712	47 253	26 126	21 127

32 FINANCIAL RISKS continued

32.1.5 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the bank aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities only for those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the bank's lending risk, which results in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments

- Mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed.
- FNB commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties.
- For FNB and WesBank retail customers, insurance against disability, life and retrenchment is prescribed, where applicable.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements refer to page C239.
- Working capital facilities in RMB corporate and investment banking are secured and unsecured.

The bank employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently, where necessary, through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection is performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed at a product and segment level, in line with the requirements of the bank credit risk/return framework.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

32 FINANCIAL RISKS continued

32.1.5 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at amortised cost and fair value through profit or loss, as well as a breakdown of collateral, both financial and non-financial, held against the exposure, along with other credit enhancements and netting arrangements.

	2021				
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk	
Residential mortgages	**225 666**	**56 823**	**(4 304)**	**278 185**	
WesBank VAF	**90 516**	**-**	**(5 629)**	**84 887**	
FNB card	**31 249**	**-**	**(4 683)**	**26 566**	
Personal loans	**39 686**	**-**	**(8 630)**	**31 056**	
Other retail	**15 712**	**722**	**(3 119)**	**13 315**	
Temporary stress scenario – retail	**-**	**-**	**(332)**	**(332)**	
FNB commercial	**111 121**	**18 736**	**(6 162)**	**123 695**	
Temporary stress scenario – commercial	**-**	**-**	**(148)**	**(148)**	
WesBank corporate	**26 986**	**3 007**	**(555)**	**29 438**	
RMB corporate and investment banking	**317 131**	**105 671**	**(4 517)**	**418 285**	
Group Treasury and other	**36 538**	**2 131**	**(134)**	**38 535**	
MotoNovo	**1 819**	**313**	**(256)**	**1 876**	
Total advances	**896 424**	**187 403**	**(38 469)**	**1 045 358**	
Investment securities**	**267 358**	**-**	**(139)**	**267 219**	
Cash and cash equivalents	**91 078**	**-**	**-**	**91 078**	
Other assets	**3 265**	**-**	**(191)**	**3 074**	
Derivatives	**70 774**	**-**	**-**	**70 774**	

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Includes debt instruments measured at fair value but excludes equity.*

	2021		
	Netting and financial collateral	Unsecured	Secured*
	2 186	689	275 310
	-	-	84 887
	-	26 566	-
	-	31 056	-
	-	11 301	2 014
	-	(264)	(68)
	6 069	15 443	102 183
	-	-	29 438
	2 844	80 287	335 154
	-	27 658	10 877
	-	94	1 782
	11 099	192 830	841 577
	27 966	237 104	2 149
	26 339	64 739	-
	-	2 575	499
	-	70 774	-

32 FINANCIAL RISKS continued

	2020			
R million	Gross carrying amount	Off-balance sheet exposure	Loss allowance	Maximum exposure to credit risk
Residential mortgages	224 404	50 747	(3 916)	271 235
WesBank VAF	94 024	-	(5 647)	88 377
FNB card	30 210	-	(4 201)	26 009
Personal loans	41 874	1 502	(8 697)	34 679
Other retail	16 732	559	(3 139)	14 152
FNB commercial	107 914	13 862	(6 028)	115 748
WesBank corporate	27 114	3 707	(506)	30 315
RMB corporate banking	68 445	54 549	(1 203)	121 791
RMB investment banking**	253 792	27 142	(3 690)	277 244
Group Treasury and other**	37 421	1 000	(380)	38 041
MotoNovo	3 782	374	(365)	3 791
Total advances	905 712	153 442	(37 772)	1 021 382
Investment securities***	201 138	-	(43)	201 095
Cash and cash equivalents	91 541	-	-	91 541
Accounts receivable	3 081	-	(111)	2 970
Derivatives	120 511	-	-	120 511

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Voluntary movement in classes of advances. Refer to note 33.*

*** *Includes debt instruments measured at fair value but excludes equity.*

	2020		
	Netting and financial collateral	Unsecured	Secured*
	3 136	1 084	267 015
	-	-	88 377
	-	26 009	-
	-	34 679	-
	-	12 719	1 433
	4 731	15 206	95 811
	-	-	30 315
	10	62 571	59 210
	3 696	28 585	244 963
	109	27 990	9 942
	-	271	3 520
	11 682	209 114	800 586
	25	195 119	5 951
	20 024	71 517	-
	-	2 251	719
	-	120 511	-

32 FINANCIAL RISKS continued

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance. The amounts disclosed above represent the difference between the impairment recognised in the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect is calculated.

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	2021	2020
Cash collateral held	**10 128**	5 047

The table below sets out the collateral that the bank holds where it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral held in structured transactions

	2021		2020	
R million	Fair value	Fair value of collateral sold or repledged in the absence of default	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**11 051**	**-**	12 397	3 358
Investment securities and other investments – held under reverse repurchase agreements	**65 058**	**25 100**	26 618	7 304
Investment securities and other investments – other	**993**	**655**	317	-
Total collateral pledged	**77 102**	**25 755**	39 332	10 662

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

32 FINANCIAL RISKS continued

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as MNAs, guarantees and credit derivatives. In addition, the bank has set up a function to clear over-the-counter derivatives centrally as part of its risk mitigation strategy.

The bank uses ISDA and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions, respectively. These master agreements as well as associated credit support annexes (CSAs) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

The table on the following page includes information about financial assets and financial liabilities that are:

- offset and the net amount presented in the bank's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNAs or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met, or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

Structured transactions refer to reverse repurchase, securities borrowing and similar arrangements, repurchase in the asset table, and securities lending and similar arrangements in the liability section of the table.

The net amount reported in the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNAs and similar agreements, but no offsetting has been applied.

The financial collateral included in the table below is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The collateral amount included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a bank-wide level, the collateral amount included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the financial instruments amount not subject to offset or MNA.

32 FINANCIAL RISKS continued

R million	Derivatives 2021	Derivatives 2020	Structured transactions 2021	Structured transactions 2020
Assets				
Offsetting applied				
Gross amount	**89 190**	169 153	**71 488**	39 517
Amount offset	**(23 236)**	(53 578)	**(14 059)**	(15 673)
Net amount reported on the statement of financial position	**65 954**	115 575	**57 429**	23 844
Offsetting not applied				
Financial instruments subject to MNAs and similar agreements	**(55 304)**	(102 688)	**(897)**	(9)
Financial collateral	**(4 745)**	(2 875)	**(56 532)**	(23 835)
Net amount	**5 905**	10 012	**-**	-
Financial instruments not subject to offset or MNAs	**4 820**	4 936	**7 629**	2 774
Total as per statement of financial position	**70 774**	120 511	**65 058**	26 618
Liabilities				
Offsetting applied				
Gross amount	**89 054**	183 841	**31 551**	40 962
Amount offset	**(23 236)**	(53 578)	**(14 059)**	(15 673)
Net amount reported on the statement of financial position	**65 818**	130 263	**17 492**	25 289
Offsetting not applied				
Financial instruments subject to MNAs and similar agreements	**(55 304)**	(102 688)	**(897)**	(9)
Financial collateral	**(2 806)**	(7 585)	**(16 595)**	(25 266)
Net amount	**7 708**	19 990	**-**	14
Financial instruments not subject to offset or MNAs	**4 904**	4 225	**6 762**	2 175
Total as per statement of financial position	**70 722**	134 488	**24 254**	27 464

	Intercompany	
	2021	2020
	13 525	26 541
	(3 022)	(8 709)
	10 503	17 832
	(8 216)	(15 856)
	-	-
	2 287	1 976
	56 605	49 477
	67 108	67 309
	13 587	26 663
	(3 022)	(8 709)
	10 565	17 954
	(8 216)	(15 856)
	-	-
	2 349	2 098
	16 649	18 300
	27 214	36 254

32 FINANCIAL RISKS continued

32.2 Liquidity risk

Objective

Liquidity risk arises from all assets and liabilities with differing maturity profiles, currencies and behaviour. The bank's objective is to maintain and enhance its deposit market share by appropriately pricing and rewarding depositors from diverse and sustainable funding pools, thus creating a natural liquidity buffer. Because of the liquidity risk introduced by its business activities across various currencies and geographies, the bank seeks to optimise its funding profile within structural and regulatory constraints to enable businesses to operate in an efficient and sustainable manner.

Compliance with the Basel III liquidity ratios influences the bank's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The bank continues to offer innovative and competitive products to further grow its deposit operating business whilst also optimising its institutional funding profile. These initiatives continue to improve the funding and liquidity profile of the bank.

Assessment and management

The bank focuses on continually monitoring and analysing the potential impact of other risks and events on its funding and liquidity position to ensure business activities are preserved and funding stability is improved. This ensures the bank can operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high-quality liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The bank's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies. Various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining several contingency funding sources to draw upon in times of economic stress.

32 FINANCIAL RISKS continued

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the bank.

32.2.1 Undiscounted cash flow

The following table presents the bank's undiscounted cash flows of financial liabilities and off-balance sheet amounts, and includes all cash outflows related to principal amounts, as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- the table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call-to-three-month bucket and not by maturity, as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

32 FINANCIAL RISKS continued

R million	2021			
		Term to maturity		
	Undiscounted carrying amount	Call to 3 months	4 – 12 months	> 12 and non-contractual
On-balance sheet amounts				
Deposits and current accounts	**1 209 531**	**889 079**	**106 329**	**214 123**
Short trading positions	**18 660**	**18 660**	**-**	**-**
Derivative financial instruments	**71 649**	**61 366**	**3 208**	**7 075**
Creditors, accruals and provisions	**15 968**	**12 882**	**551**	**2 535**
Tier 2 liabilities	**21 796**	**164**	**2 636**	**18 996**
Other liabilities	**3 738**	**374**	**66**	**3 298**
Lease liabilities	**1 710**	**191**	**511**	**1 008**
Amounts due to holding company and fellow subsidiaries	**27 231**	**24 790**	**2 411**	**30**
Off-balance sheet amounts				
Financial and other guarantees	**37 231**	**34 953**	**1 352**	**926**
Other contingencies and commitments	**3 330**	**916**	**2 241**	**173**
Irrevocable facilities	**151 103**	**151 103**	**-**	**-**

R million	2020			
		Term to maturity		
	Undiscounted carrying amount	Call to 3 months	4 – 12 months	> 12 months and non-contractual
On-balance sheet amounts				
Deposits and current accounts	1 165 924	813 103	118 280	234 541
Short trading positions	4 786	4 786	-	-
Derivative financial instruments	134 430	121 555	4 664	8 211
Creditors, accruals and provisions	14 355	11 300	425	2 630
Tier 2 liabilities	25 326	1 978	4 112	19 236
Other liabilities	3 762	532	66	3 164
Lease liabilities	1 953	209	538	1 206
Amounts due to holding company and fellow subsidiaries	36 116	34 935	1 126	55
Off-balance sheet amounts				
Financial and other guarantees	38 679	36 950	771	958
Other contingencies and commitments	3 081	572	2 030	479
Irrevocable facilities*	118 049	118 049	-	-

* *The prior year amount has been restated. Refer to Note 27 Contingencies and commitments for the detail.*

32 FINANCIAL RISKS continued

32.2.2 Discounted cash flow analysis

The following table represents the bank's contractual discounted cash flows of total assets, liabilities and equity. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents a worst-case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds representing a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis – maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2021			
	Discounted	**Term to maturity**		
R million	**carrying amount**	**Call to 3 months**	**4 – 12 months**	**>12 months**
Total assets	**1 415 029**	**567 568**	**146 430**	**701 031**
Total equity and liabilities	**1 415 029**	**1 007 130**	**104 754**	**303 145**
Net liquidity gap	**-**	**(439 562)**	**41 676**	**397 886**
Cumulative liquidity gap	**-**	**(439 562)**	**(397 886)**	**-**

	2020			
	Discounted	Term to maturity		
R million	carrying amount	Call to 3 months	4 – 12 months	>12 months
Total assets	1 414 712	558 437	135 127	721 148
Total equity and liabilities	1 414 712	991 727	117 331	305 654
Net liquidity gap	-	(433 290)	17 796	415 494
Cumulative liquidity gap	-	(433 290)	(415 494)	-

As illustrated in the table above, the negative liquidity short-term gap increased in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit operating business via transactional deposit accounts. Management continues to align stress-funding buffers both locally and offshore, taking prevailing economic and market conditions into account.

32.2.3 Collateral pledged

The bank pledges assets under the following terms and conditions:

- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the bank borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

32 FINANCIAL RISKS continued

The following assets have been pledged to secure the liabilities set out in the table below. These assets are not available in the normal course of business.

R million	2021	2020
Cash and cash equivalents	**26 339**	20 056
Advances	**2 014**	2 431
Investment securities — held under repurchase agreements	**17 663**	19 862
Investment securities — other	**414**	10 990
Total assets pledged	**46 430**	53 339

The following liabilities have been secured by the bank pledging either its own or borrowed financial assets, except for the short-trading positions, which are covered by borrowed securities only.

R million	2021	2020
Short-trading positions	**18 660**	4 786
Total deposits	**27 740**	36 205
- Deposits under repurchase agreements	**23 331**	23 559
- Deposits in securities lending transactions*	**923**	3 905
- Other secured deposits	**3 486**	8 741
Other	**27 918**	21 647
Total	**74 318**	62 638

** Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

32.2.4 Concentration analysis of deposits

R million	2021	2020
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**95 672**	106 236
Public sector entities	**79 230**	28 829
Local authorities	**15 466**	13 677
Banks	**26 702**	45 253
Securities firms	**5 666**	8 506
Corporate customers	**592 558**	572 558
Retail customers	**318 521**	311 788
Other	**1 770**	2 105
Total deposits	**1 135 585**	1 088 952
Geographical analysis		
South Africa	**1 082 324**	1 001 095
Rest of Africa	**16 948**	18 449
UK	**21 091**	31 991
Other	**15 222**	37 417
Total deposits	**1 135 585**	1 088 952

32 FINANCIAL RISKS continued

32.3 Market risk

The bank distinguishes between traded market risk and non-traded market risk.

32.3.1 Traded market risk

Objective

The bank's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant business units in RMB function as the centres of expertise for all market risk-related activities. Market risk is managed and contained within the bank's risk appetite. Overall diversified levels of market risk have remained fairly constant during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which is reflected in the overall levels of risk.

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book which is managed as part of the trading book.

Assessment and management

Management and monitoring of interest rate risk in the banking book are split between the RMB banking book and the remaining domestic banking book. RMB manages most of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R59 million on a 10-day expected tail loss (ETL) basis at 30 June 2021 (2020: R136 million). Interest rate risk in the remaining domestic banking book is discussed under the *Interest rate risk* section on page C250.

The market risk measurement framework performed as expected during the initial stages of the Covid-19 pandemic and has continued to do so. Market risk tolerances remained within approved limits during the financial year. Trading revenue continued to perform as expected.

The risk related to market risk-taking activities is measured as the height of the bank's internal ETL measure (a proxy for economic capital) and regulatory capital based on 60-point average of VaR plus stressed VaR (sVaR).

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress (2008/2009). The ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios. The market history of the past 260 trading days has been continually updated to reflect current market volatility. The static period of market stress is periodically reviewed for appropriateness.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

32 FINANCIAL RISKS continued

32.3.2 Market risk in the trading book

VaR analysis by risk type

The following table reflects the 1-day VaR, and the 10-day VaR and sVaR at the 99% confidence level. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2021*						
R million	Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
VaR (10-day 99%)							
Maximum value**	**162.3**	**554.2**	**80.9**	**65.8**	**47.2**		**374.4**
Average value	**38.0**	**266.9**	**35.3**	**41.0**	**17.8**		**242.2**
Minimum value**	**3.2**	**110.7**	**5.9**	**16.4**	**4.9**		**140.2**
Period end	**12.5**	**193.3**	**40.6**	**41.8**	**6.4**	**(92.4)**	**202.2**
sVaR (10-day 99%)							
Maximum value**	**91.8**	**415.9**	**131.1**	**60.7**	**80.4**		**218.9**
Average value	**21.1**	**278.4**	**53.1**	**32.3**	**29.6**		**162.5**
Minimum value**	**1.8**	**137.3**	**10.5**	**15.8**	**7.9**		**108.6**
Period end	**9.2**	**267.7**	**60.2**	**46.9**	**10.7**	**(259.0)**	**135.6**
VaR (1-day 99%)							
Maximum value**	**39.3**	**332.3**	**45.5**	**28.7**	**16.8**		**181.0**
Average value	**8.7**	**140.0**	**17.6**	**17.3**	**8.5**		**127.6**
Minimum value**	**2.2**	**35.5**	**1.8**	**8.5**	**4.0**		**31.9**
Period end	**5.5**	**112.0**	**19.1**	**21.4**	**4.9**	**(50.0)**	**112.8**

* *Excludes foreign branches, which are reported on in the standardised approach for market risk section of this document.*

** *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

\# *Interest rate risk in the trading book.*

2020*						
Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
164.6	355.0	103.4	32.6	56.4		381.1
20.8	178.7	41.4	14.5	18.9		152.4
4.6	72.1	11.4	6.2	7.5		58.3
17.3	300.4	76.2	14.7	14.1	(128.2)	294.6
105.5	356.8	247.0	42.8	31.5		437.4
25.3	171.4	74.6	19.2	20.5		192.7
.7	110.4	12.5	5.0	7.1		97.7
12.4	199.9	47.7	20.6	12.1	(137.7)	155.0
43.9	197.2	252.4	18.4	26.6		199.9
8.0	89.6	22.1	7.5	12.8		94.5
1.9	27.4	7.3	1.8	5.1		28.2
11.2	134.3	17.1	8.3	11.4	(67.2)	115.2

32 FINANCIAL RISKS continued

32.4 Non-traded market risk

32.4.1 Interest rate risk in the banking book

Interest rate risk in the banking book originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity/earnings risk and PV01/economic value of equity (EVE) sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics.

The internal funds transfer pricing process is used to transfer interest rate risk from the operating businesses to Group Treasury. This process allows risk to be managed centrally and holistically in line with the bank's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise any accounting mismatches that may arise. Interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Foreign operations

Management of international branches is performed by in-country management teams with oversight provided by Group Treasury and FCC Risk Management. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates) and the economic value/PV01 of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

Earnings sensitivity

Earnings models are run monthly basis to provide a measure of the NII sensitivity of the existing banking book to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at the bank's discretion. This assumption is based on historical product behaviour.

32 FINANCIAL RISKS continued

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the bank's NII sensitivity is a result of the endowment book mismatch. The bank's average endowment book was R307 billion for the year (2020: R274 billion).

Projected ZAR NII sensitivity to interest rate movements

	Change in projected 12-month NII	
R million	**2021**	2020
Downward 200 bps	**(1 621)**	(3 270)
Upward 200 bps	**1 066**	2 387

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R1 621 million (2020: R3 270 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 066 million (2020: R2 387 million).

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) is the reference interest rate that underpins trillions of loan and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs has become a priority for global regulators. On 5 March 2021, LIBOR's administrator, the ICE Benchmark Administration Limited (IBA), confirmed the intention to cease the publication of EUR, CHF, JPY and GBP LIBOR for all tenors after 31 December 2021. Cession of the USD LIBOR will follow a two-stage process with some rates being discontinued on 31 December 2021 and others after 30 June 2023. Currently there is no indication as to when JIBAR will be replaced and the rate which will replace JIBAR. At present, SONIA (Sterling Overnight Index Average) and SOFR (Secured Overnight Financing Rate) are set to replace GBP/USD IBOR. Due to the differences in the manner in which GBP/USD IBOR rate and SONIA/SOFR are determined, adjustments may have to be applied to contracts that reference the GBP/USD LIBOR when SONIA/SOFR becomes the official reference rate, so as to ensure economic equivalence on transition. Currently the Financial Conduct Authority in the UK and industry working groups are reviewing various methodologies for calculating these adjustments, to ensure an orderly transition to SONIA/SOFR and to minimise the financial risks arising from transition. The following ARRs are currently set to replace the following LIBORs which the bank is exposed to:

- USD – SOFR
- GBP – SONIA
- EUR – Euro short-term rate (€str)
- JPY – Tokyo Overnight Average Rate (TONAR)*
- CHF – Swiss Average Rate Overnight (SARON)*

*immaterial exposure

The bank currently has several contracts, including derivatives, loans and securitisations, which reference GBP and USD LIBOR and extend beyond 2021.

32 FINANCIAL RISKS continued

The bank has established a steering committee consisting of key finance, risk, IT, treasury, legal and compliance personnel as well as external advisors, to oversee the bank's IBOR reform transition plan. This steering committee has put in place a transition project for affected contracts with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses.

On 23 October 2020, the ISDA published its IBOR fallback protocol and supplements, which are designed to address transition for those derivative contracts still outstanding on the permanent cessation of an IBOR. The ISDA fallback spread adjustments became fixed on 5 March 2021. These include:

- USD 3-month 26.161bp
- Sterling 3-month 11.93bp
- Sterling 6-month 27.66bp
- Japanese Yen 3-month 8.35bp

It is likely that the synthetic IBOR rates for tougher legacy contracts, that cannot easily be transitioned, will be calculated based on the RFR plus the ISDA spread.

The bank is currently transitioning all instruments exposed to GBP, CHF and JPY LIBOR (for all tenors) and USD LIBOR for one week and two months, with the expectation that all instruments will have transitioned to new ARRs by 31 December 2021, in line with Financial Conduct Authority (FCA) announcement that these LIBOR rates will cease to be quoted or represented in the market. The bank will continue to transition all other instruments exposed to other IBOR rates, as and when ARRs become available and on the instruments reset dates.

The table below shows the financial instruments, including derivatives held for trading or used by the bank in fair value hedges, that are subject to IBOR reforms which have not yet transitioned to the replacement rates as at 30 June 2021 and which will not have matured by the LIBOR cession date. The LIBOR cessation date is 31 December 2021 for GBP, EUR, JPY, CHF and USD for one week and two months; and 30 June 2023 for all other USD LIBOR.

Refer to note 7, for the impact the IBOR reforms have on hedge accounting.

32 FINANCIAL RISKS continued

Financial assets subject to IBOR reform that have not yet transitioned to replacement rates at 30 June 2021:

R million	Amount USD LIBOR	 GBP LIBOR	 EUR LIBOR	 AUD LIBOR	 Other LIBOR
Assets recognised on the balance sheet					
Derivative financial instruments (assets)*	**57 245**	**21 402**	**16 095**	**9**	**2**
Advances	**14 590**	**1 111**	**532**	**-**	**-**
Total assets recognised on the balance sheet subject to IBOR reform	**71 835**	**22 513**	**16 627**	**9**	**2**
Off-balance sheet items					
Irrevocable commitments	**5 486**	**207**	**562**	**-**	**-**
Total off-balance sheet exposures subject to IBOR reform	**5 486**	**207**	**562**	**-**	**-**
Total assets exposure subject to IBOR reform	**77 321**	**22 720**	**17 189**	**9**	**2**

** These balances represent the notional amount directly impacted by the IBOR reform.*

Financial liabilities subject to IBOR reform that have not yet transitioned to replacement rates at 30 June 2021:

R million	Amount USD LIBOR	 GBP LIBOR	 EUR LIBOR	 AUD LIBOR	 Other LIBOR
Derivative financial instruments (liabilities)*	**45 505**	**27 429**	**7 645**	**16**	**2**
Deposits	**15 583**	**-**	**-**	**-**	**-**
Total liabilities subject to IBOR reform	**61 088**	**27 429**	**7 645**	**16**	**2**

** These balances represent the notional amount directly impacted by the IBOR reform.*

32 FINANCIAL RISKS continued

Economic value of equity

An EVE sensitivity measure is used to assess the impact on the total NAV of the bank as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity, a rate change in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, be it a 1 bps shock or a full-stress shock, which is monitored relative to the total risk limit, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and comprises a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, capture relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

The following table:

- highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total bank capital

%	**2021**	2020
Downward 200 bps	**4.55**	3.96
Upward 200 bps	**(4.12)**	(3.53)

32.4.2 Structural foreign exchange risk

Objective

The bank is exposed to foreign exchange risk as a result of on-balance sheet transactions in a currency other than the rand, as well as structural foreign exchange risk from translation of its foreign operations' results into rand. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance, which is included in qualifying capital for regulatory purposes.

Structural foreign exchange risk as a result of net investments in entities with a functional currency other than rand is an unavoidable consequence of having offshore operations. It can be a source of both investor value through diversified earnings, and unwanted volatility as a result of currency fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the rand value of any capital investments and dividend distributions. Reporting on and management of the bank's foreign exchange exposure and macro-prudential limit utilisation is centrally owned by Group Treasury as the clearer of all bank currency positions. Group Treasury is also responsible for oversight of structural foreign exchange risk and produces reports that are submitted to ALCCO, a subcommittee of the RCC committee.

32 FINANCIAL RISKS continued

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by the macro-prudential and regulatory limits. In the bank, additional board limits and management risk appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of the market risk reporting process (see *Traded market risk* section). Group Treasury is responsible for consolidated bank reporting and the monitoring of utilisation against the approved limits and risk appetite levels.

Foreign exchange risk in the banking book impacts funding and liquidity management and other risk-mitigating activities. To minimise funding risk across the bank, foreign currency transactions are matched, where possible, with residual liquidity risk managed centrally by Group Treasury, and usually to low levels. Structural foreign exchange risk impacts both the current NAV of the bank as well as future profitability and earnings potential. Economic hedging is undertaken where viable, given market constraints, and within risk appetite levels. Where possible, hedge accounting is applied. Any open positions are included as part of traded market risk.

The following table provides an overview of the bank's exposure to entities with functional currencies other than the rand, and the pre-tax impact on equity of a 15% change in the exchange rate between the rand and the relevant functional foreign currencies. There were no significant structural hedging strategies employed by the bank in the current financial year.

Net structural foreign exposures

	2021		2020	
	Carrying value of net investment	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
US dollar	**4 260**	**639**	4 570	685
Sterling	**1 016**	**152**	1 672	251
Indian rupee	**643**	**96**	823	123
Total	**5 919**	**887**	7 065	1 059

32 FINANCIAL RISKS continued

32.5 Equity investment risk

Equity investment risk in the bank arises primarily from equity exposures from corporate and investment banking activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending.

Other sources of equity investment risk include strategic investments held in FCC. These investments are, by their nature, core to the individual businesses' daily operations and are managed as such.

Assessment and management

The equity investment risk portfolio is managed through a rigorous evaluation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed. For each transaction, an appropriate structure is put in place which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the bank seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.
The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are performed for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed.

The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments, excluding those subject to the ETL process and includes the carrying value of investments in associates and joint ventures.

Investment risk exposure and sensitivity of investment risk

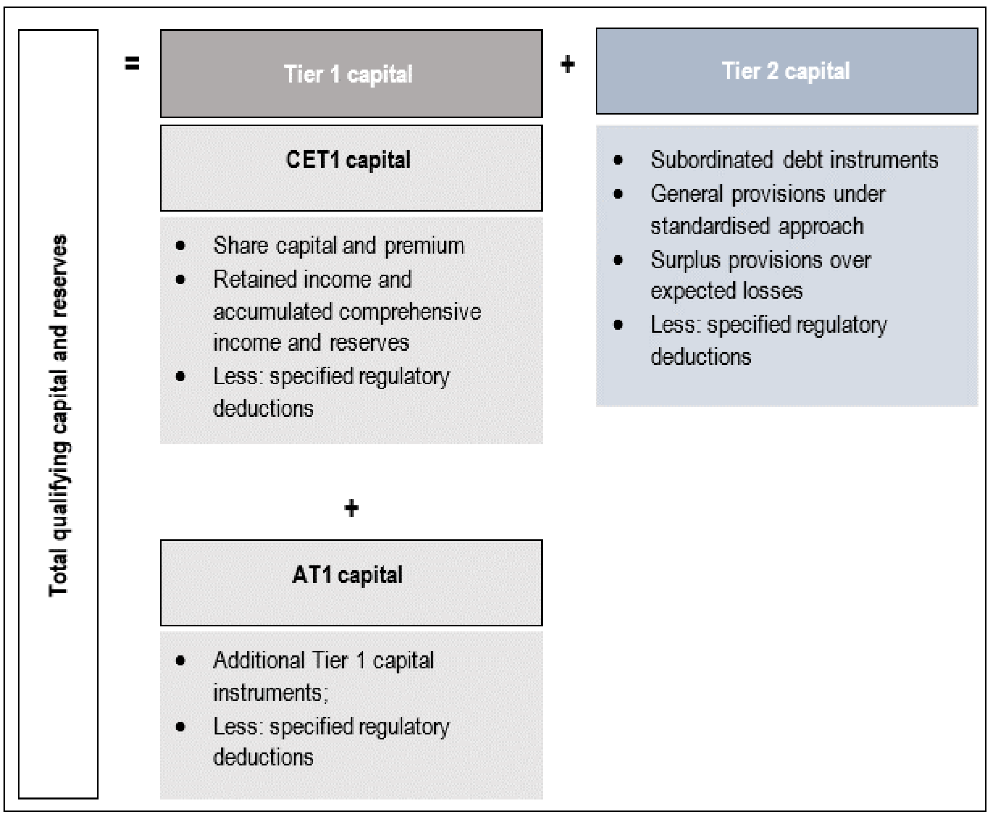
R million	**2021**	2020
Listed investment risk exposure included in the equity investment risk ETL	**4**	4
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**97**	126

32 FINANCIAL RISKS continued

32.6 Capital management

The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current economic environment. The bank continues to focus on maintaining strong capital and leverage ratios, with particular focus on the quality and mix of capital, as well as optimisation of the bank's risk weighted assets (RWA). The bank's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved capital targets are CET1 of 11.0% – 12.0%; Tier 1 of >12.0% and total capital of >14.25.

The following diagram defines the main components of qualifying capital and reserves.



Capital adequacy for the bank's foreign branches

The bank's foreign branches must comply with Prudential Authority regulations and those of the respective in-country regulators, with primary focus placed on Tier 1 capital and total adequacy ratios. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the regulatory minimum. Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends or return of profits.

33 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES

Note 10 (Advances)

Voluntary changes to the classes previously reported at 30 June 2020

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	224 404	-	224 404
WesBank VAF	94 024	-	94 024
Total retail secured	318 428	**-**	318 428
FNB card	30 210	-	30 210
Personal loans	41 874	-	41 874
Retail other	16 732	-	16 732
Total retail unsecured	88 816	**-**	88 816
FNB commercial	107 914	-	107 914
WesBank corporate	27 114	-	27 114
RMB corporate banking	68 445	-	68 445
RMB investment banking	253 669	123	253 792
Total corporate and commercial	457 142	123	457 265
Group Treasury and other	37 544	(123)	37 421
MotoNovo	3 782	-	3 782
Total advances	905 712	**-**	905 712

The bank reclassified advances between classes and elected to voluntarily restate its comparative information both in Note 10 (Advances), Note 11 (Impairment of advances) and Note 32 (Financial risk management). The comparison between previously reported and currently presented disclosure has been provided.

	Loss allowance		
	As previously reported	Movement	Updated amount
	3 916	-	3 916
	5 647	-	5 647
	9 563	**-**	9 563
	4 201	-	4 201
	8 697	-	8 697
	3 139	-	3 139
	16 037	**-**	16 037
	6 028	-	6 028
	506	-	506
	1 203	-	1 203
	3 690	-	3 690
	11 427	**-**	11 427
	380	-	380
	365	-	365
	37 772	**-**	37 772

33 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 10 (Advances)

Analysis of advances per class

	2020					
R million	Amortised cost previously reported	Movement	Presented in note 10	Loss allowance previously reported	Movement	Presented in note 10
Residential mortgages	224 404	-	224 404	(3 916)	-	(3 916)
WesBank VAF	94 024	-	94 024	(5 647)	-	(5 647)
Total retail secured	318 428	**-**	318 428	(9 563)	**-**	(9 563)
FNB card	30 210	-	30 210	(4 201)	-	(4 201)
Personal loans	41 874	-	41 874	(8 697)	-	(8 697)
Retail other	16 732	-	16 732	(3 139)	-	(3 139)
Total retail unsecured	88 816	**-**	88 816	(16 037)	**-**	(16 037)
FNB commercial	107 887	-	107 887	(6 028)	-	(6 028)
WesBank corporate	27 114	-	27 114	(506)	-	(506)
RMB corporate banking	68 318	-	68 318	(1 203)	-	(1 203)
RMB investment banking	189 765	123	189 888	(3 690)	-	(3 690)
Total corporate and commercial	393 084	123	393 207	(11 427)	**-**	(11 427)
Group Treasury and other	35 678	(123)	35 555	(380)	-	(380)
MotoNovo	3 782	-	3 782	(365)	-	(365)
Total advances	839 788	**-**	839 788	(37 772)	**-**	(37 772)

Analysis of advances by classes (gross advances and loss allowances)

	Gross advances			Loss allowances		
R million	As previously reported	Movement	Presented in note 10	As previously reported	Movement	Presented in note 10
	Stage 1					
RMB investment banking	228 719	123	228 842	1 119	-	1 119
Group Treasury and other	37 358	(123)	37 235	264	-	264
Total stage 1 reclassification	266 077	-	266 077	1 383	-	1 383
	Stage 2					
RMB investment banking	21 927	-	21 927	1 476	-	1 476
Group Treasury and other	44	-	44	-	-	-
Total stage 2 reclassification	21 971	-	21 971	1 476	-	1 476
	Stage 3					
RMB investment banking	2 122	-	2 122	1 095	-	1 095
Group Treasury and other	142	-	142	116	-	116
Total stage 3 reclassification	2 264	-	2 264	1 211	-	1 211
	Purchased or originated credit impaired					
RMB investment banking	901	-	901	-	-	-
Group Treasury and other	-	-	-	-	-	-
Total purchase or originated credit impaired reclassification	901	-	901	-	-	-

RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.

33 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 32 (Financial risks)

Credit assets

R million	As previously reported	Movement	Presented in note 32
On-balance sheet exposures			
Cash and short-term funds	91 541	-	91 541
- Money at call and short notice	65 155	-	65 155
- Balances with central banks	26 386	-	26 386
Gross advances	905 712	-	905 712
Retail secured	318 428	-	318 428
- Residential mortgages	224 404	-	224 404
- WesBank VAF	94 024	-	94 024
Retail unsecured	88 816	-	88 816
- FNB card	30 210	-	30 210
- Personal loans	41 874	-	41 874
- Other retail	16 732	-	16 732
Corporate and commercial	457 142	123	457 265
- FNB commercial	107 914	-	107 914
- WesBank corporate	27 114	-	27 114
- RMB corporate banking	68 445	-	68 445
- RMB investment banking	253 669	123	253 792
Group Treasury and other	37 544	(123)	37 421
MotoNovo	3 782		3 782
Derivatives	120 511	-	120 511
Debt investment securities	201 095	-	201 095
Financial accounts receivable included in other assets	2 970	-	2 970
Amounts due by holding company and fellow subsidiaries	67 309	-	67 309
Off-balance sheet exposure	179 927	-	179 927
- Total contingencies	57 162	-	57 162
- Guarantees	48 877	-	48 877
- Letters of credit	8 285	-	8 285
- Irrevocable commitments	115 891	-	115 891
- Credit derivatives	6 874	-	6 874
Total	1 569 065	-	1 569 065

RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.

33 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 32 (Financial risks) continued

Quality of credit assets

	RMB investment banking					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 32	As previously reported	Movement	Presented in note 32
FR1-25						
On-balance sheet	89 885	123	90 008	-	-	-
Off-balance sheet	13 757	-	13 757	-	-	-
FR 26-90						
On-balance sheet	138 353	-	138 353	21 658	-	21 658
Off-balance sheet	12 561	-	12 561	814	-	814
FR91-100						
On-balance sheet	481	-	481	269	-	269
Off-balance sheet	-	-	-	-	-	-

	Group Treasury and other					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 32	As previously reported	Movement	Presented in note 32
FR1-25						
On-balance sheet	33 185	(123)	33 062	-	-	-
Off-balance sheet	-	-	-	-	-	-
FR26-90						
On-balance sheet	4 064	-	4 064	44	-	44
Off-balance sheet	1 000	-	1 000	-	-	-
FR91-100						
On-balance sheet	109	-	109	-	-	-
Off-balance sheet	-	-	-	-	-	-

RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.

	Stage 3			Purchased or originated credit impaired		
	As previously reported	Movement	Presented in note 32	As previously reported	Movement	Presented in note 32
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	2 122	-	2 122	901	-	901
	10	-	10	-	-	-

	Stage 3			Purchased or originated credit impaired		
	As previously reported	Movement	Presented in note 32	As previously reported	Movement	Presented in note 32
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	142	-	142	-	-	-
	-	-	-	-	-	-

33 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 32 (Financial risks) continued

Credit risk mitigation and collateral held

	2020					
	RMB investment banking			Group Treasury and other		
R million	As previously reported	Movement	Presented in note 32	As previously reported	Movement	Presented in note 32
Gross carrying amount	253 669	123	253 792	37 544	(123)	37 421
Off balance sheet exposure	27 142	-	27 142	1 000	-	1 000
Loss allowance	(3 690)	-	(3 690)	(380)	-	(380)
Maximum exposure to credit risk	277 121	123	277 244	38 164	(123)	38 041
Supported as follows:						
Netting and financial collateral	3 696	-	3 696	109	-	109
Secured	28 585	-	28 585	27 990	-	27 990
Unsecured	244 840	123	244 963	10 065	(123)	9 942

RMB corporate banking and RMB investment banking have been combined in the current year and is reflected as RMB corporate and investment banking.

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the bank. The bank will comply with these from the stated effective date.

<table>
<tr><th>Standard</th><th>Impact assessment</th><th>Effective date</th></tr>
<tr><td>IFRS 3</td><td>Reference to the conceptual framework – amendment to IFRS 3
The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the conceptual framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.
The amendments are intended to update a reference to the conceptual framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the conceptual framework in use.
The amendment is not expected to have a significant impact on the annual financial statements.</td><td>Annual periods commencing on or after 1 January 2022</td></tr>
<tr><td>IFRS 17</td><td>Insurance contracts
IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement.
The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived from the movement in liability for the remaining insurance coverage period.
The insurance contract liability is initially made up of:
• fulfilment cash flows, which represent the risk-adjusted present value of the entity’s rights and obligations to the policyholders; and
• the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period.
Subsequently, the liability will comprise two components, namely the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). Currently the bank does not hold any insurance contracts that fall into the scope of IFRS 17.</td><td>Annual periods commencing on or after 1 January 2023</td></tr>
</table>

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS 1 amendments clarify the requirements for classifying liabilities as current or non-current. More specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant. • The amendments clarify the situations that are considered settlement of a liability. The bank presents its assets and liabilities in order of liquidity in the statement of financial position. The impact of this amendment would impact the disclosure of current versus non-current liabilities in the notes to the financial statements. The bank does not expect this amendment to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2023
IAS 16	**Property, plant and equipment: Proceeds before intended use – amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts – Cost of fulfilling a contract – amendment to IAS 37** The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

IAS 1	**Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice Statement 2** The IASB issued amendments to IAS 1 and an update to IFRS Practice Statement 2 *Making Materiality Judgements* to help prepares provide useful accounting policy disclosures. The key amendments to IAS 1 include: ➢ requiring companies to disclose their material accounting policies rather than their significant accounting policies; ➢ clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and ➢ clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.	Annual periods commencing on or after 1 January 2023
IAS 8	**Definition of accounting estimates** The amendments to IAS 8 introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.	Annual periods commencing on or after 1 January 2023
IAS 12	**Deferred tax related to assets and liabilities arising from a single transaction** The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result a deferred tax asset and a deferred tax liability will need to be recognised for temporary differences arising on initial recognition of a lease and decommissioning provision.	Annual periods commencing on or after 1 January 2023

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
Annual improvements 2018 – 2020	**Improvements to IFRS** ***IFRS 9 Financial Instruments:*** Fees in the "10 per cent" test for derecognition of financial liabilities ➢ The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39. ➢ An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. **Lease incentives** ➢ The amendment removes the illustration of payments from the lessor relating to leasehold improvements in illustrative example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16. The amendments are not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022

35 SUBSEQUENT EVENTS

Civil unrest occurred in the KwaZulu-Natal and Gauteng provinces shortly after the bank's balance sheet date, resulting in theft and damage to property. Losses suffered by the bank were not taken into consideration for the financial results at 30 June 2021, as these are considered to be non-adjusting post balance sheet events. The physical damage losses are not material to the group on a gross basis. In addition, the bank has insurance cover for some of these losses.

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Supplementary information

Company information

Directors

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), JP Burger, GG Gelink, F Knoetze, RM Loubser, TS Mashego, Z Roscherr, SP Sibisi, LL von Zeuner, T Winterboer

Company secretary and registered office

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Tel: +27 11 282 1808 Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE debt sponsor

(in terms of JSE Debt Listings Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
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Auditors

PRICEWATERHOUSECOOPERS INC.

4 Lisbon Lane
Waterfall City
Jukskei View
Gauteng
South Africa
2090

DELOITTE & TOUCHE

5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the bank

Listed debt

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group and RMB websites:
– www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/
– www.rmb.co.za/page/krugerrand-custodial-certificate
– www.rmb.co.za/page/dollar-custodial-certificate

The bank also issues debt instruments in the UK.

London Stock Exchange

European medium-term note programme

ISIN code	
Subordinated debt	**Senior unsecured**
XS1810806395	XS1954121031 (unlisted)

Credit ratings

Refer to www.firstrand.co.za/investors/debt-investor-centre/credit-ratings/ for detail on the bank's credit ratings.

Listed financial instruments of the bank continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

	Maturity date	Call date	Currency (million)	As at 30 June	
				2021	2020
AT1					
FRB24	Perpetual	8/11/2023	ZAR	**2 265**	2 265
FRB25	Perpetual	19/9/2024	ZAR	**3 461**	3 461
FRB28	Perpetual	2/12/2025	ZAR	**1 400**	–
Total AT1			**ZAR**	**7 126**	**5 726**
Tier 2					
FRB13	2/6/2026	2/6/2021	ZAR	**–**	148
FRB14	2/6/2026	2/6/2021	ZAR	**–**	125
FRB16	8/7/2025	8/7/2020	ZAR	**–**	1 750
FRB17	8/1/2027	8/1/2022	ZAR	**601**	601
FRB18	13/4/2026	13/4/2021	ZAR	**–**	1 500
FRB19	14/4/2026	14/4/2021	ZAR	**–**	500
FRB20	15/4/2026	15/4/2021	ZAR	**–**	645
FRB21	24/11/2026	24/11/2021	ZAR	**1 000**	1 000
FRB22	8/12/2027	8/12/2022	ZAR	**1 250**	1 250
FRB23	20/9/2027	20/9/2022	ZAR	**2 750**	2 750
FRB26	3/6/2029	3/6/2024	ZAR	**1 910**	1 910
FRB27	3/6/2031	3/6/2026	ZAR	**715**	715
FRB29	19/4/2031	19/4/2026	ZAR	**2 374**	–
FRB30	19/4/2031	19/4/2026	ZAR	**698**	–
Reg S	23/4/2028	23/4/2023	USD	**500**	500
Total Tier 2*			**ZAR**	**18 427**	**21 572**

* *Dollar instruments translated to rand equivalent at the respective reporting periods.*

Refer to the www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional information on the terms and conditions of the capital instruments.

Definitions

Additional Tier 1 (AT1) capital	AT1 capital instruments 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, and qualifying reserves 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, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments 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 particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset and liability management
AT1	Additional Tier 1
BCBS	Based Committee on Banking Supervision
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CPI	Consumer price inflation
CLR	Credit loss ratio
Covid-19	Coronavirus disease
DM	Developed market
DIS	Deposit insurance scheme
D-SIB	Domestic systemically important bank
EAD	Exposure at default
ECL	Expected credit loss
EVE	Economic value of equity
FCC	FirstRand Corporate Centre
Flac	First loss after capital
FLI	Forward-looking information
FNB	First National Bank
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resource management
FRN	Floating rate note
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
HQLA	High-quality liquid assets
IB	Investment banking
IBOR	Interbank offered rate
IBOR reform	Interest rate benchmark reform
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board of Auditors
ISA	International Standard on Auditing
ISAE	International Standard on Assurance Engagements

JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LTI	Long-term incentive
LTV	Loan to value
MPC	Monetary Policy Committee
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPL	Non-performing loan
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OEM	Original equipment manufacturer
P2P	Private-to-private
PA	Prudential Authority
PBT	Profit before tax
RFR	Risk-free rate
RMB	Rand Merchant Bank
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SOE	State-owned enterprise
SPV	Special purpose vehicles
STI	Short Term Insurance
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VSI	Vertical sales index

Abbreviations of financial reporting standards

International Financial Reporting Standards

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

International Accounting Standards

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

IFRS Interpretations Committee Interpretations

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

STUDIO 5

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