FirstRand Bank

annual report

FOR THE YEAR ENDED 30 JUNE 2022

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 2022.

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

> a simplified group structure; and
> corporate governance.

The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

An overview of the bank's strategy and a detailed analysis of financial results for the year ended 30 June 2022 are provided in section B.

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

Simonet Terblanche, CA(SA), supervised the preparation of the summary financial results.

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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

overview of firstrand bank

A

FirstRand Bank

FirstRand Bank Limited (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 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. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola and Shanghai.

performance highlights

Normalised earnings
R24.7bn
2021: R19.0bn ▲ 30%

Return on equity
23.4%
2021: 19.1%

Net asset value
R106.6bn
2021: R105.3bn ▲ 1%

CET1 ratio
14.2%
2021: 14.5% ▼ 30 bps

normalised earnings

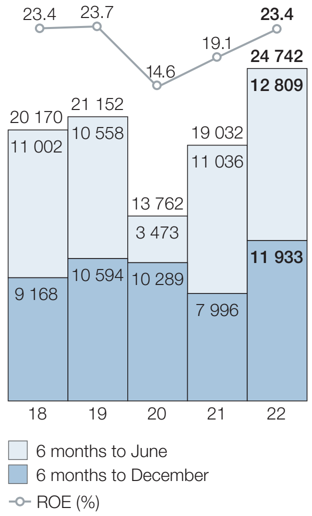
FNB
R17.2bn

RMB
R5.3bn

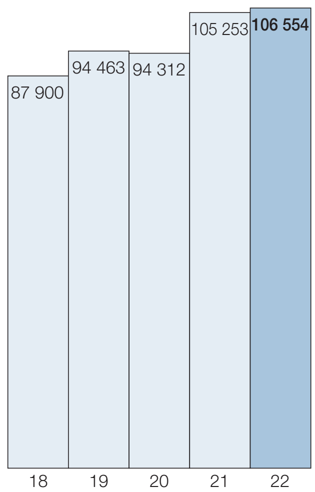
WesBank
R849m

TRACK RECORD

Normalised earnings *(R million)*
and ROE *(%)*
CAGR 5%



Normalised net
asset value *(R million)**
CAGR 5%



* *NAV is a function of earnings net of dividends.*

Note: 2018 figures are based on IAS 39 and 2019 to 2022 figures on IFRS 9.

Simplified group structure

This report covers the results of FRB

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%	100%
FirstRand Bank Limited (FRB)	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	*Broader Africa*	*UK banking and hard currency platform*	*Insurance*	*Investment management*	*Other activities*

SA banking – FirstRand Bank Limited (FRB)
- First National Bank*
- Rand Merchant Bank*
- WesBank*
- FirstRand Bank India**
- FirstRand Bank London**
- FirstRand Bank Guernsey**,†
- FirstRand Bank Kenya#
- FirstRand Bank Angola#
- FirstRand Bank Shanghai#

Broader Africa – FirstRand EMA Holdings (Pty) Ltd (FREMA)

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

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

100%	Aldermore Group
100%	Aldermore Bank‡
100%	MotoNovo Finance‡
100%	RMB International Mauritius
100%	FirstRand Securities
100%	RMB Securities (USA)^

Insurance – FirstRand Insurance Holdings (Pty) Ltd

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

Investment management – FirstRand Investment Management Holdings Limited

100%	Ashburton Fund Managers
100%	Ashburton Management Company (RF)
100%	Ashburton Jersey
100%	FNB International Trustees
100%	FNB Investor Services
100%	FNB CIS Management Company (RF)
100%	Various general partners◊

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

100%	RMB Private Equity Holdings
100%	RMB Private Equity
100%	RMB Securities
50%	RMB Morgan Stanley
100%	RMB Investments and Advisory
100%	FNB Stockbroking and Portfolio Management
81%	MotoVantage
100%	Hyphen Technology
100%	FNB Fiduciary

* *Division.*
** *Branch.*
\# *Representative office.*
DirectAxis is a business unit of FirstRand Bank Limited.

† *Trading as FNB Channel Islands.*
‡ *Wholly owned subsidiary of Aldermore Group.*
^ *Wholly owned subsidiary of FirstRand Securities.*
◊ *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Note:
The operations of FNB Tanzania were taken over by Exim Bank on 7 July 2022.

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 the Centre). 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 > 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 the 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 African-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 the India strategy, it was decided to close the FirstRand Bank India branch and instead apply to establish a representative office. RMB 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-Africa corridor. This has been a key enabler to RMB's strategy to grow its offerings on the broader African continent. This strategy will be executed through a representative office and an advisory company with a SEBI licence (RMB Capital India) going forward.

Corporate governance

Compliance statement

FirstRand Bank Limited is a wholly owned subsidiary of FirstRand Limited, which 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, the 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. The bank endorses and endeavours to adhere to the guidelines and principles of King IV. The bank has applied King IV principles as disclosed in the group annual integrated report and stakeholders are referred to the group's annual integrated report available on https://www.firstrand.co.za/investors/annual-reporting/ in early October 2022.

In accordance with section 94(2)(b) of the Companies Act, the audit committee of the group performs the functions under the 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 that ensures that no one director has unfettered powers of decision-making.

Board changes

Changes to the directorate are outlined below.

		Effective date
Resignation		
F Knoetze*	Non-executive director	1 December 2021
Appointment		
PD Naidoo**	Independent non-executive director	1 April 2022

* *Mr Knoetze resigned as a non-executive director in order to commit more time to his expanded executive role and other responsibilities.*

** *The appointment of Ms Naidoo adds further environmental, social, governance and sustainability skills to the board.*

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 as well as overseeing major capital expenditure, acquisitions and disposals, information technology and stakeholder relations while still 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 of 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 has been the independent non-executive chairman of the board with effect from 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 makes 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 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).

There are 10 are non-executive and nine of these directors 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 roles of the chairman and chief executive officer are clearly defined in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

The board 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 the strategic plans and the resulting budgets. Additional meetings are convened as and when necessary.

Corporate governance continued

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 or 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.

Limitation to appointment period

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

The retirement age of non-executive directors (other than the chair) is set at age 70 and directors are eligible for re election. After turning 70 a director will vacate his/her office at the close of the annual general meeting, 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 of FirstRand Bank Limited

Executive directors

Alan Patrick Pullinger (56)
Chief executive officer since April 2018
MCom, CA(SA), CFA
Appointed: October 2015

Hetash Surendrakumar (Harry) Kellan (50)
Financial director
BCom (Hons), CA(SA)
Appointed: January 2014

Mary Vilakazi (45)
Chief operating officer
BCom (Hons), CA(SA)
Appointed: July 2018

Non-executive directors

Johan Petrus Burger (63)
Non-executive director since 1 September 2018
BCom (Hons), CA(SA)
Appointed: May 1998

Francois (Faffa) Knoetze (59)
Non-executive director
BCom (Hons), FASSA, FIA
Appointed: April 2016 (resigned 1 December 2021)

Independent non-executive directors

William Rodger (Roger) Jardine (56)
Independent non-executive chairman since 1 April 2018
BSc, MSc
Appointed: January 2004

Grant Glenn Gelink (72)
Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA)
Appointed: January 2013

Russell Mark Loubser (72)
Independent non-executive director
BCom (Hons), MCom, CA(SA)
Appointed: September 2014

Thandie Sylvia Mashego (44)
Independent non-executive director
BCom (Hons), CA(SA), MBL
Appointed: January 2017

Premilla Devi (Shireen) Naidoo (60)
Independent non-executive director
BSc
Appointed: April 2022

Zelda Roscherr (55)
Independent non-executive director
BSc, BCom Hons, MSc
Appointed: April 2020

Sibusiso Patrick Sibisi (67)
Independent non-executive director
BSc, PhD
Appointed: April 2021

Louis Leon von Zeuner (61)
Independent non-executive director
BEcon, Chartered Director (SA)
Appointed: February 2019

Tom Winterboer (66)
Independent non-executive director
BCom (Hons), BCompt (Hons), CA(SA), AEP
Appointed: April 2018

For comprehensive CVs of the directors, please refer to the latest issuer disclosure document available at:
https://www.firstrand.co.za/investors/debt-investor-centre/prospectuses-and-programme-memoranda/

analysis of results

B

overview of results

Key financial and operational results, ratios and statistics – normalised

for the year ended 30 June

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages B119 and B120.

R million	2022	2021	% change
Earnings performance			
Attributable earnings – IFRS (refer page C63)	**24 884**	19 295	29
Headline earnings	**24 904**	19 310	29
Normalised earnings	**24 742**	19 032	30
Normalised net asset value	**106 554**	105 253	1
Average normalised net asset value	**105 904**	99 783	6
Ratios and key statistics			
ROE (%)	**23.4**	19.1	
ROA (%)	**1.69**	1.35	
Diversity ratio (%)	**43.0**	42.6	
Credit impairment charge	**5 891**	11 115	(47)
Credit loss ratio (%)*,**	**0.68**	1.30	
Stage 3/NPLs as % of core lending advances*	**4.26**	5.63	
Specific coverage ratio (%)*,**	**50.8**	46.4	
Performing book coverage ratio (%)*,**	**1.80**	2.14	
Cost-to-income ratio (%)	**54.3**	54.0	
Effective tax rate (%)	**24.3**	25.5	
Balance sheet			
Normalised total assets	**1 507 347**	1 415 029	7
Advances (net of credit impairment)	**944 087**	857 955	10
Average gross loan-to-deposit ratio (%)	**79.6**	81.0	
Deposits	**1 220 026**	1 135 585	7
Capital adequacy – IFRS#			
Capital adequacy ratio (%)	**17.7**	17.8	
Tier 1 ratio (%)	**14.9**	15.2	
Common Equity Tier 1 ratio (%)	**14.2**	14.5	
Leverage – IFRS#			
Leverage ratio (%)	**7.2**	7.4	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**124**	117	
Net stable funding ratio (%)	**120**	122	

* *Restated.*

** *As a percentage of core lending advances. Core lending advances exclude assets under agreements to resell. Refer to page B57 for details of the change in presentation.*

\# *Ratios including foreign branches and unappropriated profits.*

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

for the year ended 30 June 2022

R million	2022	2021	% change
Operational statistics			
Number of ATMs (including ADTs)	**4 774**	4 848	(2)
Number of branches	**604**	599	1
Number of employees	**38 221**	37 741	1
– South Africa	**37 130**	37 043	–
– Broader Africa	**137**	154	(11)
– FirstJob youth employment programme	**954**	544	75
FNB customer numbers (millions)	**9.06**	8.65	5
– Retail	**7.86**	7.52	5
– Commercial	**1.20**	1.13	6
FNB channel volumes (thousands of transactions)			
– ATM/ADT	**219 158**	219 360	–
– Digital	**673 582**	593 135	14
– Card acquiring	**819 682**	649 967	26
– Card issuing	**992 896**	871 350	14

Summary income statement – normalised

for the year ended 30 June

R million	2022	2021	% change
Net interest income before impairment of advances	**50 030**	47 815	5
Impairment charge	**(5 891)**	(11 115)	(47)
Net interest income after impairment of advances	**44 139**	36 700	20
Non-interest revenue	**37 785**	35 549	6
– Fee and commission income	**27 883**	26 377	6
– Insurance income	**439**	468	(6)
– Trading and other fair value income	**3 966**	3 574	11
– Investment income	**199**	8	>100
– Other non-interest revenue	**5 298**	5 122	3
Income from operations	**81 924**	72 249	13
Operating expenses	**(47 644)**	(44 990)	6
Income before indirect tax	**34 280**	27 259	26
Indirect tax	**(805)**	(1 008)	(20)
Profit before tax	**33 475**	26 251	28
Income tax expense	**(8 140)**	(6 694)	22
Profit for the year	**25 335**	19 557	30
Other equity instrument holders	**(593)**	(525)	13
Normalised earnings attributable to ordinary equityholders of the bank	**24 742**	19 032	30

Summary statement of other comprehensive income – normalised

for the year ended 30 June

R million	2022	2021	% change
Profit for the year	**25 335**	19 557	30
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(3 712)**	(727)	>100
(Losses)/gains arising during the year	**(2 137)**	881	(>100)
Reclassification adjustments for amounts included in profit or loss	**(2 973)**	(1 890)	57
Deferred income tax	**1 398**	282	>100
FVOCI debt reserve	**(18)**	256	(>100)
(Losses)/gains arising during the year	**(17)**	375	(>100)
Reclassification adjustments for amounts included in profit or loss	**(10)**	(20)	(50)
Deferred income tax	**9**	(99)	(>100)
Exchange differences on translating foreign operations	**762**	(1 127)	(>100)
Gains/(losses) arising during the year	**753**	(1 085)	(>100)
Deferred income tax	**9**	(42)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**3**	(235)	>100
Gains/(losses) arising during the year	**8**	(303)	(>100)
Deferred income tax	**(5)**	68	(>100)
Remeasurements on defined benefit post-employment plans	**126**	(93)	(>100)
Gains/(losses) arising during the year	**185**	(129)	(>100)
Deferred income tax	**(59)**	36	(>100)
Other comprehensive loss for the year	**(2 839)**	(1 926)	47
Total comprehensive income for the year	**22 496**	17 631	28
Attributable to			
Ordinary equityholders	**21 903**	17 106	28
Other equity instrument holders	**593**	525	13
Total comprehensive income for the year	**22 496**	17 631	28

Summary statement of financial position – normalised

as at 30 June

R million	2022	2021
ASSETS		
Cash and cash equivalents	104 625	99 646
Derivative financial instruments	61 674	70 774
Commodities	17 580	18 641
Investment securities	278 879	273 766
Advances	944 087	857 955
– Advances to customers*	871 338	786 643
– Marketable advances	72 749	71 312
Other assets	5 789	4 928
Current tax asset	125	32
Amounts due by holding company and fellow subsidiaries	70 753	67 108
Property and equipment	16 333	16 865
Intangible assets	512	338
Investment properties	249	249
Deferred income tax asset	6 741	4 727
Total assets	**1 507 347**	1 415 029
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	14 183	18 660
Derivative financial instruments	70 284	70 722
Creditors, accruals and provisions	18 899	15 814
Current tax liability	–	896
Deposits	1 220 026	1 135 585
Employee liabilities	11 684	9 859
Other liabilities	5 258	5 087
Amounts due to holding company and fellow subsidiaries	32 900	27 214
Tier 2 liabilities	20 433	18 813
Total liabilities	**1 393 667**	1 302 650
Equity		
Ordinary shares	4	4
Share premium	16 804	16 804
Reserves	89 746	88 445
Capital and reserves attributable to ordinary equityholders	**106 554**	105 253
Other equity instruments	7 126	7 126
Total equity	**113 680**	112 379
Total equities and liabilities	**1 507 347**	1 415 029

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

* *Included in advances to customers are assets under agreements to resell of R70 540 million (2021: R65 058 million).*

Flow of funds analysis – normalised

R million	June 2022 vs June 2021 12-month movement	June 2021 vs June 2020 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**1 301**	12 341
Working capital movement	**3 258**	(4 324)
Short trading positions and derivative financial instruments	**4 185**	(155)
Deposits and long-term liabilities	**86 061**	43 124
Total	**94 805**	50 986
(Outflow)/inflow in deployment of funds		
Advances	**(86 132)**	9 985
Investments	**1 419**	3 634
Cash and cash equivalents	**(4 979)**	135
Investment securities (e.g. liquid asset portfolio)	**(5 113)**	(64 740)
Total	**(94 805)**	(50 986)

FirstRand Bank's performance reflects the quality of its operating businesses, FNB, RMB and WesBank. Disciplined execution on strategy has continued to drive shareholder value. Earnings have fully recovered and are significantly above peak 2019 levels. The bank's normalised earnings increased 30% to R24.7 billion and the ROE improved to 23.4%.

Alan Pullinger ~ CEO

Group strategy

FirstRand Limited is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa and 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.

The group's long track record of delivering growth and superior returns is reflective of consistent execution on its core strategies. It also reflects the disciplined allocation of financial resources.

South Africa

FirstRand's earnings remain tilted towards South Africa and are mainly generated by its large lending and transactional franchises, which have resulted in deep and loyal customer bases. These domestic banking operations are mature and systemically important. Against the prevailing backdrop of weak macroeconomic growth, given the group's size, any aspiration to outperform requires strategic distinction combined with sound execution. The key growth imperative in the domestic franchises is to grow customer numbers, do more business with customers, and do this more efficiently. The group is also investing in building capital-light revenues in adjacent activities such as insurance, and investment and asset management.

Broader Africa

In the broader Africa portfolio, FirstRand remains focused on growing its presence and offerings in certain key markets where it believes it can build competitive advantage and scale over time. The group's expansion strategy has been largely organic, complemented where possible by bolt-on acquisitions. There is a strong focus on building in-country customer and deposit franchises.

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 broader Africa. The group's subsidiaries in the broader Africa portfolio 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

The UK operations continue to offer significant optionality in a large market with attractive risk-adjusted returns. The combined businesses of Aldermore and MotoNovo have healthy margins, a diversified asset portfolio, a scalable savings franchise and small shares of deep profit pools. The group remains confident it can build a more valuable business in the UK over time.

Aldermore group and its subsidiaries are part of FRI and thus fall outside the bank. Loans 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 ended 30 June 2022 global economic growth continued to moderate with the sectoral composition of activity shifting from goods towards services. The invasion of Ukraine exacerbated the already elevated cost of living pressures in both developed and emerging economies. Central banks embarked on a course of interest rate hikes to stem inflation with plans to reduce fiscal stimulus, but this needs to be balanced with shielding consumers from the impacts of slowing growth and higher inflation. The complexity of these policy actions, combined with a significant increase in geopolitical risk, resulted in ongoing market volatility.

South Africa's inflation rate lifted towards the top of the central bank's target range, resulting in an interest rate hiking cycle to lower longer-term inflation expectations. Real economic activity continued to slow – domestic household consumption in particular was impacted by the higher headline inflation. Despite the slowdown in overall activity, household data indicates that income levels among the employed have improved, following the deep contractions experienced in 2020, and retail confidence is returning. This, combined with a reduction in precautionary savings rates, underpinned household credit growth and provides some support to house prices.

With confidence slowly improving, credit demand in the corporate sector increased. Signs of positive structural reform developments included the liberalisation of energy production, confirmed private sector involvement in Transnet and the ports, and the successful completion of the 5G spectrum auction in March 2022.

By the financial year end, the UK macroeconomic environment was characterised by sharply falling consumer confidence and surging inflation. Energy and food prices continued to drive inflation higher while declining real incomes and lower confidence began to push economic activity lower. The Bank of England (BoE) raised interest rates to control inflation. Although house prices remained elevated, signals suggested that house price growth will begin to slow given weaker economic activity and higher interest rates.

The operating environment in the countries in broader Africa where the group operates was largely characterised by the recovery in commodity prices. Structural weaknesses in most of the countries pre-date the pandemic and will continue to constrain the recovery in the medium term – in particular Ghana, given its distressed debt position.

Financial performance

The 30% increase in the bank's normalised earnings was driven by the materially lower cost of credit, which reflects origination strategies and the continued post-pandemic recovery across the jurisdictions in which the bank operates. Topline growth was healthy, driven in particular by the rebound in non-interest revenue (NIR) and costs were well managed. The bank delivered an ROE of 23.4%.

The following tables provide an overview of the bank's performance.

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

	Year ended		
R million	**30 June 2022**	30 June 2021	% change
NII	**50 030**	47 815	5
NIR	**37 785**	35 549	6
Operating expenses	**(47 644)**	(44 990)	6
Pre-provision operating profit	**39 366**	37 366	5
Impairment charge	**(5 891)**	(11 115)	(47)
Normalised earnings	**24 742**	19 032	30
ROE %	**23.4**	19.1	
Core lending advances*	**908 896**	831 366	9
Credit loss ratio (%) – core lending advances*	**0.68**	1.30	
Stage 3/NPLs as % of core lending advances*	**4.26**	5.63	

* *Restated. Core lending advances excludes assets under agreements to resell. Refer to page B57 for details of the change in presentation.*

SOURCES OF NORMALISED EARNINGS

	Year ended June				
R million	**2022**	**% composition**	2021	% composition	% change
FNB*	**17 195**	**70**	14 358	75	20
RMB	**5 286**	**21**	4 612	24	15
WesBank*	**849**	**3**	489	3	74
Centre**	**2 005**	**8**	98	1	>100
Other equity instrument holders	**(593)**	**(2)**	(525)	(3)	13
Normalised earnings	**24 742**	**100**	19 032	100	30

* *Restated due to the reallocation of asset-based finance (ABF) customers that bank with FNB from FNB commercial to WesBank corporate.*

** *Including Group Treasury and MotoNovo back book – includes capital endowment, the impact of accounting mismatches, and interest rate, foreign currency and liquidity management.*

The bank's performance reflects the quality of its operating businesses. Importantly, both the underlying composition of earnings growth and the superior return profile directly correlate to the consistent and disciplined execution on certain key strategies:

> carefully price for financial resources;

> appropriately provide against lending portfolios;

> strengthen and appropriately tilt the balance sheet to the macro environment; and

> accrete capital and net asset value.

These strategies, tightly managed through the group's financial resource management (FRM) process, were designed to contain the negative impact of the Covid-19 pandemic, strengthen the balance sheet, build available financial resources and position the group appropriately to grow into a post-pandemic recovery. The group continued to be discerning in pursuing growth emanating from the rebound that immediately followed the pandemic. In the year under review, the group has been particularly focused on allocating its financial resources to growth opportunities tilted to its macro view, whilst continuing to serve the needs of its customers. This approach, combined with disciplined pricing and conservative provisioning, has resulted in an even stronger balance sheet.

Identifying and originating quality new business has been a fine balancing act given competitive actions in the market and the level of real, although uneven, recovery taking place in the economy. The group remained cautious on origination, which resulted in lower year-on-year growth in advances relative to the sector. At the same time, however, the deposit franchise and transactional balances increased strongly. This focus on the deposit franchise, combined with Group Treasury's asset-liability management (ALM) strategies, to a degree offset the muted retail advances growth trajectory in the first half and provided an underpin to the ROE.

For most of the year under review, FNB and WesBank's approach to retail origination was informed by internal and external data analysis of affordability indicators which suggested that lower-risk, good-quality customers had the most capacity for credit, and at the same time displayed a higher propensity to take up a broader range of financial services products. Origination therefore remained tilted towards these customers. This strategy was also anchored to protecting the customer franchise from aggressive competitor activity, which in turn translated into a strong rebound in retail NIR.

In the commercial segment, the stronger advances growth was driven by the strategy to originate new business tactically in those sectors showing above-cycle growth and which are expected to perform well even in a high inflationary environment.

Growth in corporate advances picked up in the second half of the year, which saw much stronger new business production. Origination also leaned towards lower-volatility sectors and better-rated counterparties.

The bank believes its discerning approach to origination will ensure that, across its portfolio, it will capture a higher market share of lower-risk business, whilst continuing to satisfy the credit demand from customers as incomes recover. New business production levels lifted by the fourth quarter of the financial year, resulting in all core lending portfolios growing year-on-year apart from unsecured revolving loans.

Disciplined execution against all of these parameters has shaped shareholder value creation for the year under review. Earnings have fully recovered and are now 17% above 2019 levels, with strong net income after cost of capital (NIACC) generation, a sustained ROE and ongoing growth in net asset value (NAV). The Common Equity Tier 1 (CET1) ratio remained strong at 14.2% (2021: 14.5%).

PRE-PROVISION OPERATING PROFIT

	Year ended 30 June		
R million	**2022**	2021	% change
FNB	**28 649**	28 002	2
RMB	**6 996**	7 257	(4)
WesBank	**2 562**	2 821	(9)
Centre*	**1 159**	(714)	(>100)
FirstRand Bank	**39 366**	37 366	5

* *Centre (including Group Treasury and MotoNovo back book).*

Many of the strategic actions explained above also played out in the bank's pre-provision operating profit growth of 5% year-on-year. Pre-provision operating profits now exceed the peak level reached in June 2019 by 6%.

Regarding the operating businesses, FNB's pre-provision operating profit performance mainly reflects the credit origination approach in the retail segment to focus on good-quality, lower-risk credit customers. This impacted net overall credit origination volumes and resulted in subdued net interest income (NII). In addition, the higher growth in residential mortgages relative to unsecured lending resulted in lower overall margins. There was stronger momentum in retail advances growth in the last quarter of the year, and this is expected to continue.

FNB delivered solid NIR growth of 5%, driven by active customer acquisition, growth in customer activity and higher transactional volumes (14%). These benefits were offset, to a degree, by fee reductions on the back of new customer propositions as FNB responded to competitive pricing in certain customer subsegments. FNB commercial point-of-sale footprint also contributed to ongoing growth in transactional activity.

The reduction in RMB's pre-provision operating profit was a consequence of most of the advances growth taking place in the second half of the financial year as well as ongoing competitive margin pressure, especially in the large corporate client segment. The level of investment spend and higher variable costs due to the improvement in performance also affected year-on-year pre-provision operating profit growth. Increased deal origination and facility extensions in the latter half of the financial year will support pre-provision operating profit growth in the next financial year.

WesBank's pre-provision operating profit was impacted by origination strategies which also reduced margins. In addition, the run-off of higher-margin fixed-rate deals replaced with variable-rate deals, and the increasing cost of acquisition, placed pressure on net interest margin (NIM). WesBank corporate and commercial, however, delivered strong advances growth of 10%. WesBank's NIR increased 6%, driven by higher commissions and administration fees earned in the fleet management and leasing business due to growth in the number of managed maintenance units. New business volumes increased 11% in WesBank.

Represented by the Centre, Group Treasury's growth in pre-provision operating profits was driven primarily by improved returns on capital due to both increases in investment rates and higher levels of capital. The strong growth in the deposit franchise enabled the reduction in Group Treasury funding and improved cost of funds. In addition, Group Treasury saw a reduction in the carry cost of excess foreign exchange (FX) liquidity resources.

Also included in the Centre is the MotoNovo back book which in total, including the securitisations, continued to run down. MotoNovo's pre-provision operating profit was impacted by an operational event relating to non-compliance with the UK Consumer Credit Act, whereby notices of sums in arrears (NOSIAs) were not correctly issued to qualifying customers as a result of a system coding error. This event was identified during the Covid-19 pandemic period, but extends back a number of years and, as a result, certain interest and fees amounting to £23 million are required to be refunded to customers. The bank has appropriately provided for this one-off event, including the operational costs and the consequential impact to impairments.

Revenue and cost overview

Overall bank NII increased 5% year-on-year, with some support from the return to growth in advances and continued strong deposit gathering. NII also benefited from increased capital balances.

Lending NII remained flat due to a decline in margin, driven by a mix change in advances growth on the back of the origination strategies covered above.

Also, as covered earlier, although FNB's retail franchise focused on originating lower-risk advances for a significant portion of the year, there was a measured return to appetite in the last quarter of the year under review. FNB commercial's year-on-year growth in advances was strong. RMB's corporate lending franchise delivered good growth in new business origination, also mainly in the second half of the year, but experienced ongoing competitive margin pressure. WesBank retail vehicle asset finance (VAF) advances grew, with a focus on lower-risk origination in a highly competitive lending environment.

The bank's overall growth in deposits benefited from ongoing momentum in retail savings and investment products, and particularly good contributions from FNB commercial.

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

	Growth in advances %	Growth in deposits %
FNB	7	13
– Retail	6	9
– Commercial	11	18
WesBank	5	n/a
RMB*	18	14

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

Total bank NIR increased 6%. This was supported by 6% growth in fee and commission income, 11% growth in trading and fair value income, and an increase in investment income.

FNB's NIR increased 5%, benefiting from good growth in transactional volumes and customer growth of 5%.

RMB's NIR growth was driven by the contribution from the markets business, which was underpinned by strong client flows due to volatility in FX markets and increased commodity prices, combined with a robust performance from equities. The global foreign exchange business experienced increased client volumes on the back of the rally in commodities and higher levels of corporate FX structuring transactions. The investment banking business benefited from robust structuring and commitment fee income growth on the back of origination activities.

Operating expenses for the bank were 6% higher, including a 4% increase in direct staff costs and higher variable remuneration given the improvement in performance.

Investment costs continue to be driven by the build-out and consolidation of the domestic enterprise platform.

The cost-to-income ratio remained stable at 54.3% (2021: 54.0%).

The bank's credit performance continues to improve, with a reduced credit loss ratio of 68 bps (2021: 130 bps) and all portfolios now at or below through-the-cycle levels. This underlying performance is in line with the bank's origination strategies and was achieved despite ongoing uncertainties in the operating environment, most notably the impact of inflation and interest rate pressures that unfolded over the last quarter of the financial year. Given these uncertainties, balance sheet provision levels remained conservative against the in-force book as new origination adapts to macros dynamically. As such, management retained the stress scenario, albeit at a lower weighting of 8% (2021: 11%). Overall performing coverage on core lending advances decreased to 1.80% (2021: 2.14%), reflecting the year-on-year improvement in the macro environment, better staging of advances and measured origination.

Non-performing loans (NPLs) decreased 17% year-on-year with NPLs as a percentage of core lending advances down to 4.26%, driven by write-offs, the curing of paying NPLs, slower inflows given conservative origination strategies, strong collections and advances growth.

As a result, the overall impairment charge reduced 47% to R5 891 million (2021: R11 115 million), reflecting the positive performance in most portfolios and the significant reduction in NPLs. The credit loss ratio is 68 bps.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				June 2022 vs December 2021	December 2021 vs June 2021	June 2021 vs December 2020
	30 June	31 December	30 June	31 December			
R million	2022	2021	2021	2020	% change	% change	% change
Performing book provisions	**(1 375)**	267	(1 261)	1 404	(>100)	(>100)	(>100)
NPL provision*	**(274)**	(1 738)	(301)	855	(84)	>100	(>100)
Credit provision (decrease)/ increase	**(1 649)**	(1 471)	(1 562)	2 259	12	(6)	(>100)
Modification loss	**266**	411	309	291	(35)	33	6
Gross write-off and other**	**6 209**	6 998	7 892	7 048	(11)	(11)	12
Interest suspended on stage 3 advances	**(1 237)**	(1 395)	(1 588)	(1 471)	(11)	(12)	8
Post write-off recoveries	**(1 134)**	(1 107)	(1 097)	(966)	2	1	14
Total impairment charge	**2 455**	3 436	3 954	7 161	(29)	(13)	(45)
Credit loss ratio (%) – core lending advances#	**0.56**	0.81	0.95	1.67			

* *Interest suspended on stage 3 core lending advances of R2 632 million (2021: R3 059 million) is included in the NPL provision.*

** *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

\# *Prior periods have been restated. Calculated on core lending advances; which exclude assets under agreements to resell.*

The table above demonstrates the move in impairments on a rolling six-month view, based on movements in the balance sheet. The R1.4 billion portfolio provision release reflects lower coverage as credit quality and macro assumptions improved year-on-year, despite advances growth and judgemental out-of-model provisions to cater for the uncertain operating environment. Refer to pages C54 to C57 for the updated forward-looking information (FLI) and scenario weightings. Despite largely maintaining coverage at a product level, the NPL provision releases reflect the relative improvement in performance discussed below.

The table below deals with the change in bank NPL balances. It is pleasing to see that the reduction in operational NPLs has continued due to slower inflows and ongoing workouts and write-offs. Collection efforts remained strong.

CHANGE IN NPLs

	30 June 2022 vs 30 June 2021		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational NPLs*	**(3 649)**	**(11)**	**(8)**
Covid-19 relief paying NPLs**	**(2 483)**	**(61)**	**(5)**
Other paying NPLs#	**(1 948)**	**(21)**	**(4)**
Change in total bank NPLs	**(8 080)**	**(17)**	**(17)**

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

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

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

Overall NPL coverage increased to 50.8%, mainly driven by a large portion of paying NPLs (with lower coverage) curing into performing and lower inflows. Additional provisions were also created to ensure adequate coverage for the uncertain environment.

Retail NPLs decreased 19% to R29.7 billion (2021: R36.9 billion). NPLs as a percentage of advances declined to 7.02% (2021: 9.16%) driven by the curing of paying NPLs, slower inflows, ongoing write-offs, strong collections and support from higher advances.

Commercial NPLs declined 23% to R5.5 billion (2021: R7.2 billion) or 3.62% of advances (2021: 5.21%). The decline was due to workouts and write-offs, curing of a few counterparties and lower stage 3 inflows in various portfolios.

NPLs in the corporate and investment banking (CIB) portfolio, including high-quality liquid assets (HQLA), increased 17% with a slight reduction in the NPL ratio to 0.92% of core lending advances (2021: 0.93%) given the growth in advances. NPL coverage increased to 41.3% (2021: 20.0%) due to the migration of a high-coverage, significant exposure to stage 3.

The increase in the Centre NPLs is driven by the MotoNovo back book. MotoNovo NPLs continue to be impacted by the previous ban on collateral repossessions in the UK, and the impact on collections due to the NOSIA operational event.

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 to ensure FirstRand achieves its 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 the interest rate and FX risk inherent in the 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.

Capital position

Capital ratios for the bank are summarised below.

CAPITAL ADEQUACY*

%	Internal targets**	As at 30 June 2022	2021
CET1	11.0 – 12.0	**14.2**	14.5
Tier 1	>12.0	**14.9**	15.2
Total	>14.25	**17.7**	17.8

* *FRB including foreign branches and unappropriated profits.*

** *The bank's internal targets remain unchanged following the reinstatement of the Pillar 2A requirement of 1% on 1 January 2022.*

The bank's CET1 ratio remained strong at 14.2% (2021: 14.5%), well above the upper end of its internal target range. The bank accreted both NAV and CET1 over the year as it continued its focus on the efficient use of financial resources and the optimisation of RWA.

Key factors driving the CET1 outcome are outlined below:

- the quantum of retained earnings (partly offset by the payment of dividends);
- an increase in the foreign currency translation reserve due to the rand's depreciation, partly reduced by the final transitional impact of IFRS 9;
- successful financial resource optimisation strategies; and
- an increase in RWA mainly from credit risk, driven by rand depreciation, higher volumes and model refinement, whilst higher revenue generation also resulted in an increase in operational risk RWA.

The bank continues to actively manage its capital composition and align Additional Tier 1 (AT1) and Tier 2 levels with internal targets. During the year under review, the bank issued R2.5 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. 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 significant sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

The implementation of the final Basel reforms remains a key focus and FirstRand continues to actively engage with the industry and regulator, as well as to participate in impact assessments to better understand the effects of the proposed reforms on the bank. These have been incorporated into the bank's forward-looking capital plan.

Liquidity position

Liquidity risk is a natural outcome of the business activities undertaken by the bank. To manage the resultant risk and enable business to operate efficiently and sustainably, the bank seeks to optimise its funding composition, subject to structural liquidity constraints and regulatory requirements. The bank has pursued a deposit-led funding strategy that provides diversification and stability with an inherent liquidity risk offset. Furthermore, the bank holds appropriate liquidity buffers to withstand unexpected market disruptions.

Given that funding markets have largely normalised and considering the industry's liquidity position, the Prudential Authority (PA) released *Directive 8 of 2021, Withdrawal of the temporary relief measure related to the liquidity coverage ratio*, which increased the minimum liquidity coverage ratio (LCR) requirement from 80% to 90% on 1 January 2022, and to 100% from 1 April 2022. The withdrawal of the temporary relief since April 2022 has had no impact on the bank's liquidity requirements.

The prudential liquidity risk metrics, i.e. LCR and net stable funding ratio (NSFR), are managed with adequate buffers above the regulatory minimums to enable the bank to comfortably withstand the natural liquidity seasonality and cyclicality that is a consequence of its chosen funding mix. The liquidity overlays in excess of prudential requirements are determined using stress testing and scenario analysis of cash in- and outflows.

The bank's portfolio of HQLA provides a liquidity buffer against unexpected liquidity stress events or market disruptions and serves to facilitate the changing liquidity needs of its 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. The liquid asset holdings have been built taking into consideration the bank's asset growth, risk appetite and regulatory requirements. The HQLA portfolios are continually assessed and actively managed to ensure optimal composition, cost and quantum.

The bank remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal risk targets. While the post-pandemic market continues to normalise with the South African economy recovering, the bank continues to closely monitor key risk metrics and early warning indicators.

LIQUIDITY POSITION*

%	As at 30 June 2022	2021
LCR		
Regulatory minimum	**100**	80
Actual	**124**	117
Average available HQLA (R billion)	**304**	287
NSFR		
Regulatory minimum	**100**	100
Actual	**120**	122

* *The bank's LCR and NSFR reflect South African operations only.*

Regulatory update

The directives issued by the PA relating to the temporary capital and liquidity relief measures provided during the Covid-19 crisis have already been covered in the capital and liquidity sections above. The PA also released *Directive 7 of 2021, Withdrawal of the temporary treatment of restructured credit exposures due to the Covid-19 pandemic*, to withdraw *Directive 3 of 2020, Matters related to the treatment of restructured credit exposures due to the Covid-19 pandemic* (which had provided temporary relief for credit risk, specifically the treatment of restructured credit exposures related to Covid-19), effective 1 April 2022. Directive 3 of 2020 no longer applies to any restructured credit exposures (new or reapplications) granted from 1 January 2022 onwards.

The Financial Sector Laws Amendment Act 23 of 2022 (FSLA) was promulgated on 28 January 2022. One of the key provisions of the FSLA is that the South African Reserve Bank (SARB) will become the designated resolution authority with the necessary powers to operationalise an effective resolution regime. The provisions of the FSLA (including the granting of powers to the SARB to issue resolution standards) will, however, only become operational as outlined in a commencement schedule. This is due to be gazetted by the Minister of Finance and will:

> provide for the establishment of the Corporation for Deposit Insurance (CoDI), which will be a separate entity within the SARB mandated to manage a deposit insurance scheme in South Africa, designed to protect depositors' funds and enhance financial stability. The group's initial impact assessments suggest an annual CoDI cost of between R230 million and R280 million for a covered deposit balance of approximately R110 billion; and

> introduce a new tranche of loss-absorbing instruments, namely flac instruments, which are subordinated to other unsecured creditors and intended for bail-in during resolution. The cost of flac instruments will depend on final calibration levels, but initial estimates range between R100 million and R300 million per annum for FirstRand, which will be incurred on a phased-in basis from the proposed implementation date of 2025. These costs will be incorporated in the group's ALM strategies with various transmission mechanisms being analysed and considered as part of the group's FRM process.

Prospects

In South Africa the bank expects the current credit cycle to continue to gather momentum, although commodity-induced cyclical tailwinds are expected to fade. As inflation subsides and economic reforms progress, these trends will support accelerated advances growth across the domestic retail, commercial and corporate portfolios. This in turn will drive stronger lending NII in the 2023 financial year, supported by ongoing growth impetus in deposit balances. Levels of customer growth to date as well as improving activity should underpin growth in NIR.

Events after reporting period

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company Secretary

HS KELLAN
CFO

15 September 2022

review of operations

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. 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 with market-leading interfaces that enable the provision of contextual, cost-effective and innovative integrated financial services offerings to both retail and commercial customers on either an assisted (in-person) or unassisted (self-service) basis;

> using its deep customer relationships and extensive data insights to offer enhanced customer experiences and inform cross-sell opportunities across the full suite of financial services products, including banking, insurance and investment management;

> integrating WesBank's vehicle and asset finance offering on platform;

> providing innovative products to incentivise and grow customer savings and investments and, in turn, the retail deposit franchise;

> applying disciplined and integrated credit origination strategies that appropriately support customer requirements and affordability across all credit products;

> utilising eBucks to reward desired customer behaviour, drive platform adoption and enable 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

> managing the physical points-of-presence network to ensure cost optimisation through right-sizing, appropriate coverage from a geographic and segment perspective and assisting customers with digital adoption.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2022**	2021	% change
Normalised earnings	**17 195**	14 358	20
Normalised profit before tax	**23 880**	19 946	20
– South Africa	**24 212**	20 279	19
– Broader Africa*	**(332)**	(333)	–
Pre-provision operating profit	**28 649**	28 002	2
Total assets	**439 489**	406 382	8
Total liabilities	**420 367**	391 304	7
Performing advances	**409 584**	376 179	9
Stage 3/NPLs as a % of advances	**6.47**	8.12	
Credit loss ratio (%) of average advances	**1.13**	1.97	
Cost-to-income ratio (%)	**52.5**	51.5	
Advances margin (%)	**4.10**	4.24	

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

Overview of results

FNB delivered normalised profit before tax (PBT) growth of 20%. Performance drivers included a strong rebound in NIR, coupled with a significant reduction in year-on-year impairments.

FNB's impairment charge reduced 41% and the credit loss ratio reduced to 113 bps (2021: 197 bps).

Operating expenses increased 6%, driven by overall cost inflation, variable remuneration growth aligned to improved business performance, and ongoing investments into FNB's integrated financial services platform.

Pre-provision operating profits increased 2% and now exceed pre-pandemic levels.

FNB's NII growth was driven by good growth in average deposits. Furthermore, the recent interest rate hikes resulted in a gradual uplift in endowment benefit.

During the last quarter of the financial year, retail advances growth contributed more meaningfully to NII growth, and this trend is expected to continue.

FNB delivered NIR growth of 5%, driven by active customer acquisition and growth in customer activity and transactional volumes. These benefits were offset by fee reductions in both retail and commercial amounting to R333 million and R535 million, respectively. The transactional franchise benefited from 14% growth in volumes.

As demonstrated in the following table, FNB's digital channels continued to deliver volume growth, testament to the success of its platform evolution and strategy to drive customer take-up of digital interfaces and, in particular, migration to the FNB app (volumes up 24%). FNB commercial's point-of-sale footprint also continued to show solid growth in transactional activity.

CHANNEL VOLUMES

	Year ended 30 June		
Thousands of transactions	2022	2021	% change
ATM/ADT	**219 158**	219 360	–
Digital*	**673 582**	593 135	14
Card acquiring	**819 682**	649 967	26
Card issuing	**992 896**	871 350	14

* *Digital includes app, online and mobile (USSD).*

Customer segment performance

FNB segments its customer base to identify appropriate and differentiated product offerings. In South Africa, the retail base is split into personal and private customer segments based on relative income. Small and medium-sized businesses are served by the commercial segment.

The table below unpacks growth in customers per segment, and platform users.

ACTIVE CUSTOMERS AND PLATFORM USERS

	Number of customers and platform users at 30 June		
Millions	2022	2021	% change
Retail	**7.86**	7.52	5
– Personal (≤R450k)	**6.13**	5.92	4
– Private (>R450k)	**1.73**	1.60	8
Commercial	**1.20**	1.13	6
Total SA customer base	**9.06**	8.65	5
eWallets*	**5.95**	5.61	6
Total platform users	**15.01**	14.26	5

* *Represent all eWallets without another FNB relationship/product that had at least one transaction in the past year. In addition, there are 1.65 million eWallets belonging to FNB customers. FNB customer eWallets represent 22% of the total active eWallet base of 7.6 million.*

SEGMENT RESULTS

	Year ended 30 June		
R million	2022	2021	% change
Normalised PBT			
Retail	**12 074**	10 009	21
Commercial	**12 138**	10 270	18
Broader Africa*	**(332)**	(333)	–
Total FNB	**23 880**	19 946	20

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

Retail's performance benefited from a significant reduction in impairments and solid NIR growth, with NII supported by the strong performance of the deposit-gathering franchise. Growth in active customers of 5% contributed positively. Furthermore, retail's commissionable turnover amounted to R17.9 billion (including prepaid service providers), with active sim cards in the MVNO up to 878k (2021: 833k).

Commercial's performance was also underpinned by good growth in active customers of 6%, strong momentum in advances and deposits, and improved impairments. The performance was further supported by the level of transactional volumes in both its foreign exchange and merchant services activities, which benefited NIR.

FNB's lending approach is informed by internal and external data analysis of affordability indicators which suggests that lower-risk, good-quality customers still have further capacity for credit, and have a higher propensity to take up a broader range of financial services products. Levels of new business origination in FNB's retail portfolios reflect a deliberate tilt towards these customers. New business production levels normalised by the fourth quarter of the year under review and this momentum is expected to continue.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R million	%	R million
Retail	**9**	**27 331**	**6**	**17 795**
– Personal (≤R450k)	**6**	**4 261**	**(3)**	**(1 649)**
– Private (>R450k)	**10**	**23 070**	**8**	**19 444**
Commercial	**18**	**55 367**	**11**	**10 731**
Total FNB	**13**	**82 698**	**7**	**28 526**

Retail advances increased 6% year-on-year, driven by residential mortgages (+8%), with recent payouts at record levels. The unsecured lending portfolio also grew new business volumes, particularly during the second half of the financial year, with the card and personal loans portfolios (excluding the Covid-19 relief facility) both increasing 5%. The growth in card advances reflects the increase in consumer card spending post the pandemic. Customer preference for the new fusion product has resulted in lower overdraft advances. Revolving loans declined 11% as risk appetite for this product was tightened.

Commercial advances grew strongly, in line with a deliberate sector focus, specifically in the agriculture, public sector, Islamic banking and specialised finance lending portfolios.

Overall deposit growth of 13% was supported by FNB's innovative product offerings across all segments.

FNB's credit impairment charge reduced 41% to R4 769 million (2021: R8 056 million), with the credit loss ratio at 113 bps (2021: 197 bps). This was driven primarily by:

> a net release of provisions due to lower modelled FLI requirements;

> good collections and better post write-off recoveries; and

> lower stage 3 inflows, good curing in all portfolios and the release of Covid-19-related provisions.

This was partly offset by additional pre-emptive provisioning by maintaining the bank's stress scenario.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2022**	2021*	% change
Performing book provisions	**(346)**	(132)	>100
NPL provision	**(2 290)**	1 382	(>100)
Credit provision (decrease)/ increase	**(2 636)**	1 250	(>100)
Modification loss	**591**	464	27
Gross write-off** and other	**11 046**	10 739	3
Interest suspended on stage 3 advances	**(2 398)**	(2 634)	(9)
Post write-off recoveries	**(1 834)**	(1 763)	4
Total impairment charge	**4 769**	8 056	(41)

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

** *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

FNB's approach to provisioning remains appropriately prudent given the anticipated economic cycle. Forward-looking economic indicators improved when compared to June 2021, resulting in a net release of previously raised FLI provisions. These indicators and weightings of the scenarios are disclosed on pages C54 to C57. However, the stress scenario introduced last year was retained for the in-force book given the recent global macro uncertainties.

FNB raised certain model adjustments to ensure adequate coverage for the current stressed environment, enhancing coverage relating to loss given default levels in FNB's secured portfolios and industry-specific stresses in the affected commercial sectors. In addition, impairment models have been further calibrated to be more sensitive to certain forward-looking macro forecasts.

Collections across all product portfolios performed well, with arrears levels reducing in various portfolios. The current debt relief portfolio continues to perform better than expected and the specific debt-relief outstanding advances were R2 billion at 30 June 2022 (2021: R3.1 billion). In light of the above, performing coverage moderated downwards to 2.45% (2021: 2.76%).

The NPL ratio reduced to 6.47% (2021: 8.12%). This improvement reflects the effectiveness of FNB's credit management strategies and resulted from lower NPL inflows and good customer curing due to focused collections.

NPL coverage remained conservative and was marginally up compared to June 2021.

Platform

FNB continues to invest in its enterprise-wide integrated financial services platform, and customers can fulfil most of their financial services requirements digitally. The platform enables customers to engage via assisted interfaces (e.g. points of presence and call centres) and unassisted interfaces (mobile banking (USSD), online banking, the FNB app, ATMs and ADTs). Regardless of the interface, the platform used in all interactions is the same. The platform also offers contextual customer experiences through an ecosystem of offerings called nav». These are designed to assist customers in managing key financial and lifestyle needs. The platform also enables the purchase of non-banking services such as electricity, mobile data and digital vouchers.

Key platform highlights for the year ended 30 June 2022 are outlined below.

- Since the launch on the FNB app more than three million virtual cards have been activated and >R6.6 billion in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.
- Device payments (using Apple or Android) accounted for 30.7 million transactions worth R11 billion.
- Approximately 7.6 million eWallet users accounted for cash withdrawals of R40.8 billion.
- nav»Money provides customers with simple, easy-to-use money management tools which help them track their spend, view credit scores and more. It had 2.9 million users at 30 June 2022, up 38% year-on-year. The money coach has had 287k unique visitors since inception.
- nav»Home has placed c. 35k families in homes and paid out R39.8 billion in loans since inception. Estate agent functionality was activated on the app in FY21 and 139 estate agents have been onboarded, with 1 282 current listings.
- nav»Car had 773k vehicles loaded in the garage at the end of June 2022, and WesBank financed R191 million in vehicle loans through this channel. CarP2P was launched recently, with 218 active listings at 30 June 2022.
- Digitally active customers grew to 6.48 million (2021: 6.09 million). Digital includes mobile banking (USSD), online banking and the app.
- The banking app active transacting base exceeded 4.7 million customers and reached new monthly records of 91.8 million logins in June 2022, 64% higher than June 2020 and 18% higher than June 2021.
- Digital logins totalled 1.6 billion, with online and mobile banking (USSD) logins of 178 million and 404 million, respectively. The app contributed 1 billion logins.
- Total transactional volumes through digital interfaces included 168 million for online banking, 474 million (+24%) for the banking app and 32 million for mobile banking (USSD), highlighting the scalability of FNB's platform.
- Commissionable purchases and fulfilment on platform, i.e. electricity, mobile and digital vouchers sold, amounted to R17.9 billion, up 4%. Approximately three million customers use these services. eBucks travel sales increased to R594 million (2021: R225 million).

RMB

RMB represents the bank's activities in the CIB segments. RMB's strategy is to ensure delivery of integrated CIB value propositions to corporate and institutional clients. These propositions span across a comprehensive portfolio of activities including a leading lending and advisory franchise, an established market-making business which is scaling its distribution product offering, a competitive transactional banking and securities services offering, and capability. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable high-quality earnings, balance sheet resilience and superior returns.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2022**	2021	% change
Normalised earnings	**5 286**	4 612	15
Normalised profit before tax	**7 342**	6 405	15
Pre-provision operating profit	**6 996**	7 257	(4)
Total assets	**560 327**	536 353	4
Total liabilities	**554 357**	531 342	4
Credit loss ratio (%) – core lending advances	**(0.12)**	0.31	
Cost-to-income ratio (%)	**56.6**	53.8	

RMB delivered 15% growth in normalised PBT for the year ended 30 June 2022, driven by a solid underlying operational performance across the portfolio – in particular:

> investment banking delivered a strong performance, benefiting from core advances growth of 18% and resilient fee income. An impairment release, in contrast to a significant raise in the prior year, further enhanced PBT growth and reflects both a normalisation of the credit cycle and an improvement in portfolio credit quality reflected in the positive migration of counters out of stage 2;

> the performance of the transactional banking business was commendable, with 12% growth in average deposits and pleasing growth in primary-banked clients in a highly competitive environment; and

> the contribution from the markets business was solid in a difficult and volatile macro environment underpinned by strong client flows.

Total costs increased 8%, with fixed costs growing 8%, with ongoing focus on extracting efficiencies from the "run-the-bank" cost base. Investment costs increased 21% as the business continues to invest in modernising its core platforms, to enhance the unassisted digital offering to its clients. Variable costs increased in line with the improvement in performance during the year. Overall cost growth was also driven by client acquisition.

The reduction in RMB's pre-provision operating profit is a consequence of most of the advances growth taking place in the second half of the financial year and ongoing competitive margin pressure, especially in the large corporate client segment. Lower endowment income across the portfolio further impacted NII, which decreased year on year. The level of investment spend and higher variable remuneration costs due to the improvement in performance and returns also affected pre-provision operating profit growth. Increased deal origination and facility extensions in the latter half of the financial year will support pre-provision operating profit growth in the next financial year.

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2022	2021	% change
Performing book provisions	**(1 067)**	473	(>100)
NPL provision	**675**	(849)	(>100)
Credit provision decrease	**(392)**	(376)	4
Gross write-off* and other	**57**	1 263	(95)
Interest suspended on stage 3 advances	**(2)**	(30)	(93)
Post write-off recoveries	**(9)**	(5)	80
Total impairment charge	**(346)**	852	(>100)

* *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

The credit quality of RMB's core lending portfolio continued to improve during the financial year. The surveillance and watchlists reflected notable improvements, primarily due to positive migrations and de-gearing of counters. As expected, however, a few exposures have migrated to NPLs, reflecting the lingering strain in certain sectors of the economy.

RMB believes its consistent and prudent provisioning approach remains appropriate, with a performing book coverage ratio against core lending advances (excluding repurchase agreements (repos)) of 99 bps (2021: 158 bps). RMB will, however, continue to assess provisioning levels with the normalisation of business activity in the next financial year.

BREAKDOWN OF PBT CONTRIBUTION

R million	Year ended 30 June 2022	2021	% change
Banking	**5 300**	4 499	18
Markets	**2 140**	1 922	11
Other*	**(98)**	(16)	>100
Total RMB	**7 342**	6 405	15

* *Other includes support, head office activities and private equity.*

The banking business's PBT grew 18%, driven by a strong operational performance and an improvement in the credit portfolio resulting in a release of credit provisions of c.R340 million, compared to the significant raise of c.R850 million in the prior year. The portfolio remains adequately provided.

Strong new business origination underpinned investment banking's performance, especially in the latter half of the financial year, driving robust structuring and commitment fee income. This was partially offset by lower advisory fee income compared to materially higher levels of fees recorded in the prior year, on the back of lower equity capital market activity.

Corporate transactional banking delivered a resilient performance, benefiting from strong average deposit growth. This was driven by the ongoing focus on growing operational balances through increased primary banking relationships, higher levels of cross-sell and the build-out of investment deposit offerings. Margins remained constrained due to mix change (with significantly higher growth in lower-margin deposit products) and lower endowment benefit. A slight reduction in NIR reflects reduced pricing in certain products for strategic clients and higher association fees, despite increased volumes in areas such as merchant services. Electronic funds transfer (EFT) revenues drifted down on the back of lower volumes.

The markets business delivered solid PBT growth of 11%. The performance was driven by strong client flow volumes due to the volatility in FX markets and increased commodity prices, combined with resilient offshore secured financing activities. The global foreign exchange business experienced increased client volumes on the back of the rally in commodities and higher levels of corporate foreign exchange structuring transactions. Earnings were impacted by difficult market conditions in fixed income and credit, reflecting inflationary risks and rising interest rates. This was offset to some extent by market-making activities and an elevated rand-dollar foreign exchange basis in the earlier part of the year.

Credit trading was impacted by rising yields and lower liquidity coupled with reduced activity, following the restructure of the India operations. Strong client flows benefited equities, aided further by a rally in equities markets in the first part of the year together with an increase in corporate action activity.

WesBank

WesBank represents the bank's asset-based finance activities in the retail, commercial and corporate segments. It is one of the leading providers of vehicle finance and fleet management in South Africa.

WesBank's strategy is underpinned by:

> leveraging its long-standing model of partnering with motor manufacturers, suppliers and large dealer groups and fulfilling motor financing requirements at point of sale;

> leveraging and integrating into the FNB platform to offer vehicle and asset-based finance solutions to existing FNB retail and commercial customers, further entrenching main-banked relationships;

> applying disciplined credit origination strategies that appropriately support customer requirements and affordability across asset-backed credit products; and

> utilising FNB's loyalty programme, eBucks, to reward desired customer behaviours and drive platform adoption.

The South African new vehicle market continued its recovery in the second half of the financial year, with a 9% increase in domestic new car sales to 489 596 units for the year to 30 June 2022 (2021: 447 542 units). This was, however, off a low base as new car sales in the prior year had been significantly affected by vehicle shortages. The market remains highly competitive, and margins were under pressure in the lower-risk segments with customer demand and competition driving product risk towards higher loan-to-value levels and balloon structures.

Overall, there was a good recovery in WesBank's new business production, up 11% year-on-year. Its origination strategy has tilted towards a gradual increase in credit risk appetite, balanced with a continued focus on both lower-risk and FNB main-banked customers (banked customers).

Banked customers now represent 65% of the overall retail lending portfolio and 77% of the commercial and corporate lending portfolios.

Notwithstanding the strong increase in production, total advances were up 5% year-on-year, impacted by the strong run-off of the in-force book, driven by amortisation due to good collections, early terminations and ongoing write-offs.

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2022**	2021	% change
Normalised earnings	**849**	489	74
Normalised profit before tax	**1 180**	680	74
Pre-provision operating profit	**2 562**	2 821	(9)
Total assets	**135 894**	129 200	5
Stage 3/NPLs as a % of advances	**4.98**	8.26	
Credit loss ratio (%) of average advances	**1.02**	1.61	
Cost-to-income ratio (%)	**64.4**	60.7	
Net interest margin (%)	**2.93**	3.17	

WesBank's normalised earnings and PBT increased 74%. The key driver was the significant reduction in impairments.

BREAKDOWN OF PRE-TAX PROFIT BY SEGMENT*

	Year ended 30 June		
R million	**2022**	2021	% change
Normalised PBT			
Retail VAF	**684**	313	>100
Corporate and commercial	**496**	367	35
Total WesBank	**1 180**	680	74

* *Refer to additional segmental disclosure on pages B34 and B35.*

Pre-provision operating profit declined 9% year-on-year, driven by:

> stronger growth in corporate and commercial advances relative to retail VAF, and the origination tilt to lower-risk, lower-margin customers, which reduced NIMs and resulted in a 4% decline in NII;

> increased deal acquisition costs, driven by competition for lower-risk customers; and

> costs associated with growth in the managed maintenance business and investments in digitisation.

NIR grew 6%, driven by an increase in commissions and administration fees earned in the fleet management and leasing business due to growth in the number of managed maintenance units, and higher levels of early termination fees earned.

Operating expenses remain well managed with a below-inflation increase of 5% year-on-year. This was despite inflationary staff cost increases and additional headcount growth for the managed maintenance business. WesBank continued to invest in integrating with FNB's digital platform.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2022**	2021*	% change
Performing book provisions	**278**	29	>100
NPL provision	**(871)**	149	(>100)
Credit provision (decrease)/increase	**(593)**	178	(>100)
Modification loss	**86**	135	(36)
Gross write-off** and other	**2 534**	2 463	3
Interest suspended on stage 3 advances	**(286)**	(378)	(24)
Post write-off recoveries	**(359)**	(257)	40
Total impairment charge	**1 382**	2 141	(35)

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

** *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

WesBank's credit impairment charge reduced by R759 million to R1 382 million (2021: R2 141 million), with the credit loss ratio reducing to 102 bps (2021: 161 bps). This was driven by:

> a net release of provisions due to lower modelled FLI requirements;

> good curing in WesBank's debt relief portfolios and subsequent release of the related provisions;

> improved collections, repossessions and higher portfolio write-offs in the year under review; and

> a strong payment performance, especially in the corporate portfolio.

Proactive management of NPLs led to larger write-offs in the year – a trend which is expected to continue. NPL inflows reduced and there was also a significant curing of advances to performing during the year under review, resulting in a decline in NPLs as a percentage of advances to 4.98% (2021: 8.26%).

Overall, collections performed well with new inflows reducing. Performing coverage increased from 1.83% to 1.90%, due to a large number of accounts curing from NPL into the performing advances. NPL coverage remained conservative at 51.8% (2021: 40.9%).

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	2022	% composition	2021	% composition	% change
Retail	**8 946**	**36**	7 189	38	24
– FNB*	**8 454**		6 964		21
– WesBank	**492**		225		>100
Commercial	**9 098**	**37**	7 658	40	19
– FNB	**8 741**		7 394		18
– WesBank	**357**		264		35
Corporate and investment banking	**5 286**	**21**	4 612	24	15
– RMB	**5 286**		4 612		15
Other	**1 412**	**6**	(427)	(2)	(>100)
– Centre**	**2 005**		98		>100
– Other equity instrument holders	**(593)**		(525)		13
Normalised earnings	**24 742**	**100**	19 032	100	30

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

** *Centre (including Group Treasury and MotoNovo back book).*

Segment report

for the year ended 30 June 2022

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 846	3 246	6 374	6 976	**21 442**	12 924
Impairment charge	(46)	(1 070)	(2 354)	(946)	**(4 416)**	(353)
Net interest income after impairment of advances	4 800	2 176	4 020	6 030	**17 026**	12 571
Non-interest revenue	102	3 103	655	12 325	**16 185**	9 792
Income from operations	4 902	5 279	4 675	18 355	**33 211**	22 363
Operating expenses	(1 804)	(2 843)	(2 559)	(13 440)	**(20 646)**	(10 168)
Income before indirect tax	3 098	2 436	2 116	4 915	**12 565**	12 195
Indirect tax	(15)	59	(69)	(466)	**(491)**	(57)
Profit before tax	3 083	2 495	2 047	4 449	**12 074**	12 138
Income tax expense	(863)	(699)	(573)	(1 246)	**(3 381)**	(3 397)
Profit for the year	2 220	1 796	1 474	3 203	**8 693**	8 741
Attributable to:						
Ordinary equityholders	2 220	1 796	1 474	3 203	**8 693**	8 741
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	2 220	1 796	1 474	3 203	**8 693**	8 741
Attributable earnings to ordinary equityholders	2 220	1 796	1 474	3 203	**8 693**	8 741
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	2 220	1 796	1 474	3 203	**8 693**	8 741
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	2 220	1 796	1 474	3 203	**8 693**	8 741

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

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

** *Refer to additional segmental disclosure on page B34.*

\# *Centre represents group-wide functions and includes MotoNovo back book.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa*	Total FNB	WesBank**	Retail and commercial	RMB	Centre (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(10)	34 356	4 540	38 896	7 144	3 990	50 030	(1 068)	48 962
–	(4 769)	(1 382)	(6 151)	346	(86)	(5 891)	–	(5 891)
(10)	29 587	3 158	32 745	7 490	3 904	44 139	(1 068)	43 071
1 112	27 089	2 762	29 851	9 393	(1 459)	37 785	797	38 582
1 102	56 676	5 920	62 596	16 883	2 445	81 924	(271)	81 653
(1 434)	(32 248)	(4 703)	(36 951)	(9 368)	(1 325)	(47 644)	486	(47 158)
(332)	24 428	1 217	25 645	7 515	1 120	34 280	215	34 495
–	(548)	(37)	(585)	(173)	(47)	(805)	–	(805)
(332)	23 880	1 180	25 060	7 342	1 073	33 475	215	33 690
93	(6 685)	(331)	(7 016)	(2 056)	932	(8 140)	(73)	(8 213)
(239)	17 195	849	18 044	5 286	2 005	25 335	142	25 477
(239)	17 195	849	18 044	5 286	1 412	24 742	142	24 884
–	–	–	–	–	593	593	–	593
(239)	17 195	849	18 044	5 286	2 005	25 335	142	25 477
(239)	17 195	849	18 044	5 286	1 412	24 742	142	24 884
–	–	–	–	–	–	–	20	20
(239)	17 195	849	18 044	5 286	1 412	24 742	162	24 904
–	–	–	–	–	–	–	(58)	(58)
–	–	–	–	–	–	–	(104)	(104)
(239)	17 195	849	18 044	5 286	1 412	24 742	–	24 742

Segment report continued

for the year ended 30 June 2022

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	36.5	44.8	36.4	69.6	**54.9**	44.8
Diversity ratio (%)	2.1	48.9	9.3	63.9	**43.0**	43.1
Credit loss ratio (%) – core lending advances	0.02	3.34	5.90	6.29	**1.37**	0.34
Stage 3/NPLs as % of core lending advances	4.86	11.21	15.62	13.69	**7.19**	4.29
Income statement includes						
Depreciation	(4)	(9)	(16)	(2 099)	**(2 128)**	(212)
Amortisation	–	(3)	–	(14)	**(17)**	–
Impairment charges	(2)	–	–	(45)	**(47)**	1
Statement of financial position includes						
Advances (before impairments)	242 757	32 821	40 173	14 357	**330 108**	107 823
Core lending advances	242 757	32 821	40 173	14 357	**330 108**	107 823
– Other core lending advances (AC and FV)	242 757	32 821	40 173	14 357	**330 108**	107 823
– Securitised advances	–	–	–	–	**–**	–
Assets under agreements to resell	–	–	–	–	**–**	–
Stage 3/NPLs	11 802	3 678	6 274	1 966	**23 720**	4 627
Total deposits	651	9 179	1	322 252	**332 083**	368 109
Total assets	238 730	28 556	32 527	33 565	**333 378**	105 883
Total liabilities†	238 016	27 854	33 599	20 506	**319 975**	99 832
Capital expenditure	–	20	21	2 191	**2 232**	360

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

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

** *Refer to additional segmental disclosure on page B34.*

Centre represents group-wide functions and includes MotoNovo back book.

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	**RMB**	Centre (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
130.1	**52.5**	**64.4**	**53.7**	**56.6**	52,4	**54.3**	–	**53.9**
100.9	**44.1**	**37.8**	**43.4**	**56.8**	(57.6)	**43.0**	–	**44.1**
–	**1.13**	**1.02**	**1.10**	**(0.12)**	0.28	**0.68**	–	**0.68**
–	**6.47**	**4.98**	**6.11**	**0.92**	2.32	**4.26**	–	**4.26**
(2)	**(2 342)**	**(820)**	**(3 162)**	**(117)**	(1)	**(3 280)**	–	**(3 280)**
–	**(17)**	**(15)**	**(32)**	**(149)**	–	**(181)**	–	**(181)**
–	**(46)**	**(28)**	**(74)**	**–**	–	**(74)**	(131)	**(205)**
–	**437 931**	**138 342**	**576 273**	**351 182**	51 981	**979 436**	–	**979 436**
–	**437 931**	**138 342**	**576 273**	**303 965**	28 658	**908 896**	–	**908 896**
–	**437 931**	**138 342**	**576 273**	**303 965**	28 658	**908 896**	–	**908 896**
–	**–**	**–**	**–**	**–**	–	**–**	–	**–**
–	**–**	**–**	**–**	**47 217**	23 323	**70 540**	–	**70 540**
–	**28 347**	**6 888**	**35 235**	**2 795**	664	**38 694**	–	**38 694**
–	**700 192**	**24**	**700 216**	**258 030**	261 780	**1 220 026**	–	**1 220 026**
228	**439 489**	**135 894**	**575 383**	**560 327**	371 637	**1 507 347**	–	**1 507 347**
560	**420 367**	**135 968**	**556 335**	**554 357**	282 975	**1 393 667**	–	**1 393 667**
2	**2 594**	**907**	**3 501**	**274**	57	**3 832**	–	**3 832**

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*
Net interest income before impairment of advances	5 036	2 993	6 544	6 748	**21 321**	12 088
Impairment charge	(577)	(1 428)	(3 600)	(1 302)	**(6 907)**	(1 177)
Net interest income after impairment of advances	4 459	1 565	2 944	5 446	**14 414**	10 911
Non-interest revenue	121	2 605	739	12 212	**15 677**	9 165
Income from operations	4 580	4 170	3 683	17 658	**30 091**	20 076
Operating expenses	(1 805)	(2 446)	(2 592)	(12 582)	**(19 425)**	(9 758)
Income before indirect tax	2 775	1 724	1 091	5 076	**10 666**	10 318
Indirect tax	(15)	(38)	(79)	(525)	**(657)**	(48)
Profit before tax	2 760	1 686	1 012	4 551	**10 009**	10 270
Income tax expense	(773)	(472)	(284)	(1 276)	**(2 805)**	(2 876)
Profit for the year	1 987	1 214	728	3 275	**7 204**	7 394
Attributable to:						
Ordinary equityholders	1 987	1 214	728	3 275	**7 204**	7 394
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	1 987	1 214	728	3 275	**7 204**	7 394
Attributable earnings to ordinary equityholders	1 987	1 214	728	3 275	**7 204**	7 394
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 987	1 214	728	3 275	**7 204**	7 394
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 987	1 214	728	3 275	**7 204**	7 394

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

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

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

Refer to additional segmental disclosure on page B35.

† *Centre represents group-wide functions and includes MotoNovo back book.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa**	Total FNB	WesBank*, #	Retail and commercial	RMB	Centre (including Group Treasury) and other†	FRB – normalised	Normalised adjustments	FRB – IFRS
(10)	33 399	4 746	38 145	7 187	2 483	47 815	(811)	47 004
28	(8 056)	(2 141)	(10 197)	(852)	(66)	(11 115)	–	(11 115)
18	25 343	2 605	27 948	6 335	2 417	36 700	(811)	35 889
942	25 784	2 611	28 395	8 888	(1 734)	35 549	1 136	36 685
960	51 127	5 216	56 343	15 223	683	72 249	325	72 574
(1 291)	(30 474)	(4 469)	(34 943)	(8 645)	(1 402)	(44 990)	36	(44 954)
(331)	20 653	747	21 400	6 578	(719)	27 259	361	27 620
(2)	(707)	(67)	(774)	(173)	(61)	(1 008)	–	(1 008)
(333)	19 946	680	20 626	6 405	(780)	26 251	361	26 612
93	(5 588)	(191)	(5 779)	(1 793)	878	(6 694)	(98)	(6 792)
(240)	14 358	489	14 847	4 612	98	19 557	263	19 820
(240)	14 358	489	14 847	4 612	(427)	19 032	263	19 295
–	–	–	–	–	525	525	–	525
(240)	14 358	489	14 847	4 612	98	19 557	263	19 820
(240)	14 358	489	14 847	4 612	(427)	19 032	263	19 295
–	–	–	–	–	–	–	15	15
(240)	14 358	489	14 847	4 612	(427)	19 032	278	19 310
–	–	–	–	–	–	–	(176)	(176)
–	–	–	–	–	–	–	(102)	(102)
(240)	14 358	489	14 847	4 612	(427)	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	**66.4**	**52.5**	45.9
Diversity ratio (%)	2.3	46.5	10.1	**64.4**	**42.4**	43.1
Credit loss ratio (%) – core lending advances‡	0.26	4.65	8.83	**8.03**	**2.21**	1.22
Stage 3/NPLs as % of core lending advances‡	5.92	12.91	19.01	**15.86**	**8.78**	5.97
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**	97 092
Core lending advances‡	225 666	31 249	39 686	**15 712**	**312 313**	97 092
– Other core lending advances (AC and FV)‡	225 666	31 249	39 686	**15 712**	**312 313**	97 092
– Securitised advances	–	–	–	**–**	**–**	–
Assets under agreements to resell‡	–	–	–	**–**	**–**	–
Stage 3/NPLs	13 356	4 034	7 546	**2 492**	**27 428**	5 798
Total deposits	573	7 423	2	**296 754**	**304 752**	312 742
Total assets	221 417	26 679	31 215	**33 032**	**312 343**	93 856
Total liabilities^	220 895	26 644	33 072	**21 003**	**301 614**	89 172
Capital expenditure	3	17	6	**2 322**	**2 348**	185

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

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

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

\# *Refer to additional segmental disclosure on page B35.*

† *Centre represents group-wide functions and includes MotoNovo back book.*

‡ *Restated. Core lending advances exclude assets under agreements to resell. Refer to page B57 for details of the change in presentation.*

^ *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB broader Africa**	Total FNB	WesBank*,#	Retail and commercial	RMB	Centre (including Group Treasury) and other†	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	51.5	60.7	52.5	53.8	>100	54.0	–	53.7
>100	43.6	35.5	42.7	55.3	(>100)	42.6	–	43.8
–	1.97	1.61	1.88	0.31	0.19	1.30	–	1.30
–	8.12	8.26	8.15	0.93	0.90	5.63	–	5.63
(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)
–	409 405	131 531	540 936	317 131	38 357	896 424	–	896 424
–	409 405	131 531	540 936	258 454	31 976	831 366	–	831 366
–	409 405	131 531	540 936	258 454	31 976	831 366	–	831 366
–	–	–	–	–	–	–	–	–
–	–	–	–	58 677	6 381	65 058	–	65 058
–	33 226	10 865	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	406 382	129 200	535 582	536 353	343 094	1 415 029	–	1 415 029
518	391 304	129 792	521 096	531 342	250 212	1 302 650	–	1 302 650
1	2 534	1 208	3 742	264	16	4 022	–	4 022

Additional segmental disclosure – WesBank

	For year ended 30 June 2022		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	3 457	1 083	4 540
Impairment of advances	(1 370)	(12)	(1 382)
Normalised profit before tax	684	496	1 180
Normalised earnings	492	357	849
Advances	93 214	45 128	138 342
Stage 3/NPLs	5 985	903	6 888
Advances margin (%)	3.18	2.40	2.93
Stage 3/NPLs as a % of advances	6.42	2.00	4.98
Credit loss ratio (%) of average advances	1.49	0.03	1.02

	For year ended 30 June 2021		
R million	Retail	Corporate and commercial*	Total WesBank
NII before impairment of advances	3 707	1 039	4 746
Impairment of advances	(1 905)	(236)	(2 141)
Normalised profit before tax	313	367	680
Normalised earnings	225	264	489
Advances	90 516	41 015	131 531
Stage 3/NPLs	9 471	1 394	10 865
Advances margin (%)	3.47	2.47	3.17
Stage 3/NPLs as a % of advances	10.46	3.40	8.26
Credit loss ratio (%) of average advances	2.06	0.58	1.61

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

Additional information on internal restructure

for the year ended 30 June 2021

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

> In line with the bank's cost recovery model, AT1 costs are now allocated to the segments. They were previously recognised in the Centre.

> Investment management activities have been allocated to the relevant customer segment.

> The ABF activities of customers that bank with FNB have been reallocated from FNB commercial to WesBank corporate.

> A restatement in disclosure shows core lending advances which exclude assets under agreements to resell.

R million	**Retail other previously published**	AT1 cost adjustment	Reallocation of investment management activities	**Retail other after reallocation**	**Commercial previously published**	Reallocation of ABF	**Commercial after reallocation**
Net interest income before impairment of advances	**6 883**	(135)	–	**6 748**	**12 557**	(469)	**12 088**
Impairment charge	**(1 302)**	–	–	**(1 302)**	**(1 307)**	130	**(1 177)**
Net interest income after impairment of advances	**5 581**	(135)	–	**5 446**	**11 250**	(339)	**10 911**
Non-interest revenue	**12 212**	–	–	**12 212**	**9 202**	(37)	**9 165**
Income from operations	**17 793**	(135)	–	**17 658**	**20 452**	(376)	**20 076**
Operating expenses	**(12 593)**	–	11	**(12 582)**	**(10 009)**	251	**(9 758)**
Income before indirect tax	**5 200**	(135)	11	**5 076**	**10 443**	(125)	**10 318**
Indirect tax	**(525)**	–	–	**(525)**	**(48)**	–	**(48)**
Profit before tax	**4 675**	(135)	11	**4 551**	**10 395**	(125)	**10 270**
Income tax expense	**(1 311)**	38	(3)	**(1 276)**	**(2 911)**	35	**(2 876)**
Profit for the year	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**
Attributable to							
Ordinary equityholders	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**
Other equity instrument holders	**–**	–	–	**–**	**–**	–	**–**
Profit for the year	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**
Attributable earnings to ordinary equityholders	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**
Headline earnings adjustments	**–**	–	–	**–**	**–**	–	**–**
Headline earnings	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**
TRS and IFRS 2 liability remeasurement	**–**	–	–	**–**	**–**	–	**–**
IAS 19 adjustment	**–**	–	–	**–**	**–**	–	**–**
Normalised earnings	**3 364**	(97)	8	**3 275**	**7 484**	(90)	**7 394**

FNB previously published	AT1 cost adjustment	Reallocation of investment management activities	Reallocation of ABF	FNB after reallocation	WesBank previously published	AT1 cost adjustment	Reallocation of ABF	WesBank after reallocation
34 003	(135)	–	(469)	33 399	4 303	(26)	469	4 746
(8 186)	–	–	130	(8 056)	(2 011)	–	(130)	(2 141)
25 817	(135)	–	(339)	25 343	2 292	(26)	339	2 605
25 821	–	–	(37)	25 784	2 574	–	37	2 611
51 638	(135)	–	(376)	51 127	4 866	(26)	376	5 216
(30 736)	–	11	251	(30 474)	(4 218)	–	(251)	(4 469)
20 902	(135)	11	(125)	20 653	648	(26)	125	747
(707)	–	–	–	(707)	(67)	–	–	(67)
20 195	(135)	11	(125)	19 946	581	(26)	125	680
(5 658)	38	(3)	35	(5 588)	(163)	7	(35)	(191)
14 537	(97)	8	(90)	14 358	418	(19)	90	489
14 537	(97)	8	(90)	14 358	418	(19)	90	489
–	–	–	–	–	–	–	–	–
14 537	(97)	8	(90)	14 358	418	(19)	90	489
14 537	(97)	8	(90)	14 358	418	(19)	90	489
–	–	–	–	–	–	–	–	–
14 537	(97)	8	(90)	14 358	418	(19)	90	489
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
14 537	(97)	8	(90)	14 358	418	(19)	90	489

Additional information on internal restructure continued

for the year ended 30 June 2021

R million	RMB previously published	AT1 cost adjustment	Assets under agreements to resell	RMB after reallocation
Net interest income before impairment of advances	7 281	(94)	–	7 187
Impairment charge	(852)	–	–	(852)
Net interest income after impairment of advances	6 429	(94)	–	6 335
Non-interest revenue	8 888	–	–	8 888
Income from operations	15 317	(94)	–	15 223
Operating expenses	(8 645)	–	–	(8 645)
Income before indirect tax	6 672	(94)	–	6 578
Indirect tax	(173)	–	–	(173)
Profit before tax	6 499	(94)	–	6 405
Income tax expense	(1 820)	27	–	(1 793)
Profit for the year	4 679	(67)	–	4 612
Attributable to				
Ordinary equityholders	4 679	(67)	–	4 612
Other equity instrument holders	–	–	–	–
Profit for the year	4 679	(67)	–	4 612
Attributable earnings to ordinary equityholders	4 679	(67)	–	4 612
Headline earnings adjustments	–	–	–	–
Headline earnings	4 679	(67)	–	4 612
TRS and IFRS 2 liability remeasurement	–	–	–	–
IAS 19 adjustment	–	–	–	–
Normalised earnings	4 679	(67)	–	4 612

Centre previously published	AT1 cost adjustment	Reallocation of investment management activities	Assets under agreements to resell	Centre after reallocation	Total restructures FNB	Total restructures WesBank	Total restructures RMB	Total restructures Centre	Total restructures FirstRand Bank
2 228	255	–	–	**2 483**	**(604)**	443	(94)	255	**–**
(66)	–	–	–	**(66)**	**130**	(130)	–	–	**–**
2 162	255	–	–	**2 417**	**(474)**	313	(94)	255	**–**
(1 734)	–	–	–	**(1 734)**	**(37)**	37	–	–	**–**
428	255	–	–	**683**	**(511)**	350	(94)	255	**–**
(1 391)	–	(11)	–	**(1 402)**	**262**	(251)	–	(11)	**–**
(963)	255	(11)	–	**(719)**	**(249)**	99	(94)	244	**–**
(61)	–	–	–	**(61)**	**–**	–	–	–	**–**
(1 024)	255	(11)	–	**(780)**	**(249)**	99	(94)	244	**–**
947	(72)	3	–	**878**	**70**	(28)	27	(69)	**–**
(77)	183	(8)	–	**98**	**(179)**	71	(67)	175	**–**
(602)	183	(8)	–	**(427)**	**(179)**	71	(67)	175	**–**
525	–	–	–	**525**	**–**	–	–	–	**–**
(77)	183	(8)	–	**98**	**(179)**	71	(67)	175	**–**
(602)	183	(8)	–	**(427)**	**(179)**	71	(67)	175	**–**
–	–	–	–	**–**	**–**	–	–	–	**–**
(602)	183	(8)	–	**(427)**	**(179)**	71	(67)	175	**–**
–	–	–	–	**–**	**–**	–	–	–	**–**
–	–	–	–	**–**	**–**	–	–	–	**–**
(602)	183	(8)	–	**(427)**	**(179)**	71	(67)	175	**–**

Additional information on internal restructure continued

for the year ended 30 June 2021

R million	Retail other previously published	AT1 cost adjustment	Reallocation of investment management activities	Retail other after reallocation	Commercial previously published	Reallocation of ABF	Commercial after reallocation
Cost-to-income ratio (%)	65.9			66.4	46.0		45.9
Diversity ratio (%)	64.0			64.4	42.3		43.1
Credit loss ratio (%) – core lending advances	–			8.03	–		1.22
Stage 3/NPLs as a percentage of core lending advances	–			15.86	–		5.97
Income statement includes							
Depreciation	(2 364)	–	–	(2 364)	(175)	–	(175)
Amortisation	(7)	–	–	(7)	–	–	–
Net impairment charges	(3)	–	–	(3)	–	–	–
Statement of financial position includes							
Advances (before impairments)	15 712	–	–	15 712	111 121	(14 029)	97 092
Core lending advances	15 712	–	–	15 712	111 121	(14 029)	97 092
– Other core lending advances (AC and FV)	15 712	–	–	15 712	111 121	(14 029)	97 092
– Securitised advances	–	–	–	–	–	–	–
Assets under agreements to resell	–	–	–	–	–	–	–
Stage 3 NPLs	2 492	–	–	2 492	6 378	(580)	5 798
Total deposits	296 754	–	–	296 754	312 742		312 742
Total assets	33 032	–	–	33 032	107 484	(13 628)	93 856
Total liabilities	20 868	135	–	21 003	102 822	(13 650)	89 172
Capital expenditure	2 322	–	–	2 322	185	–	185

FNB previously published	AT1 cost adjustment	Reallocation of investment management activities	Reallocation of ABF	FNB after reallocation	WesBank previously published	AT1 cost adjustment	Reallocation of ABF	WesBank after reallocation
51.4				51.5	61.3			60.7
43.2				43.6	37.4			35.5
–				1.97	–			1.61
–				8.12	–			8.26
(2 607)	–	–		(2 607)	(866)	–	–	(866)
(38)	–	–		(38)	(19)	–	–	(19)
(3)	–	–		(3)	(14)	–	–	(14)
423 434	–	–	(14 029)	409 405	117 502	–	14 029	131 531
423 434	–	–	(14 029)	409 405	117 502	–	14 029	131 531
423 434	–	–	(14 029)	409 405	117 502	–	14 029	131 531
	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
33 806	–	–	(580)	33 226	10 285	–	580	10 865
617 494	–	–	–	617 494	47	–	–	47
420 010	–	–	(13 628)	406 382	115 572	–	13 628	129 200
404 819	135	–	(13 650)	391 304	116 116	26	13 650	129 792
2 534	–	–	–	2 534	1 208	–	–	1 208

Additional information on internal restructure continued

for the year ended 30 June 2021

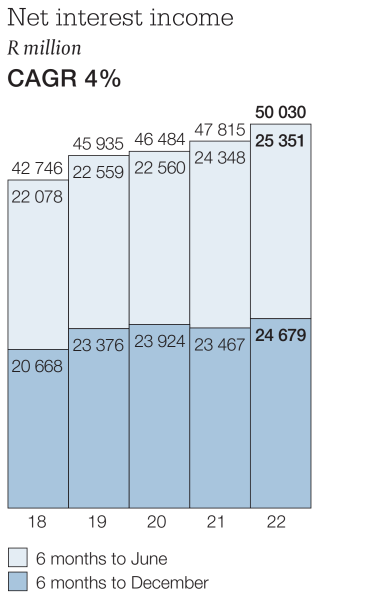
R million	RMB previously published	AT1 cost adjustment	Assets under agreements to resell	RMB after reallocation
Cost-to-income ratio (%)	53.5			53.8
Diversity ratio (%)	55.0			55.3
Credit loss ratio (%) – core lending advances	–			0.31
Stage 3/NPLs as a percentage of core lending advances	–			0.93
Income statement includes				
Depreciation	(123)	–	–	(123)
Amortisation	(156)	–	–	(156)
Net impairment charges	(11)	–	–	(11)
Statement of financial position includes				
Advances (before impairments)	317 131	–	–	317 131
Core lending advances	317 131	–	(58 677)	258 454
– Other core lending advances (AC and FV)	317 131	–	(58 677)	258 454
– Securitised advances	–		–	–
Assets under agreements to resell	–	–	58 677	58 677
Stage 3 NPLs	2 394	–	–	2 394
Total deposits	225 487	–	–	225 487
Total assets	536 353	–	–	536 353
Total liabilities	531 248	94	–	531 342
Capital expenditure	264	–	–	264

Centre previously published	AT1 cost adjustment	Reallocation of investment management activities	Assets under agreements to resell	Centre after reallocation	Total restructures				
					FNB	WesBank	RMB	Centre	FirstRand Bank
>100				>100					
(>100)				(>100)					
–				0.19					
–				0.90					
(4)	–	–	–	(4)	–	–	–	–	–
2	–	–	–	2	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
38 357	–	–	–	38 357	(14 029)	14 029	–	–	–
38 357	–	–	(6 381)	31 976	(14 029)	14 029	(58 677)	(6 381)	(65 058)
38 357	–	–	(6 381)	31 976	(14 029)	14 029	(58 677)	(6 381)	(65 058)
–	–	–	–	–	–	–	–	–	–
–	–		6 381	6 381	–	–	58 677	6 381	65 058
289	–	–		289	(580)	580	–	–	–
292 557	–	–		292 557	–	–	–	–	–
343 094	–	–		343 094	(13 628)	13 628	–	–	–
250 467	(255)	–		250 212	(13 515)	13 676	94	(255)	–
16	–	–		16	–	–	–	–	–

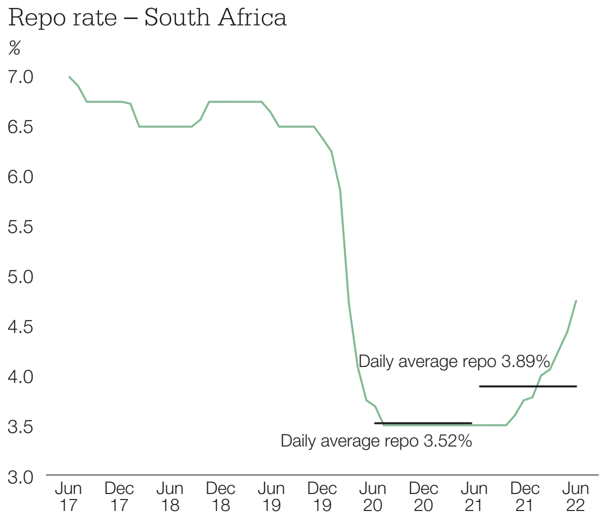
income statement analysis

Net interest income (before impairment of advances)

Net interest income (before impairment of advances) – up 5%



Note: 2018 figures are based on IAS 39 and 2019 to 2022 figures on IFRS 9.



Note: The average endowment book for the year was R330 billion. Rates were higher by 37 bps on average in the current year, which translates into a positive endowment impact of approximately R1 221 million on an unmitigated basis (i.e. gross impact).

Net interest income (before impairment of advances) continued

MARGIN CASCADE TABLE

	Year ended 30 June	
Percentage of average interest-earning banking assets (%)	**2022**	2021
Opening normalised margin	**4.72**	4.65
Change in asset base*	**(0.19)**	(0.07)
Capital endowment	**0.08**	(0.18)
– Volume	**0.05**	0.05
– Average rate	**0.03**	(0.23)
Lending (interest earning assets)	**0.02**	(0.08)
– Change in volume and mix	**0.06**	0.07
– Asset pricing	**(0.08)**	(0.12)
– Interest suspended	**0.04**	(0.03)
Deposits	**0.11**	0.06
– Deposit endowment	**0.05**	(0.17)
– Change in composition and volume	**0.05**	0.21
– Deposit pricing	**0.01**	0.02
Group Treasury and Centre activities	**–**	0.34
– Accounting mismatches	**(0.02)**	0.05
– Financial resource pricing and management	**0.03**	(0.02)
– ALM (interest rate and FX management)	**(0.01)**	0.31
Closing normalised margin	**4.74**	4.72

** Calculated as follows:*

R million	Net interest income	Average balance sheet	% NIM
June 2021 NII	47 815	1 014 092	4.72
Average balance sheet increase		42 036	(0.19)
June 2021 margin rebased	47 815	1 056 128	4.53

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

R million	Year ended 30 June		
Net interest income	**2022**	2021*	% change
Lending	**22 572**	22 361	1
Transactional**	**17 029**	15 839	8
Deposits	**3 524**	3 583	(2)
Capital endowment	**4 853**	3 983	22
Group Treasury	**3 334**	2 604	28
Centre and other#	**(1 282)**	(555)	>100
Total net interest income	**50 030**	47 815	5

* *2021 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.*

\# *Other includes negative endowment, e.g. fixed assets.*

NII KEY DRIVERS

> Overall bank NII increased 5% driven by growth in advances and transactional deposits, capital endowment and Group Treasury activities.

> Average interest rates moved up year-on-year to 3.89% (2021: 3.52%), following hikes in the SA repo rate in November 2021 (25 bps), January 2022 (25 bps), March 2022 (25 bps) and May 2022 (50 bps), which benefited endowment-related NII.

> Lending NII increased by 1%, despite a 9% increase in advances. Growth in average retail advances was muted given that growth mostly occurred in the latter part of the financial year. NII was also impacted by the tilt to good-quality, lower-risk credit origination. The relatively subdued increase in average advances in RMB was also due to growth picking up only in the second half of the year.

> Deposit franchise balances grew strongly, up 14%, which resulted in an 8% increase in transactional NII.

> Group Treasury produced strong NII growth resulting primarily from:

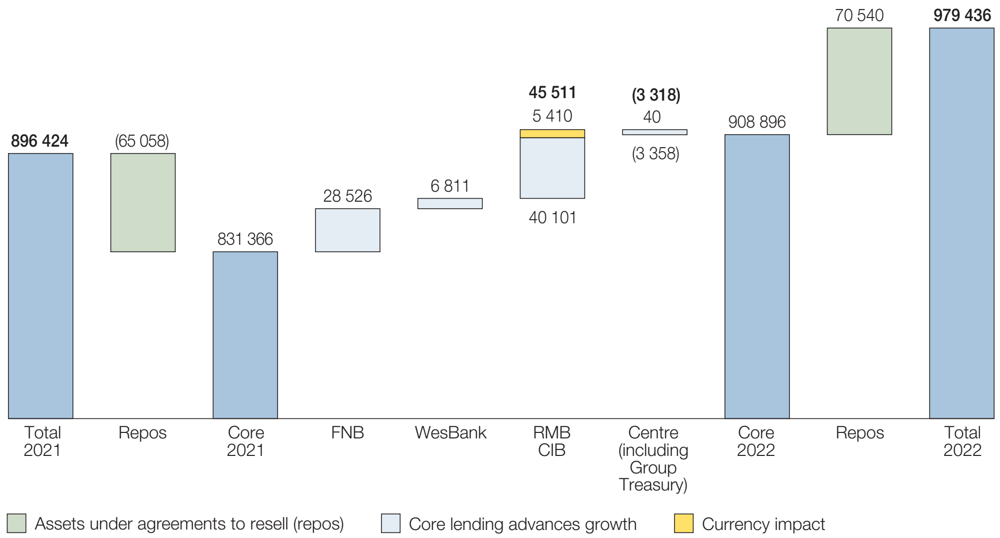
- increased investment returns on the capital portfolio, predominantly due to interest rate increases; and
- sustained deposit franchise growth which resulted in a reduction in treasury funding and improved funding costs; and
- the positive drivers above were, however, partly offset by accounting mismatches, excess liquidity housed in liquidity buffers and the incremental carry cost of foreign currency funding.

Net interest income (before impairment of advances) continued

Core advances – up 9%

Gross advances growth by business

R million



ADVANCES

The table below unpacks the impact of core lending advances and assets under agreements to resell as well as the impact of currency movements on UK operations and the RMB cross-border book.

	As at 30 June			As at 31 December	June 2022 vs December 2021
R million	**2022**	2021	% change	2021	% change
Total advances	**979 436**	896 424	9	946 621	3
Assets under agreements to resell	**(70 540)**	(65 058)	8	(87 647)	(20)
Total core lending advances (before currency impact)	**908 896**	831 366	9	858 974	6
Centre and dollar cross-border book currency impact*,**	**(5 450)**	–	–	(4 030)	35
Core lending advances after currency impact	**903 446**	831 366	9	854 944	6

* *If the exchange rate (2022: £1 = R19.95 and $1 = R16.41) had remained unchanged from 30 June 2021 (£1 = R19.72 and $1 = R14.26).*

** *MotoNovo back book has been reallocated to the Centre.*

Net interest income (before impairment of advances) continued

ADVANCES KEY DRIVERS

> Gross core lending advances increased 9%. This is evidence of a steady uptick in origination in line with the normalisation in the group's credit appetite after the pandemic.

> FNB retail advances grew 6% year-on-year, reflecting positive new business levels, especially since December 2021. The increase was largely driven by the 8% growth in residential mortgages with payouts at record levels, supported by low interest rates in the first half of the financial year. The unsecured lending portfolio also reflected improved business volumes, specifically during in the second half of the financial year, with the card and personal loans portfolios (excluding the Covid-19 relief advances) both increasing 5%. The non-banked personal loans growth in DirectAxis reflects lower business volumes in the direct marketing channels due to regulatory limitations (the Protection of Personal Information Act (POPIA)) and lower response rates. The increase in card advances reflects the increase in consumer card spending post the pandemic. The decline in retail other reflects lower overdraft advances and revolving loans as customers are more appropriately directed to FNB's fusion accounts or personal loans.

> WesBank retail VAF advances increased 3% as a result of a measured return to appetite, balanced with continued focus on lower-risk and FNB main-banked customers. New business is gradually recovering, but the volumes lost during the pandemic have resulted in a rebasing of the book. New business increased 11% year-on-year, which can be attributed to an increase in average loan values. Sales in the new domestic car market grew 9.4% year-on-year off a low base. Dealers are still struggling to meet the increased levels of customer demand on both new and used vehicles, primarily due to continuing global supply chain disruptions and insufficient model availability, resulting in increased vehicle pricing pressure. WesBank corporate advances increased 10% due to strong growth in the dealer funding solutions, asset-based finance and group associate facility portfolios.

> FNB commercial advances grew 12% (excluding the SME government-guaranteed loan scheme), reflecting the improvement in economic activity in most portfolios and appropriate risk appetite changes. Strong growth was experienced across most of the portfolios, with the largest driver of growth being the agricultural portfolio (+17%) and specialised finance (+37%). The government-guaranteed loan scheme for small and medium-sized enterprises (SMEs) declined 19% to R1.29 billion as the book runs off.

> RMB core lending advances (including HQLA) increased 18% year-on-year, reflecting strong growth in the second half from the 8% increase in the first half. Growth was driven by economic activity that has started to normalise, driving an increase in credit appetite for corporates. The cross-border advances book reflected strong growth, benefiting from the c. 15% depreciation of the rand against the dollar. RMB's assets under agreements to resell decreased 20% driven by lower client funding requirements.

> Group Treasury and Centre advances declined due to the redemption of securitisation notes as the SPVs run down as well as collateral related movements. This was partially offset by an increase in the MotoNovo back book due to the buy back of advances from SPVs that have unwinded. The remainder of the book is running down.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		June 2022			June 2021*		
R million	Notes	Average balance	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**7.39**			7.02
Balances with central banks		**28 619**	**–**		27 496	–	–
Cash and cash equivalents		**43 997**	**1 346**	**3.06**	37 035	959	2.59
Liquid assets portfolio**		**235 924**	**10 395**	**4.41**	218 297	9 976	4.57
Loans and advances to customers	1	**747 588**	**61 773**	**8.26**	731 264	58 600	8.01
Interest-earning assets		**1 056 128**	**73 514**	**6.96**	1 014 092	69 535	6.86
INTEREST-BEARING LIABILITIES							
Average JIBAR				**3.92**			3.64
Deposits due to customers	2	**(825 764)**	**(24 491)**	**2.97**	(751 481)	(19 972)	2.65
Group Treasury funding		**(257 590)**	**(12 809)**	**4.97**	(272 008)	(12 261)	4.51
Interest-bearing liabilities		**(1 083 354)**	**(37 300)**	**3.44**	(1 023 489)	(32 233)	3.15
ENDOWMENT AND TRADING BOOK							
Other assets#		**288 166**	**–**	**–**	274 526	–	–
Other liabilities†		**(146 787)**	**–**	**–**	(155 080)		–
NCNR preference shareholders		**(7 126)**	**–**	**–**	(6 543)	–	–
Equity		**(107 027)**	**–**	**–**	(103 506)	–	–
Endowment and trading book		**27 226**	**13 816**	**50.75**	9 397	10 513	111.87
Total interest-bearing liabilities, endowment and trading book		**(1 056 128)**	**(23 484)**	**2.22**	(1 014 092)	(21 720)	2.14
Net interest margin on average interest-earning assets		**1 056 128**	**50 030**	**4.74**	1 014 092	47 815	4.72

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

* *2021 numbers were restated due to refinements in processes.*

** *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 2022		June 2021*	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**7.39**		7.02
Advances				
Retail – secured	**330 888**	**2.09**	326 721	2.02
Residential mortgages	**234 972**	**1.80**	226 274	1.91
VAF**	**95 916**	**2.81**	100 447	2.27
Retail – unsecured	**86 544**	**11.05**	88 817	10.85
Card	**32 597**	**7.90**	31 547	7.61
Personal loans	**39 520**	**14.32**	41 524	14.17
Retail other	**14 427**	**9.22**	15 746	8.64
Corporate and commercial	**330 156**	**2.54**	315 726	2.58
FNB commercial	**99 346**	**3.51**	92 775	3.60
– Mortgages	**29 941**	**2.23**	29 154	2.23
– Overdrafts	**39 692**	**4.97**	36 215	5.27
– Term loans	**29 713**	**2.84**	27 406	2.85
WesBank corporate	**42 504**	**2.40**	39 710	2.47
RMB CIB	**188 306**	**2.06**	183 241	2.10
Total advances	**747 588**	**3.32**	731 264	3.34

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

** *This analysis is performed for lending related balances and excludes advances in the Centre (including Group Treasury). During the current year, the MotoNovo back book was reclassified to the Centre as it is running down. In order to accurately reflect the lending-related margins of the bank it continues to be included in VAF.*

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 funds transfer pricing framework that incorporates the relevant base interest rates, and the cost or benefit of liquidity into product pricing by currency, for all significant business activities on- and off-balance sheet.

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.

Net interest income (before impairment of advances) continued

MARGIN KEY DRIVERS

Overall NIM benefited from relatively stronger growth in the deposit franchise, which reduced the requirement for Group Treasury funding, lowering the bank's cost of funds.

ADVANCES MARGINS

> Overall advances margins reflect portfolio mix changes, particularly growth in lower-margin mortgages and CIB advances compared to muted growth in unsecured lending. The market remained highly competitive for good-quality, lower-risk customers, which was the origination focus for the year.

> WesBank VAF margins decreased from 3.47% to 3.18%, given the change in origination focusing on lower-risk, hence lower-margin customers. The running down of the MotoNovo back book, together with the repurchase from the closure of the remaining securitisations, results in the overall VAF margin increasing.

> FNB retail unsecured lending margins benefited from lower suspended interest as NPLs decreased year-on-year.

> FNB commercial margins decreased 9 bps as a result of the decline in overdraft margins given the focus on lower-risk customers.

> The decline of 4 bps in RMB margins reflects ongoing competitive margin pressure, specifically in the large corporate client segment.

DEPOSIT MARGINS

> FNB retail deposit margins increased 4 bps reflecting the endowment benefit, partly offset by competitive pricing pressures in the term deposit book.

> FNB commercial deposit margins increased 11 bps, driven by the mix shift towards current and savings accounts, which was partly offset by declining call and term deposit margins.

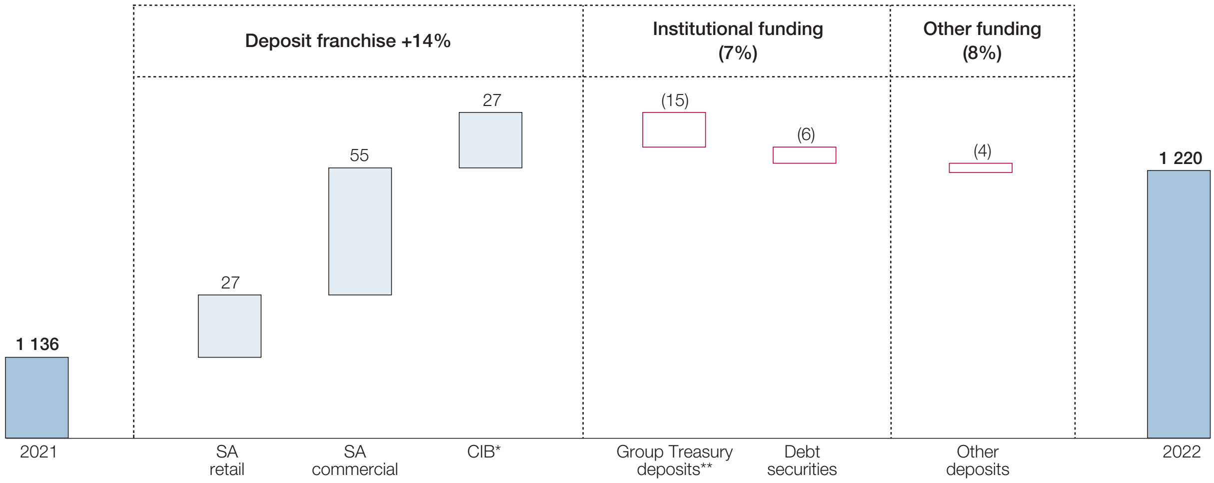
> RMB deposit margins in SA were under pressure given the shift in mix towards lower-margin investment products.

Net interest income (before impairment of advances) continued

Deposits – up 7%

Funding growth by segment

R billion



* Includes South Africa and the London branch.

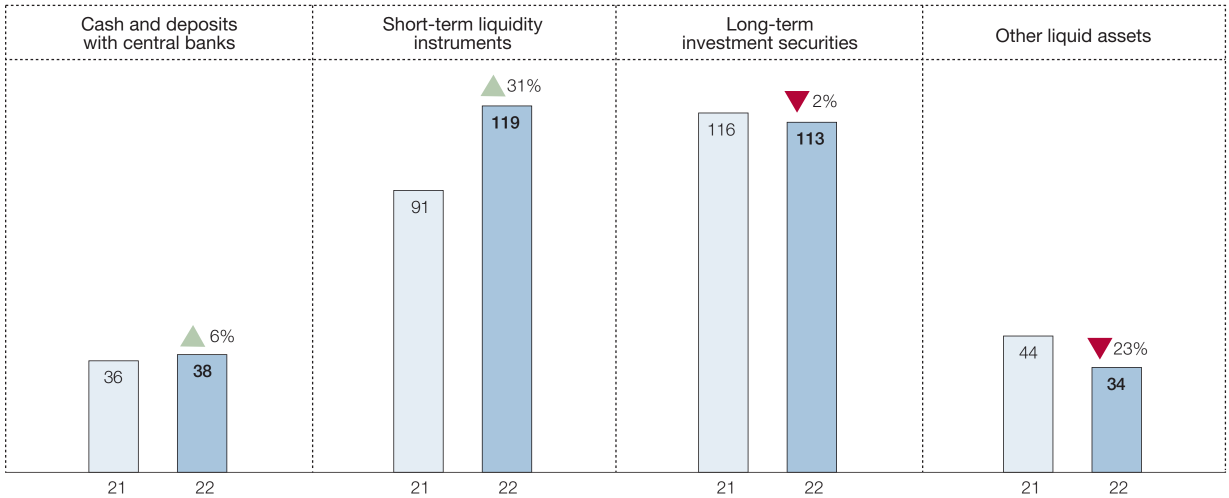
** Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.

Liquidity management

Excess liquidity created through higher deposit levels and moderate advances growth was invested in short-term liquidity instruments (mainly treasury bills and reverse repos).

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.

Net interest income (before impairment of advances) continued

MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2022		June 2021*	
	Average balance	Average margin %	Average balance	Average margin %
Average JIBAR (RSA)		**3.92**		3.64
Deposits				
Retail	**289 266**	**1.49**	271 779	1.45
Current and savings	**85 160**	**3.60**	76 974	3.49
Call	**109 971**	**0.85**	105 975	0.81
Term	**94 135**	**0.33**	88 830	0.44
Commercial	**337 636**	**2.00**	305 573	1.89
Current and savings	**126 122**	**3.94**	110 699	3.62
Call	**105 276**	**1.34**	98 757	1.40
Term	**106 238**	**0.37**	96 117	0.42
Corporate and investment banking	**198 862**	**0.72**	174 129	0.82
Current and savings	**92 823**	**1.26**	89 745	1.25
Call	**56 179**	**0.38**	48 524	0.40
Term	**49 860**	**0.12**	35 860	0.33
Total deposits	**825 764**	**1.52**	751 481	1.48

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

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

DEPOSIT KEY DRIVERS

- FNB's average deposit base grew 9%, benefiting from customer growth and innovative product offerings across all segments. FNB remained the top household deposit franchise in SA per the BA900 returns at 30 June 2022.
- Commercial average deposits grew 11%, driven by growth in current and savings accounts.
- RMB's focus on growing operational balances on the back of primary-banked relationships resulted in average deposit growth of 13%.
- The relatively stronger growth in the bank's deposit franchises enabled a 7% reduction in Group Treasury funding.
- The reduction in other funding was primarily due to ongoing amortisation of structured funding instruments and muted issuances over the year.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June 2022	2021	% change
Total gross advances	1 on p.B70	**979 436**	896 424	9
Total core lending advances		**908 896**	831 366	9
Performing core lending advances		**870 202**	784 592	11
– Stage 1*		**795 126**	707 157	12
– Stage 2		**75 076**	77 435	(3)
Stage 3/NPLs	3 on p.B80	**38 694**	46 774	(17)
Assets under agreements to resell		**70 540**	65 058	8
Stage 3/NPLs as a % of core lending advances*	3 on p.B80	**4.26**	5.63	
Core lending advances (net of impairment)*		**873 547**	792 897	10
Total impairments	4 on p.B86	**35 349**	38 469	(8)
Portfolio impairments	2 on p.B78	**15 680**	16 788	(7)
– Stage 1		**7 584**	7 493	1
– Stage 2		**8 096**	9 295	(13)
Stage 3 impairments		**19 669**	21 681	(9)
Coverage ratios				
Performing book coverage ratio (%) – core lending advances*,**	2 on p.B78	**1.80**	2.14	
Specific coverage ratio (%)#		**50.8**	46.4	
Income statement analysis				
Impairment charge	5 on p.B88	**5 891**	11 115	(47)
Credit loss ratio (%) – core lending advances*	5 on p.B88	**0.68**	1.30	

* *Restated to exclude assets under agreements to resell.*

** *Portfolio impairments as % of the performing core lending advances book (stage 1 and stage 2).*

\# *Specific impairments as a % of stage 3/NPLs.*

Credit continued

IN SUMMARY

The bank's credit performance continues to be resilient, with 9% growth in core lending advances. Advances growth was strong in retail mortgages and the commercial and corporate portfolios as demand increased and the group's credit appetite normalised after the pandemic. The retail unsecured book (specifically card and personal loans) reflected higher origination in the second half of the financial year, resulting in 1% growth in advances (2% excluding the Covid-19 relief advances). VAF advances grew 3% as a result of a measured return to appetite. Refer to pages B49 to B50 for more detail on advances growth.

The composition of advances also reflects a strong recovery, with stage 3 advances declining 17% since June 2021. Stage 1 advances grew 12% and stage 2 advances decreased 3%. Refer to page B59 for more information on stage 2 and page B61 for stage 3/NPL.

The bank's credit loss ratio continued to reduce. Balance sheet impairment levels remained prudent, given the uncertainties associated with the operating environment, most notably the impact of the inflation and interest rate pressures that unfolded over the last quarter of the financial year. Refer to pages B64 to B65 for additional insight.

Changes in presentation of the credit information

Core lending advances

During the year under review, the bank updated the presentation of total advances to separately reflect core lending advances and assets under agreements to resell. The group's core lending advances consist of customer advances and marketable advances. Assets under agreements to resell are fully collateralised and are included in stage 1. The credit ratios have been calculated on core lending advances to more accurately reflect the core lending credit results of the group. Where applicable prior year amounts and ratios have been restated.

MotoNovo

The MotoNovo back book (i.e. business written prior to the integration with Aldermore) was previously separately reported in the analysis of credit information per segment. The total book including securitisations has been running down for a number of years and is no longer deemed to be material enough to report separately. The MotoNovo back book has been collapsed into the Centre (including Group Treasury). Comparative information has been restated.

ABF book

During the year, ABF advances to customers that bank with FNB were moved from FNB commercial to WesBank corporate. This change was implemented to create consistency of process and to effect business efficiencies by managing the ABF book as a single portfolio within WesBank. The group has voluntarily updated the comparative information.

Temporary stress scenario

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

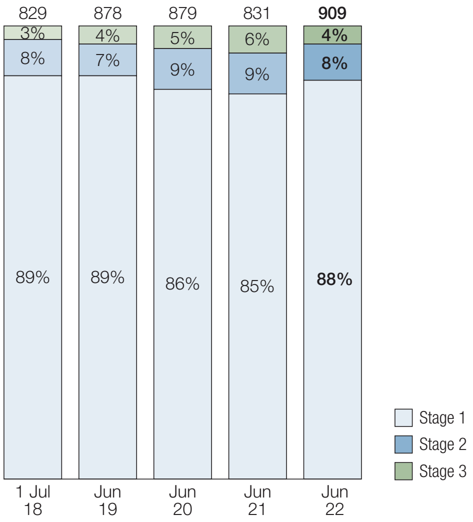
Uncertainty relating to inflation and interest rate forecasts was the main reason for retaining the stress scenario in the 2022 financial year. Russia's invasion of Ukraine poses further risk to inflation and interest rates, which will impact global and local growth.

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

Credit continued

Core lending advances by stage

R billion



Credit continued

Stage distribution

Stage 1

Stage 1 core lending advances grew 12% year-on-year, primarily driven by strong new business growth and, to a lesser extent, by the curing of paying relief accounts. A further analysis is contained in note 1, pages B70 and B71.

Stage 2

STAGE 2 ADVANCES

	As at 30 June 2022				As at 30 June 2021			
R million	Stage 2 arrears	Covid-19 relief in current status	Other stage 2 advances in current status	Total stage 2	Stage 2 arrears	Covid-19 relief in current status*	Other stage 2 advances in current status*	Total stage 2
Residential mortgages	3 689	2 969	12 991	19 649	3 209	2 957	9 769	15 935
WesBank VAF	3 014	1 172	6 289	10 475	3 380	1 787	6 763	11 930
FNB card	393	372	1 464	2 229	488	621	1 553	2 662
Personal loans	1 886	521	4 150	6 557	1 814	893	4 280	6 987
Retail other	406	184	3 263	3 853	445	210	1 986	2 641
Total retail	9 388	5 218	28 157	42 763	9 336	6 468	24 351	40 155
FNB commercial*,**	725	574	6 259	7 558	800	892	6 471	8 163
WesBank corporate**	574	93	4 141	4 808	723	968	2 369	4 060
Total commercial*	1 299	667	10 400	12 366	1 523	1 860	8 840	12 223
Total retail and commercial*	10 687	5 885	38 557	55 129	10 859	8 328	33 191	52 378

* *Restated due to the reallocation from Covid-19 relief to other stage 2 in current status.*

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

Retail and commercial stage 2 advances increased 5% (2021: 15%), driven largely by growth in stage 2 advances in current status and an increase in operational arrears in residential mortgages given the growth in advances. The increase was somewhat offset by a 29% decline in paying Covid-19 relief accounts. At 30 June 2021, updated significant increase in credit risk (SICR) indicators were implemented for the retail and commercial portfolios to specifically cater for performing customers, given the uncertainty related to the length and severity of Covid-19 waves. Recent increases in the inflation and interest rate outlook have triggered these updated SICR indicators and contributed to a larger portion of up-to-date advances to be classified into stage 2 as compared to the prior year. As such the increase in stage 2 advances reflects the deteriorating inflation and interest rate outlook, as opposed to underlying repayment performance.

The bank maintained the application of the stress scenario for the retail and commercial portfolios as a temporary measure to capture uncertainty in the global (and thereby the South African) operating environment, and the forecast risks of economic assumptions using existing statistical models. With the change in emphasis of this stress scenario, the weighting decreased from 11% at June 2021 to 8% at June 2022, which resulted in a net release of portfolio provisions of only c. R70 million. The nature of the stress scenario has, however, changed from an event-driven scenario linked to the uncertainty around the impact of Covid-19 to a scenario intended to capture the significant uncertainty around inflation and interest rate forecasts. Refer to page B57 for more detail. The stress scenario resulted in R2.7 billion (2021: R1.2 billion) of retail advances and R130 million (2021: R99 million) of commercial advances migrating into stage 2.

With the growth in advances in residential mortgages, stage 2 advances increased R3.7 billion (23%) year-on-year, with increases in both stage 2 arrears and stage 2 in current status. Residential mortgage customers will be most affected by the increasing interest rate cycle, which is reflected in the increase in operational arrears. Card and personal loans stage 2 advances contracted R433 million (16%) and R430 million (6%), respectively, driven in the main by paying relief advances curing to stage 1. WesBank VAF stage 2 advances decreased 12% or R1.5 billion year-on-year, driven by relief accounts curing to stage 1, lower advances growth and strong collections. Paying stage 2 accounts continue to represent the largest proportion of stage 2 advances, reflecting positive payment behaviour and cautious SICR indicators.

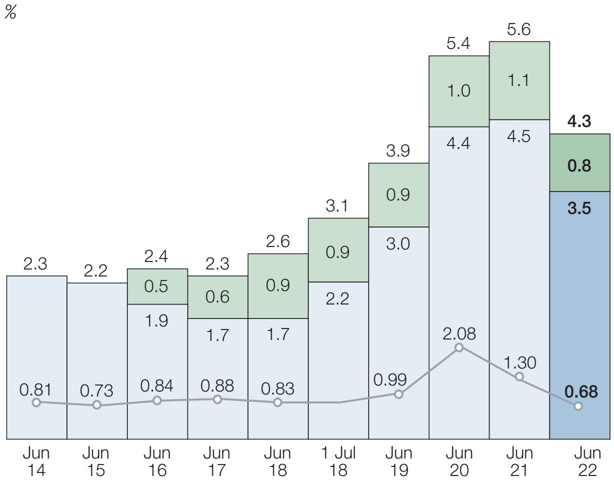
FNB commercial stage 2 advances decreased R605 million despite the growth in the book. This resulted from paying Covid-19 relief advances and positive migrations, reflecting the general improvement in watchlist and high-risk industries.

RMB stage 2 advances decreased R5.3 billion (21%) year-on-year, reflecting the benefit of partial settlements and the curing to stage 1 of a number of counterparties, as well as the migration to stage 3 of a significant exposure.

Credit continued

Stage 3 non-performing loans

NPL and impairment history



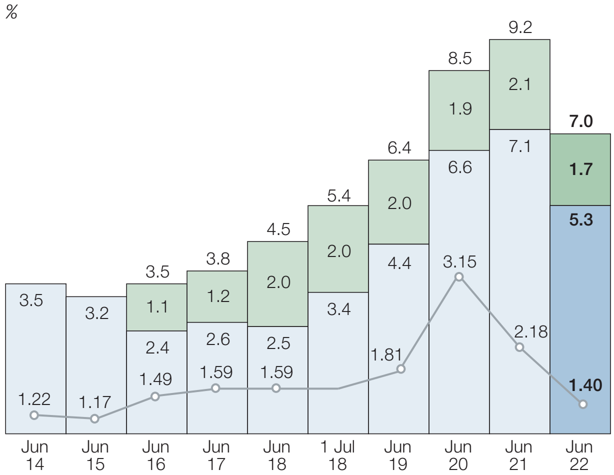
Restructured debt-review accounts and technical cures (performing accounts which are classified as stage 3/NPLs because they have defaulted in the past and do not meet the stringent cure definition of performance for 12 consecutive months) included in stage 3/NPLs as a % of core lending advances

Stage 3/NPLs as a % of core lending advances*

Impairment charge as a % of average core lending advances*

* *The comparatives have been restated to exclude assets under agreements to resell.*

Retail NPLs and impairments



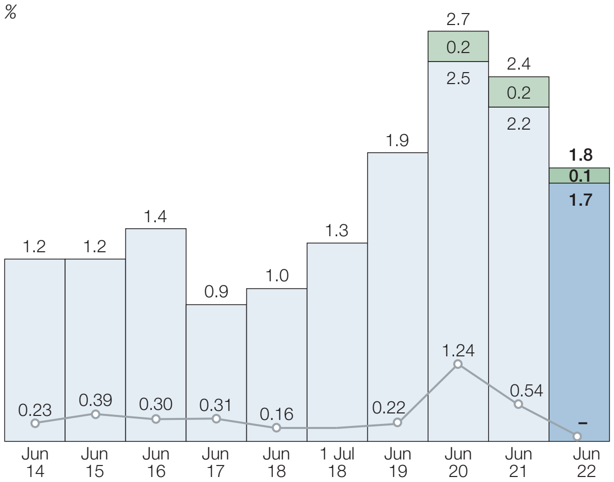
Restructured debt review and technical cures included in stage3/NPLs as a % of advances

Stage3/NPLs as % of advances*

Impairment charge as % of average advances

* *The comparatives presented have been restated for movements between operating businesses.*

Corporate and commercial NPLs and impairments



Restructured debt-review and technical cures included in stage 3/NPLs as a % of core lending advances

Stage 3/NPLs as a % of core lending advances*

Impairment charge as a % of average core lending advances*

* *The comparatives have been restated to exclude assets under agreements to resell.*

Note: 2014 to 2018 figures were based on IAS 39 and 1 July 2018 to 2022 on IFRS 9.

Credit continued

CHANGE IN NPLs

	30 June 2022 vs 30 June 2021		
	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	(3 649)	(11)	(8)
Covid-19 relief paying NPLs**	(2 483)	(61)	(5)
Other paying NPLs#	(1 948)	(21)	(4)
Change in total bank NPLs	**(8 080)**	**(17)**	**(17)**

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

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

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

Retail NPLs decreased 19% to R29.7 billion (2021: R36.9 billion). NPLs as a percentage of advances declined to 7.02% (2021: 9.16%). This decline was driven by the curing of paying NPLs, slower inflows, ongoing write-offs, strong collections and support from higher advances (denominator).

Residential mortgage NPLs reduced R1.6 billion year-on-year, personal loan NPLs (excluding Covid-19 relief advances) contracted R1.1 billion and card NPLs decreased R356 million. Operational NPLs and paying NPLs (including Covid-19 relief) decreased across all portfolios driven by strong collections, curing and settlement of Covid-19 relief accounts and lower inflows into NPLs.

WesBank VAF NPLs decreased 37% due to default rates that were lower than levels observed prior to the Covid-19 pandemic, reflecting improved curing and increased write-offs.

FNB commercial NPLs declined 20% to 4.29% of advances (2021: 5.97%). The decline was driven by:

> lower stage 3 inflows into various portfolios;

> recoveries on a number of clients in the property finance portfolio (-39%);

> the agricultural portfolio (-32%) recovering from previous drought conditions and a few large clients curing out of NPL status; and

> high write-offs from historical NPL inflows driven by Covid-19.

NPLs in the corporate and investment banking (CIB) portfolio, including HQLA, increased 17% with a slight reduction in the NPL ratio to 0.92% of core lending advances (2021: 0.93%) reflecting advances growth (denominator). The increase in NPLs in the lending book was driven by a significant exposure migrating to stage 3 during the last six months of the financial year. The remainder of the NPLs decreased year-on-year due to partial settlements and curing of various counterparties.

The increase in the Centre NPLs is driven by the MotoNovo back book. MotoNovo NPLs continue to be impacted by the previous ban on collateral repossessions in the UK, and the impact on collections due to the NOSIA operational event.

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

BALANCE SHEET IMPAIRMENTS

	30 June 2022				30 June 2021			
R million	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Opening balance	38 469	7 493	9 295	21 681	37 772	8 047	8 598	21 127
Transfers between stages	–	1 022	(1 891)	869	–	668	(2 907)	2 239
ECL provided on new business*	5 533	2 129	1 703	1 701	3 582	1 651	1 018	913
ECL provided/(released) on back book*	4 664	(2 961)	(1 067)	8 692	11 575	(3 064)	2 470	12 169
Gross write-off and other**	(13 207)	(22)	45	(13 230)	(14 940)	(62)	(67)	(14 811)
Temporary stress scenario	(110)	(77)	11	(44)	480	253	183	44
Closing balance	**35 349**	**7 584**	**8 096**	**19 669**	38 469	7 493	9 295	21 681

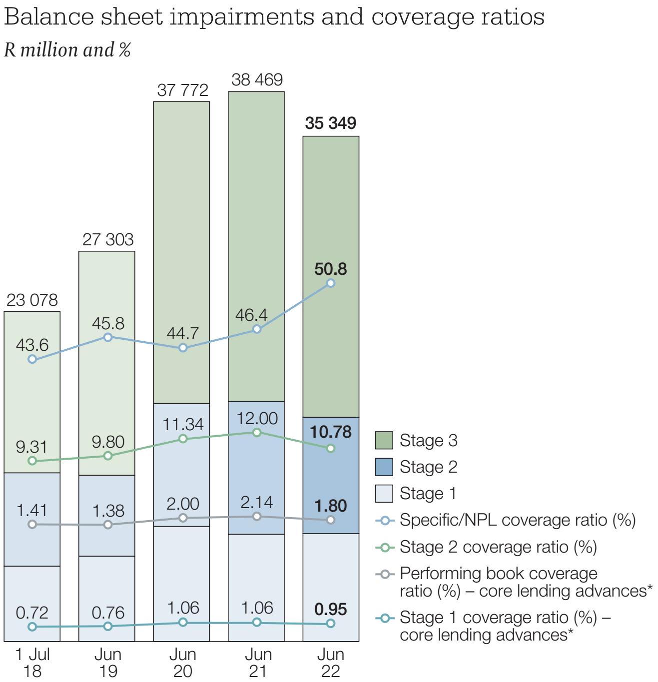
* *Interest suspended on stage 3 core lending advances of R2 632 million (2021: R3 059 million) is included in the ECL provided/(released) amounts.*

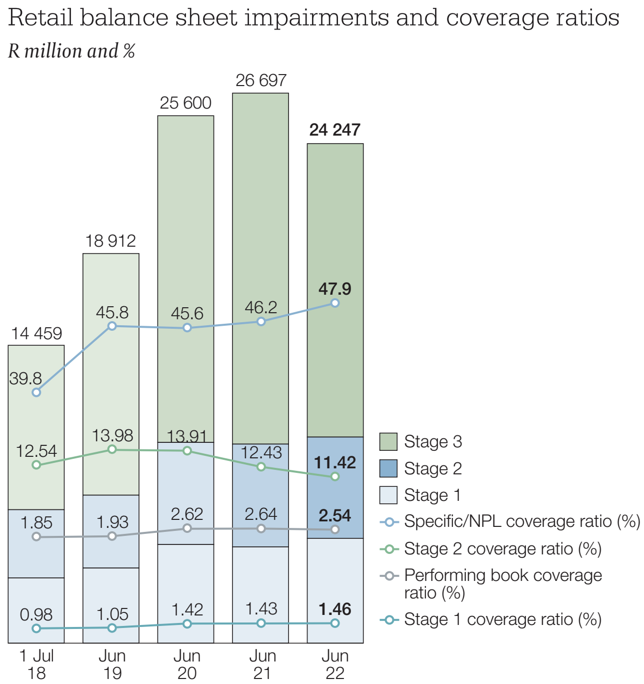
** *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

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

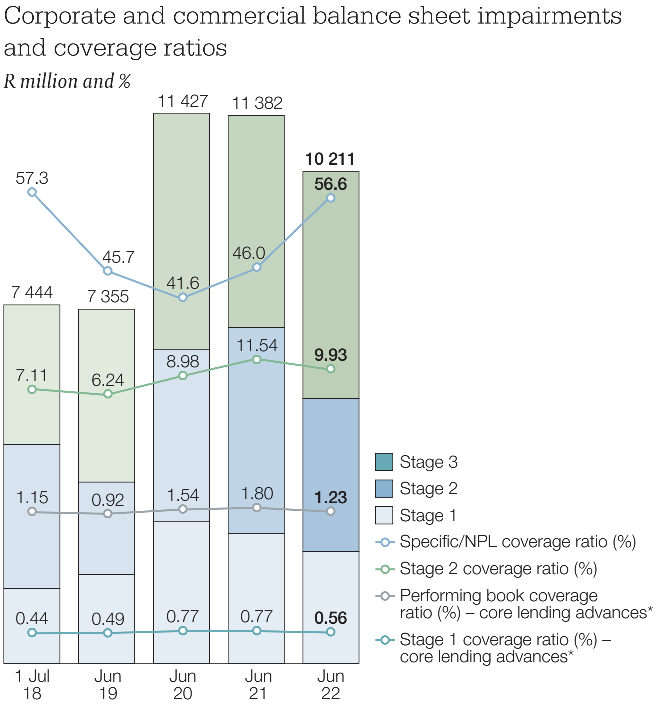
Credit continued

Balance sheet impairments and coverage ratios





* *The comparatives have been restated to exclude assets under agreements to resell.*



* *The comparatives have been restated to exclude assets under agreements to resell.*

Credit continued

Performing coverage (stage 1 and stage 2)

The retail performing coverage improved marginally from 2.64% to 2.54% over the past 12 months. This reflects the group's continued prudent approach to balance sheet provisioning, which reflects uncertainties associated with the local and global operating environment, most notably the impact of inflation and interest rate pressures. The change in asset mix due to higher relative growth in secured lending compared to unsecured, paying relief advances curing back to stage 1, and the release of Covid-19 scaling factors also contributed to the decrease. Although there was an overall marginal increase in stage 2 advances, growth was more pronounced in paying stage 2 advances, which carry a lower coverage ratio.

The refined SICR indicators and the stress scenario implemented at June 2021 remained in place. The unwind of the Covid-19 relief-related provisions and the general improvement in the macroeconomic FLI and LGD levels in the secured portfolios were outstripped by additional provisions raised for emerging risks. The stress scenario portfolio provisions in retail increased to R315 million (2021: R288 million). The increase is indicative of the emerging economic uncertainties in the last quarter of the financial year, despite the decrease in weightings.

FNB commercial performing coverage reduced to 2.08% (2021: 2.77%) due to the general improvement in FLI for a portion of the year, partially offset by industry-specific overlays. The change in mix of arrears vs paying stage 2 accounts also impacted coverage. The impact of the application of the stress scenario decreased to R55 million (2021: R148 million), partially driven by a change in the weightings in the stress scenario from 11% to 8%.

RMB CIB core performing coverage (excluding HQLA) declined from 1.69% to 1.04%, reflecting a release in ECL due to the improved credit quality of the portfolio, with a notable drop in watchlist exposures and settlements during the year.

Stage 3 coverage

FNB retail stage 3 impairment coverage decreased to 46.8% (2021: 47.9%), primarily driven by a change in mix of NPLs towards secured advances. Additional provisions were created to ensure adequate coverage for the uncertain environment and increased workout periods in residential mortgages.

WesBank VAF stage 3 impairment coverage increased from 41.0% to 52.7% due to a large number of paying NPLs that cured from stage 3 to performing. These accounts carry much lower coverage ratios than operational NPLs and the remaining stage 3 advances represent older NPLs with higher coverage. Delays in the legal repossession process continue to result in increased ageing of NPLs, driving higher coverage.

In the unsecured portfolio, the lower stage 3 coverage (73.1% to 71.8%) was driven primarily by a 7.5% decrease in card, partially offset by a 1.2% increase in personal loans. Since the onset of Covid-19, the focus has been on originating good-quality, lower-risk business. As a result, the quality of advances that are flowing into NPLs have lower coverage than the existing ageing book, reducing overall NPL coverage.

FNB commercial stage 3 coverage (excluding the government-guaranteed loan scheme) increased to 67.5% (2021: 58.1%), mainly due to large clients with low coverage in agric and property finance that cured or settled.

RMB CIB stage 3 coverage increased to 41.3% (2021: 20.0%). This increase was driven by the migration of a high-coverage significant exposure into stage 3 in the lending book. This migration had a minimal impact given prior year provisioning.

Credit continued

Impairment charge

The group credit loss ratio continued to reduce, despite judgemental out-of-model adjustments recognised across various portfolios. This reflects the positive trend in the performance of most portfolios and the significant reduction in stage 3 advances due to curing and strong collections, and thereby lower write-offs in the year under review.

ANALYSIS OF IMPAIRMENT CHARGE

	Year ended 30 June		
R million	**2022**	2021	% change
Performing book provisions	**(1 108)**	143	(>100)
NPL provision	**(2 012)**	554	(>100)
Credit provision (decrease)/increase	**(3 120)**	697	(>100)
Modification	**677**	600	13
Gross write-off and other*	**13 207**	14 940	(12)
Interest suspended on stage 3 advances	**(2 632)**	(3 059)	(14)
Post write-off recoveries	**(2 241)**	(2 063)	9
Total impairment charge	**5 891**	11 115	(47)
Credit loss ratio (%) – core lending advances**	**0.68**	1.30	

* *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

** *Prior year has been restated. Calculated on core lending advances which exclude assets under agreements to resell.*

The reduction in the FNB retail CLR to 1.37% (2021: 2.21%) was underpinned by a strong operational performance and a decrease in stage 3 advances. The decrease in stage 3 advances was a result of lower new inflows from the performing portfolio, the continued curing of the relief book and the resultant release of related provisions. Similarly, advances that did not receive relief performed better than expected, as customers continued to benefit from improved economic conditions and low interest rates for a significant portion of the financial year.

The WesBank VAF CLR decreased to 1.52% (2021: 1.99%). This reflected a significant improvement in arrears as the risk profile of the book and collections improved, offset by higher levels of write-offs as the backlog caused by Covid-19-related economic and court disruptions continued.

The FNB commercial CLR of 0.34% (2021: 1.22%) reflects proactive provisioning in previous periods and improved staging of the overall book. Balance sheet provisions were retained given uncertainty in the operating environment.

The core lending CLR for RMB CIB (excluding HQLA) decreased from a charge of 0.33% to a net release of 0.13% (release of R346 million). This can be attributed to the improved credit risk profile of the overall portfolio, with a reduction in stage 2 exposures due to a combination of settlement and positive migrations.

Credit continued

As explained on page B57, the short-term stress scenario applied in the past two financial years resulted in provisions of R370 million at June 2022, down from R480 million at June 2021.The decrease in the weightings for the stress scenario benefited the impairment charge for the year, further aided by a release of provisions on stage 3 advances. In addition, the nature of the provision, risk and uncertainties for which these provisions were raised also contributed to this change.

The table on the next page analyses the income statement components based on total balance sheet movements. Below are the definitions and key drivers of the income statement components.

INCOME STATEMENT COMPONENTS

Income statement component	Definition	Key drivers
Volume change in stage 1	Determined by using the same stage 1 coverage as in the prior year applied to the movement between prior and current year stage 1 advances.	Increase in stage 1 volume reflects advances growth, particularly in residential mortgages, unsecured lending, and the corporate and commercial portfolios.
Change in stage 1 coverage	Calculated as the difference in coverage year-on-year multiplied by the 30 June 2022 stage 1 advances.	The decrease in stage 1 coverage was driven by FNB commercial and the corporate portfolio. The credit quality of these portfolios improved significantly during the current year.
Volume change in stage 2	Determined by using the stage 2 coverage in the prior year applied to the movement between prior and current year stage 2 advances.	The decrease in stage 2 volumes was driven by unsecured lending, corporate and commercial, which reflect positive migrations and settlements.
Change in stage 2 coverage	Calculated as the difference in coverage year-on-year multiplied by the 30 June 2021 stage 2 advances.	The decrease in stage 2 coverage was driven by commercial and corporate portfolios reflecting the improvement in the quality of the overall book. This was somewhat offset by an increase in stage 2 coverage in the secured portfolio driven by WesBank VAF. WesBank VAF stage 2 coverage increased during the year due to changes in model and increased LGDs as the average time of exposures in the stage 2 portfolio increased.
Change in stage 3 provisions	Difference between current and prior year NPLs. Includes the movements in interest suspended on stage 3 advances.	The decrease in stage 3 provisions was a consequence of the continued contraction in NPLs in the retail portfolios due to curing of debt relief accounts and the focus on lower-risk origination and strong collections. In corporate, the increase was driven largely by the migration of a highly covered counterparty to stage 3. The Centre stage 3 provisions was increased as a result of long-outstanding NPLs in the MotoNovo back book that were impacted by the lingering effect of the ban on repossession and operational challenges.
Write-offs and other	Gross advances written off and other movements (foreign exchange movements, acquisition and disposal of advances and transfers to non-current assets held for sale) less interest suspended on stage 3 advances.	Gross write-offs, excluding interest in suspense (ISP) and other, decreased by R951 million, largely benefiting from strong collections and the lower-risk origination strategy. The prior year included write-offs relating to clearing the backlog from the court process.

Credit continued

INCOME STATEMENT ANALYSIS

R million	Year ended 30 June 2022			
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail	471	(23)	(155)	49
– Secured	126	(92)	77	271
– Unsecured	213	177	(369)	(88)
– Temporary stress scenario	132	(108)	137	(134)
Commercial	180	(203)	(67)	(320)
Corporate	335	(683)	(552)	(167)
FNB broader Africa	–	–	–	–
Centre	(34)	48	22	(9)
Total bank	952	(861)	(752)	(447)

R million	Year ended 30 June 2021			
	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#	193	(436)	178	42
Corporate†	(183)	166	(387)	877
FNB broader Africa	–	–	–	–
Centre†,‡	(98)	(81)	(43)	(5)
Total bank†	(394)	(160)	95	602

* *Interest suspended on stage 3 core lending advances of R2 632 million (2021: R3 059 million) is deducted from write-off and other.*

** *Write-off of gross balances excluding prior year provisions held. The gross amounts written off have been recognised in the income statement over various reporting periods.*

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

† *Restated to exclude assets under agreements to resell.*

‡ *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

	Year ended 30 June 2022					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other*,**	Post write-off recoveries	Total
	(2 792)	(2 450)	681	9 611	(2 056)	5 786
	(1 010)	(628)	134	2 336	(402)	1 440
	(1 738)	(1 805)	547	7 275	(1 654)	4 363
	(44)	(17)	–	–	–	(17)
	(369)	(779)	(4)	1 285	(137)	365
	675	(392)	–	55	(9)	(346)
	–	–	–	–	–	–
	474	501	–	(376)	(39)	86
	(2 012)	(3 120)	677	10 575	(2 241)	5 891

	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)
	(128)	(355)	1	458	(38)	66
	554	697	600	11 881	(2 063)	11 115

Credit continued

Update on Covid-19 relief

The retail and commercial relief arrangements terminated in September 2020, with extended relief periods terminating in March 2021. At 30 June 2022, no customers were still receiving relief. Retail and commercial customers, however, remain classified as in relief until settlement of the full relief amount granted (payment holidays or liquidity facilities). As such, balances are shown for open accounts which have not yet been settled or written off. The advances for which relief was provided declined 39% year-on-year.

Refer to pages B74 to B77 for more information on advances where relief was provided. Sixteen per cent of retail Covid-19 advances that received relief are in stage 2 and 14% in stage 3 (16% in both stage 2 and stage 3 at June 2021), indicating that the relief book is stable and performing in line with expectation. Six per cent of commercial advances that received relief are in stage 2 and 3% are in stage 3. Twenty six per cent of retail and 8% of commercial stage 3 Covid-19 relief advances are paying customers that have not yet qualified for migration to stage 2 due to the 12-month curing rule. This is a decrease from the 43% in retail and 29% in commercial at June 2021, following a noticeable number of cures during the year. Additional information on paying stage 3 relief advances is provided on pages B82 and B83.

NUMBER OF CUSTOMERS WHO UTILISED COVID-19 RELIEF

	As at 30 June 2022				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying core lending advances for which relief was provided (R million)	Total portfolio (core lending advances) (R million)	% of portfolio under relief
Retail	139.7	410.3	43 351	423 322	10
Commercial	13.7	19.1	15 284	152 951	10
Corporate*	–	–	–	303 965	–
Centre*,**	13.6	13.6	843	28 658	3
Total bank*	167.0	443.0	59 478	908 896	7

* *Restated. Calculated on core lending advances.*

** *MotoNovo back book has been reallocated to the Centre.*

\# *Fewer than 100.*

In the corporate portfolio, relief was provided largely in the form of covenant waivers, facility increases or new advances. The Covid-19 relief book has steadily decreased over the financial year, with the relief portfolio reducing from c. R17.3 billion (23 active counters) at June 2021 to R6.5 billion (16 active counters) at December 2021. At 30 June 2022, there were no counters receiving Covid-19 relief as these exposures either cured or their relief was made permanent within risk appetite.

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 core lending advances for which relief was provided (R million)	Total portfolio* (core lending advances) (R million)	% of portfolio under relief
	186.5	660.9	57 401	402 829	14
	17.3	31.1	22 627	138 107	16
	#	#	17 260	258 454	7
	3.6	3.6	292	31 976	1
	207.4	695.6	97 580	831 366	12

Credit continued

Supplementary credit information

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June			As at 30 June		
				2022		
R million	2022	2021*	% change	Stage 1	Stage 2	Stage 3
RETAIL	**423 322**	402 829	5	**350 854**	**42 763**	**29 705**
Retail – secured	**335 971**	316 182	6	**288 072**	**30 112**	**17 787**
Residential mortgages	**242 757**	225 666	8	**211 306**	**19 649**	**11 802**
WesBank VAF	**93 214**	90 516	3	**76 766**	**10 463**	**5 985**
Retail – unsecured	**87 351**	86 647	1	**65 469**	**9 964**	**11 918**
FNB card	**32 821**	31 249	5	**26 914**	**2 229**	**3 678**
Personal loans	**40 173**	39 686	1	**27 342**	**6 557**	**6 274**
– FNB and DirectAxis	**38 210**	36 551	5	**26 016**	**6 209**	**5 985**
– Covid-19 relief	**1 963**	3 135	(37)	**1 326**	**348**	**289**
Retail other	**14 357**	15 712	(9)	**11 213**	**1 178**	**1 966**
Temporary stress scenario	**–**	–	–	**(2 687)**	**2 687**	**–**
CORPORATE AND COMMERCIAL	**456 916**	396 561	15	**416 590**	**32 001**	**8 325**
FNB commercial**	**107 823**	97 092	11	**95 638**	**7 558**	**4 627**
– FNB commercial**	**106 532**	95 493	12	**94 550**	**7 428**	**4 554**
– SME government-guaranteed loan scheme	**1 291**	1 599	(19)	**1 218**	**–**	**73**
– Temporary stress scenario	**–**	–	–	**(130)**	**130**	**–**
WesBank corporate**	**45 128**	41 015	10	**39 417**	**4 808**	**903**
RMB corporate and investment banking*,#	**288 959**	241 605	20	**266 529**	**19 635**	**2 795**
– Lending*	**288 592**	241 318	20	**266 162**	**19 635**	**2 795**
– Loans to private equity investee companies	**367**	287	28	**367**	**–**	**–**
HQLA corporate advances#,†	**15 006**	16 849	(11)	**15 006**	**–**	**–**
CENTRE (INCLUDING GROUP TREASURY)*,‡	**28 658**	31 976	(10)	**27 682**	**312**	**664**
Securitisation notes	**23 358**	25 363	(8)	**23 358**	**–**	**–**
Other*,‡	**5 300**	6 613	(20)	**4 324**	**312**	**664**
Total core lending advances*	**908 896**	831 366	9	**795 126**	**75 076**	**38 694**
Assets under agreements to resell	**70 540**	65 058	8	**70 540**	**–**	**–**
Total advances	**979 436**	896 424	9	**865 666**	**75 076**	**38 694**
Total advances excluding currency impact of the Centre and RMB cross-border	**973 986**	896 424	9	**860 613**	**74 687**	**38 686**
Of which:						
Amortised cost book	**886 992**	803 450	10	**776 098**	**73 052**	**37 842**
Fair value book	**92 444**	92 974	(1)	**89 568**	**2 024**	**852**

* *Prior year has been restated. Core lending advances exclude assets under agreements to resell. Refer to page B57 for details of the change in presentation.*

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

\# *Corporate and investment banking including HQLA core lending advances total R304.0 billion (2021: R258.5 billion).*

† *Managed by the Group Treasurer.*

‡ *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

Advances			
As at 30 June			% composition 2022
2021*			
Stage 1*	Stage 2	Stage 3	
325 775	40 155	36 899	43
265 599	27 756	22 827	34
196 375	15 935	13 356	24
69 224	11 821	9 471	10
61 386	11 189	14 072	9
24 553	2 662	4 034	3
25 153	6 987	7 546	4
22 970	6 450	7 131	4
2 183	537	415	–
11 680	1 540	2 492	2
(1 210)	1 210	–	–
349 852	37 123	9 586	47
83 131	8 163	5 798	11
81 659	8 064	5 770	11
1 571	–	28	–
(99)	99	–	–
35 561	4 060	1 394	5
214 311	24 900	2 394	29
214 024	24 900	2 394	29
287	–	–	–
16 849	–	–	2
31 530	157	289	3
25 363	–	–	2
6 167	157	289	1
707 157	77 435	46 774	93
65 058	–	–	7
772 215	77 435	46 774	100
772 215	77 435	46 774	
681 912	74 920	46 618	91
90 303	2 515	156	9

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	2022	2021	% change	% composition 2022
RMB corporate and investment banking core lending advances	**288 959**	241 605	20	**83**
– South Africa	**247 674**	214 651	15	**71**
– Cross-border (broader Africa) – $ million	**2 516**	1 890	33	
– Cross-border (broader Africa)	**41 285**	26 954	53	**12**
HQLA corporate advances*	**15 006**	16 849	(11)	**4**
CIB total core lending advances	**303 965**	258 454	18	**87**
CIB total lending advances	**303 598**	258 167	18	**87**
CIB shareholder loans to private equity investing companies	**367**	287	28	**–**
CIB total core lending advances	**303 965**	258 454	18	**87**
CIB core lending advances – South Africa**	**262 680**	231 500	13	**75**
CIB core lending advances – broader Africa#	**41 285**	26 954	53	**12**
CIB total core lending advances	**303 965**	258 454	18	**87**
Assets under agreements to resell	**47 217**	58 677	(20)	**13**
CIB total advances	**351 182**	317 131	11	**100**
Total advances excluding currency impact of RMB cross-border†	**35 875**	26 954	33	

* *Managed by the Group Treasurer.*

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

\# *CIB core lending advances – broader Africa is the RMB CIB cross-border core lending advances.*

† *If the exchange rate had remained unchanged from 30 June 2021.*

CENTRE (INCLUDING GROUP TREASURY) ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	2022	2021	% change	% composition 2022
Core lending advances	**28 658**	31 976	(10)	**55**
Assets under agreements to resell	**23 323**	6 381	>100	**45**
Total advances	**51 981**	38 357	36	**100**

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			
R million	2022	2021	% change	% composition 2022
Sector analysis				
Agriculture	**48 017**	40 334	19	**5**
Banks	**47 679**	41 854	14	**5**
Financial Institutions*	**143 757**	146 001	(2)	**15**
Building and property development	**58 934**	54 824	7	**6**
Government, Land Bank and public authorities	**28 119**	20 672	36	**3**
Individuals	**408 991**	388 808	5	**41**
Manufacturing and commerce	**131 705**	103 816	27	**13**
Mining	**6 490**	7 599	(15)	**1**
Transport and communication	**31 749**	21 930	45	**3**
Other services	**73 995**	70 586	5	**8**
Total advances	979 436	896 424	9	100
Geographical analysis				
South Africa	**901 313**	818 048	10	**92**
Broader Africa	**29 026**	19 132	52	**3**
UK	**20 771**	42 058	(51)	**2**
Other Europe	**17 182**	7 559	>100	**2**
North America	**3 979**	2 169	83	**–**
South America	**2**	2	–	**–**
Australasia	**6**	4	50	**–**
Asia	**7 157**	7 452	(4)	**1**
Total advances	979 436	896 424	9	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. They detail:

> Advances for which no relief was provided.

> Advances which received relief.

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

	30 June 2022			
		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	379 971	320 798	35 637	23 536
Residential mortgages	216 908	192 046	15 621	9 241
WesBank VAF	86 122	72 411	8 824	4 887
FNB card	28 844	24 108	1 788	2 948
Personal loans	35 962	25 156	5 822	4 984
Retail other	12 135	7 077	3 582	1 476

RETAIL ADVANCES WHICH RECEIVED RELIEF

	30 June 2022			
		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	43 351	30 056	7 126	6 169
Residential mortgages	25 849	19 260	4 028	2 561
WesBank VAF	7 092	4 343	1 651	1 098
FNB card	3 977	2 806	441	730
Personal loans	2 248	860	387	1 001
Personal loans – Covid-19 relief*	1 963	1 326	348	289
Retail other	2 222	1 461	271	490
Total retail advances	423 322	350 854	42 763	29 705

* *Coverage based on exposure at default (EAD).*

	30 June 2022				
	Balance sheet impairments			Coverage	
	Total balance sheet provisions	Portfolio impairments	Stage 3	Performing coverage	Stage 3
	20 455	8 996	11 459	2.52	48.7
	3 565	1 387	2 178	0.67	23.6
	4 564	1 923	2 641	2.37	54.0
	3 553	1 500	2 053	5.79	69.6
	6 534	3 046	3 488	9.83	70.0
	2 239	1 140	1 099	10.70	74.5

	30 June 2022						
	Balance sheet impairments			Coverage		Liquidity facility	
	Total balance sheet provisions	Portfolio impairments	Stage 3	Performing coverage	Stage 3	Utilised	Committed undrawn
	3 792	1 009	2 783	2.71	45.1	1 963	–
	519	161	358	0.69	14.0	365	–
	701	190	511	3.17	46.5	230	–
	808	250	558	7.70	76.4	470	–
	871	130	741	10.43	74.0	373	–
	403	153	250	9.14	86.5	–	–
	490	125	365	7.22	74.5	525	–
	24 247	10 005	14 242	2.54	47.9		

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

	30 June 2022			
		Stage of underlying gross advances		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	98 542	87 356	6 880	4 306
Overdrafts	20 013	16 009	2 149	1 855
Agricultural	38 064	33 839	3 248	977
Specialised finance	12 136	11 773	189	174
Commercial property finance	21 214	19 920	593	701
SME government-guaranteed loan scheme	1 291	1 218	–	73
Other	5 824	4 597	701	526
WesBank corporate	39 125	33 711	4 643	771
Total commercial	137 667	121 067	11 523	5 077

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

	30 June 2022			
		Stage of underlying gross advances		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	9 281	8 282	678	321
Overdrafts	140	118	10	12
Agricultural	548	510	21	17
Specialised finance	756	636	50	70
Commercial property finance	7 568	6 751	595	222
Other	269	267	2	–
WesBank corporate	6 003	5 706	165	132
Total commercial	15 284	13 988	843	453
Total commercial advances	152 951	135 055	12 366	5 530

	30 June 2022				
	Balance sheet impairments			Coverage	
	Total balance sheet provisions	Portfolio impairments	Stage 3	Performing coverage	Stage 3
	5 131	2 099	3 032	2.23	70.4
	2 644	986	1 658	5.43	89.4
	580	245	335	0.66	34.3
	239	113	126	0.94	72.4
	589	258	331	1.26	47.2
	107	34	73	2.79	100.0
	972	463	509	8.74	96.8
	699	341	358	0.89	46.4
	5 830	2 440	3 390	1.84	66.8

	30 June 2022							
	Balance sheet impairments			Coverage		SME government-guaranteed loan scheme		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions
	160	47	113	0.52	35.2	1 291	–	107
	14	4	10	3.13	83.3	–	–	–
	4	3	1	0.56	5.9	–	–	–
	74	4	70	0.58	100.0	249	–	20
	66	35	31	0.48	14.0	–	–	–
	2	1	1	0.37	–	1 042	–	87
	96	38	58	0.65	43.9	–	–	–
	256	85	171	0.57	37.7	1 291	–	107
	6 086	2 525	3 561	1.71	64.4			

Credit continued

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

	Total portfolio impairments						
	As at 30 June			As at 30 June			
				2022		2021	
R million	2022	2021	% change	Stage 1	Stage 2	Stage 1	Stage 2
RETAIL	**10 005**	9 663	4	**5 121**	**4 884**	4 673	4 990
Retail – secured	**3 616**	3 234	12	**1 388**	**2 228**	1 354	1 880
Residential mortgages	**1 548**	1 487	4	**609**	**939**	646	841
WesBank VAF	**2 068**	1 747	18	**779**	**1 289**	708	1 039
Retail – unsecured	**6 074**	6 141	(1)	**3 580**	**2 494**	3 190	2 951
FNB card	**1 750**	1 515	16	**1 130**	**620**	861	654
Personal loans	**3 329**	3 333	–	**1 785**	**1 544**	1 611	1 722
– FNB and DirectAxis	**3 176**	3 077	3	**1 719**	**1 457**	1 520	1 557
– Covid-19 relief	**153**	256	(40)	**66**	**87**	91	165
Retail other	**995**	1 293	(23)	**665**	**330**	718	575
Temporary stress scenario	**315**	288	9	**153**	**162**	129	159
CORPORATE AND COMMERCIAL	**5 496**	6 973	(21)	**2 319**	**3 177**	2 690	4 283
FNB commercial**	**2 146**	2 530	(15)	**1 056**	**1 090**	1 068	1 462
– FNB commercial**	**2 057**	2 306	(11)	**999**	**1 058**	868	1 438
– SME government-guaranteed loan scheme	**34**	76	(55)	**34**	**–**	76	–
– Temporary stress scenario	**55**	148	(63)	**23**	**32**	124	24
WesBank corporate**	**379**	405	(6)	**186**	**193**	197	208
RMB corporate and investment banking*	**2 971**	4 038	(26)	**1 077**	**1 894**	1 425	2 613
– Lending*	**2 966**	4 034	(26)	**1 072**	**1 894**	1 421	2 613
– Loans to private equity investee companies	**5**	4	25	**5**	**–**	4	–
CENTRE (INCLUDING GROUP TREASURY)*,#	**179**	152	18	**144**	**35**	130	22
Securitisation notes	**21**	24	(13)	**21**	**–**	24	–
Other*,#	**158**	128	23	**123**	**35**	106	22
Total portfolio impairments*	**15 680**	16 788	(7)	**7 584**	**8 096**	7 493	9 295

* *Prior year performing book coverage ratios have been restated. Calculated on core lending advances.*

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

\# *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

Total portfolio impairments					
Performing book coverage ratio (% of performing core lending advances)					
As at 30 June					
2022	**Stage 1**	**Stage 2**	2021*	Stage 1*	Stage 2
2.54	**1.46**	**11.42**	2.64	1.43	12.43
1.14	**0.48**	**7.40**	1.10	0.51	6.77
0.67	**0.29**	**4.78**	0.70	0.33	5.28
2.37	**1.01**	**12.32**	2.16	1.02	8.79
8.05	**5.47**	**25.03**	8.46	5.20	26.37
6.00	**4.20**	**27.82**	5.57	3.51	24.57
9.82	**6.53**	**23.55**	10.37	6.40	24.65
9.86	**6.61**	**23.47**	10.46	6.62	24.14
9.14	**4.98**	**25.00**	9.41	4.17	30.73
8.03	**5.93**	**28.01**	9.78	6.15	37.34
–	**–**	**–**	–	–	–
1.23	**0.56**	**9.93**	1.80	0.77	11.54
2.08	**1.10**	**14.42**	2.77	1.28	17.91
2.02	**1.06**	**14.24**	2.57	1.06	17.83
2.79	**2.79**	**–**	4.84	4.84	–
–	**–**	**–**	–	–	–
0.86	**0.47**	**4.01**	1.02	0.55	5.12
1.04	**0.40**	**9.65**	1.69	0.66	10.49
1.04	**0.40**	**9.65**	1.69	0.66	10.49
1.36	**1.36**	**–**	1.39	1.39	–
0.64	**0.52**	**11.22**	0.48	0.41	14.01
0.09	**0.09**	**–**	0.09	0.09	–
3.41	**2.84**	**11.22**	2.02	1.72	14.01
1.80	**0.95**	**10.78**	2.14	1.06	12.00

Credit continued

Note 3: Analysis of stage 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLS

	Stage 3/NPLs				Stage 3/NPLs as a % of core lending advances	
	As at 30 June				As at 30 June	
R million	2022	2021	% change	% composition 2022	2022	2021*
RETAIL	**29 705**	36 899	(19)	**77**	**7.02**	9.16
Retail – secured	**17 787**	22 827	(22)	**46**	**5.29**	7.22
Residential mortgages	**11 802**	13 356	(12)	**31**	**4.86**	5.92
WesBank VAF	**5 985**	9 471	(37)	**15**	**6.42**	10.46
Retail – unsecured	**11 918**	14 072	(15)	**31**	**13.64**	16.24
FNB card	**3 678**	4 034	(9)	**10**	**11.21**	12.91
Personal loans	**6 274**	7 546	(17)	**16**	**15.62**	19.01
– FNB and DirectAxis	**5 985**	7 131	(16)	**15**	**15.66**	19.51
– Covid-19 relief	**289**	415	(30)	**1**	**14.72**	13.24
Retail other	**1 966**	2 492	(21)	**5**	**13.69**	15.86
CORPORATE AND COMMERCIAL	**8 325**	9 586	(13)	**21**	**1.82**	2.42
FNB commercial**	**4 627**	5 798	(20)	**12**	**4.29**	5.97
– FNB commercial**	**4 554**	5 770	(21)	**12**	**4.27**	6.04
– SME government-guaranteed loan scheme	**73**	28	>100	**–**	**5.65**	1.75
WesBank corporate**	**903**	1 394	(35)	**2**	**2.00**	3.40
RMB corporate and investment banking*	**2 795**	2 394	17	**7**	**0.97**	0.99
– Lending*	**2 795**	2 394	17	**7**	**0.97**	0.99
– Loans to private equity investee companies	**–**	–	–	**–**	**–**	–
CENTRE (INCLUDING GROUP TREASURY)*,#	**664**	289	>100	**2**	**2.32**	0.90
Securitisation notes	**–**	–	–	**–**	**–**	–
Other*,#	**664**	289	>100	**2**	**12.53**	4.37
Total stage 3/NPLs*	**38 694**	46 774	(17)	**100**	**4.26**	5.63
Of which:						
Amortised cost book	**37 842**	46 618	(19)	**98**	**4.27**	5.80
Fair value book	**852**	156	>100	**2**	**0.92**	0.17

* *Prior year ratios have been restated. Calculated on core lending advances.*

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

\# *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

Credit continued

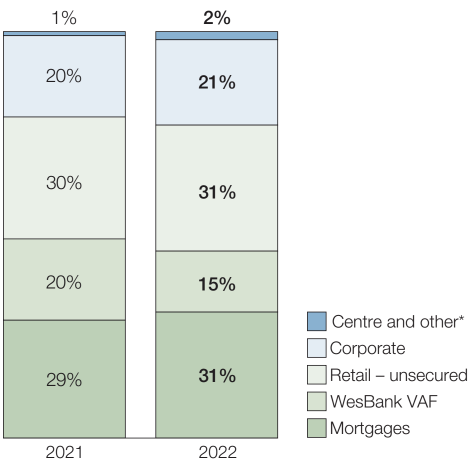
SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs				Stage 3/NPLs as a % of gross advances	
	As at 30 June			% composition	As at 30 June	
R million	**2022**	2021	% change	**2022**	**2022**	2021
Sector analysis						
Agriculture	**2 239**	1 572	42	**6**	**4.66**	3.90
Financial Institutions*,**	**215**	350	(39)	**1**	**0.15**	0.24
Building and property development	**934**	1 113	(16)	**2**	**1.58**	2.03
Government, Land Bank and public authorities	**190**	825	(77)	**–**	**0.68**	3.99
Individuals	**29 164**	35 006	(17)	**76**	**7.13**	9.00
Manufacturing and commerce	**2 361**	2 942	(20)	**6**	**1.79**	2.83
Mining	**95**	106	(10)	**–**	**1.46**	1.39
Transport and communication	**769**	1 050	(27)	**2**	**2.42**	4.79
Other services**	**2 727**	3 810	(28)	**7**	**3.69**	5.40
Total stage 3/NPLs	**38 694**	46 774	(17)	**100**	**3.95**	5.22
Geographical analysis						
South Africa	**37 888**	46 239	(18)	**98**	**4.20**	5.65
Broader Africa	**129**	154	(16)	**–**	**0.44**	0.80
UK	**666**	291	>100	**2**	**3.21**	0.69
Other Europe	**5**	4	25	**–**	**0.03**	0.05
North America	**1**	1	–	**–**	**0.03**	0.05
Australasia	**1**	–	–	**–**	**16.67**	–
Asia	**4**	85	(95)	**–**	**0.06**	1.14
Total stage 3/NPLs	**38 694**	46 774	(17)	**100**	**3.95**	5.22

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

** *Reclassification error corrected for June 2021 relating to real estate institutions incorrectly classified under financial institutions.*

NPL distribution



* *Prior year restated due to the reallocation of MotoNovo back book to the Centre.*

Credit continued

The table below provides an overview of operational and paying NPLs.

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total NPLs
June 2022				
Residential mortgages	7 654	752	3 396	11 802
WesBank VAF	3 878	487	1 620	5 985
FNB card	3 036	29	613	3 678
Personal loans	4 782	285	1 207	6 274
Retail other	1 695	27	244	1 966
Total retail NPLs	21 045	1 580	7 080	29 705
FNB commercial	4 440	5	182	4 627
WesBank corporate	683	29	191	903
Total commercial NPLs	5 123	34	373	5 530
Total retail and commercial NPLs	26 168	1 614	7 453	35 235

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

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

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

Credit continued

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total NPLs
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†	5 343	29	426	5 798
WesBank corporate†	830	140	424	1 394
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 advances ≥ 90 days in arrears.*

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

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

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

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 30 June 2022			As at 30 June 2021		
R million	Stage 3/ NPLs	Security held and expected recoveries	Specific impairment	Stage 3/ NPLs	Security held and expected recoveries	Specific impairment
RETAIL	29 705	15 463	14 242	36 899	19 865	17 034
Retail – secured	17 787	12 098	5 689	22 827	16 128	6 699
Residential mortgages	11 802	9 266	2 536	13 356	10 539	2 817
WesBank VAF	5 985	2 832	3 153	9 471	5 589	3 882
Retail – unsecured	11 918	3 365	8 553	14 072	3 781	10 291
FNB card	3 678	1 067	2 611	4 034	866	3 168
Personal loans	6 274	1 795	4 479	7 546	2 249	5 297
– FNB and DirectAxis	5 985	1 756	4 229	7 131	2 172	4 959
– Covid-19 relief	289	39	250	415	77	338
Retail other	1 966	503	1 463	2 492	666	1 826
Temporary stress scenario	–	–	–	–	(44)	44
CORPORATE AND COMMERCIAL	8 325	3 610	4 715	9 586	5 177	4 409
FNB commercial*	4 627	1 482	3 145	5 798	2 419	3 379
– FNB commercial*	4 554	1 482	3 072	5 770	2 419	3 351
– SME government-guaranteed loan scheme	73	–	73	28	–	28
WesBank corporate*	903	487	416	1 394	843	551
RMB corporate and investment banking	2 795	1 641	1 154	2 394	1 915	479
– Lending	2 795	1 641	1 154	2 394	1 915	479
– Loans to private equity investee companies	–	–	–	–	–	–
CENTRE (INCLUDING GROUP TREASURY)**	664	(48)	712	289	51	238
Securitisation notes	–	–	–	–	–	–
Other**	664	(48)	712	289	51	238
Total	38 694	19 025	19 669	46 774	25 093	21 681

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

** *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

Stage 3/ NPLs % change	Specific impairment % change	Coverage ratios (% of stage 3/NPLs) As at 30 June 2022	2021
(19)	(16)	**47.9**	46.2
(22)	(15)	**32.0**	29.3
(12)	(10)	**21.5**	21.1
(37)	(19)	**52.7**	41.0
(15)	(17)	**71.8**	73.1
(9)	(18)	**71.0**	78.5
(17)	(15)	**71.4**	70.2
(16)	(15)	**70.7**	69.5
(30)	(26)	**86.5**	81.4
(21)	(20)	**74.4**	73.3
–	(100)	**–**	–
(13)	7	**56.6**	46.0
(20)	(7)	**68.0**	58.3
(21)	(8)	**67.5**	58.1
>100	>100	**100.0**	100.0
(35)	(25)	**46.1**	39.5
17	>100	**41.3**	20.0
17	>100	**41.3**	20.0
–	–	**–**	–
>100	>100	**107.2**	82.4
–	–	**–**	–
>100	>100	**107.2**	82.4
(17)	(9)	**50.8**	46.4

Credit continued

Note 4: Analysis of balance sheet total impairments

	Balance sheet impairments					
	As at 30 June			As at 30 June		
				2022		
R million	**2022**	2021	% change	**Stage 1**	**Stage 2**	**Stage 3**
RETAIL	**24 247**	26 697	(9)	**5 121**	**4 884**	**14 242**
Retail – secured	**9 305**	9 933	(6)	**1 388**	**2 228**	**5 689**
Residential mortgages	**4 084**	4 304	(5)	**609**	**939**	**2 536**
WesBank VAF	**5 221**	5 629	(7)	**779**	**1 289**	**3 153**
Retail – unsecured	**14 627**	16 432	(11)	**3 580**	**2 494**	**8 553**
FNB card	**4 361**	4 683	(7)	**1 130**	**620**	**2 611**
Personal loans	**7 808**	8 630	(10)	**1 785**	**1 544**	**4 479**
– FNB and DirectAxis	**7 405**	8 036	(8)	**1 719**	**1 457**	**4 229**
– Covid-19 relief	**403**	594	(32)	**66**	**87**	**250**
Retail other	**2 458**	3 119	(21)	**665**	**330**	**1 463**
Temporary stress scenario	**315**	332	(5)	**153**	**162**	**–**
CORPORATE AND COMMERCIAL	**10 211**	11 382	(10)	**2 319**	**3 177**	**4 715**
FNB commercial*	**5 291**	5 909	(10)	**1 056**	**1 090**	**3 145**
– FNB commercial*	**5 129**	5 657	(9)	**999**	**1 058**	**3 072**
– SME government-guaranteed loan scheme	**107**	104	3	**34**	**–**	**73**
– Temporary stress scenario	**55**	148	(63)	**23**	**32**	**–**
WesBank corporate*	**795**	956	(17)	**186**	**193**	**416**
RMB corporate and investment banking	**4 125**	4 517	(9)	**1 077**	**1 894**	**1 154**
– Lending	**4 120**	4 513	(9)	**1 072**	**1 894**	**1 154**
– Loans to private equity investee companies	**5**	4	25	**5**	**–**	**–**
CENTRE (INCLUDING GROUP TREASURY)**	**891**	390	>100	**144**	**35**	**712**
Securitisation notes	**21**	24	(13)	**21**	**–**	**–**
Other**	**870**	366	>100	**123**	**35**	**712**
Total impairments	**35 349**	38 469	(8)	**7 584**	**8 096**	**19 669**

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

** *Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.*

Balance sheet impairments		
As at 30 June		
2021		
Stage 1	Stage 2	Stage 3
4 673	4 990	17 034
1 354	1 880	6 699
646	841	2 817
708	1 039	3 882
3 190	2 951	10 291
861	654	3 168
1 611	1 722	5 297
1 520	1 557	4 959
91	165	338
718	575	1 826
129	159	44
2 690	4 283	4 409
1 068	1 462	3 379
868	1 438	3 351
76	–	28
124	24	–
197	208	551
1 425	2 613	479
1 421	2 613	479
4	–	–
130	22	238
24	–	–
106	22	238
7 493	9 295	21 681

Credit continued

Note 5: Analysis of income statement credit impairments

	Total impairment charge		
	Year ended 30 June		
R million	2022	2021	% change
RETAIL	**5 786**	8 812	(34)
Retail – secured	**1 440**	2 414	(40)
Residential mortgages	**46**	577	(92)
WesBank VAF	**1 394**	1 837	(24)
Retail – unsecured	**4 363**	6 066	(28)
FNB card	**1 070**	1 428	(25)
Personal loans	**2 354**	3 600	(35)
– FNB and DirectAxis	**2 193**	2 999	(27)
– Covid-19 relief	**161**	601	(73)
Retail other	**939**	1 038	(10)
Temporary stress scenario	**(17)**	332	(>100)
CORPORATE AND COMMERCIAL	**19**	2 265	(99)
FNB commercial**	**353**	1 177	(70)
– FNB commercial**	**445**	973	(54)
– SME government-guaranteed loan scheme	**1**	56	(98)
– Temporary stress scenario	**(93)**	148	(>100)
WesBank corporate**	**12**	236	(95)
RMB corporate and investment banking*	**(346)**	852	(>100)
– Lending*	**(347)**	853	(>100)
– Loans to private equity investee companies	**1**	(1)	(>100)
FNB broader Africa	**–**	(28)	(100)
CENTRE (INCLUDING GROUP TREASURY)*,#	**86**	66	30
Securitisation notes	**(3)**	5	(>100)
Other*,#	**89**	61	46
Total impairment charge*	**5 891**	11 115	(47)
Of which:			
Portfolio impairments charge	**(145)**	2 571	(>100)
Specific impairments charge	**6 036**	8 544	(29)

* *Prior year ratios have been restated. Calculated on core lending advances.*

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

Prior year has been restated due to the reallocation of MotoNovo back book to the Centre.

As a % of average core lending advances	
Year ended 30 June	
2022	2021*
1.40	2.18
0.44	0.76
0.02	0.26
1.52	1.99
5.02	6.91
3.34	4.65
5.90	8.83
5.87	7.88
6.32	22.00
6.25	6.40
–	–
–	0.54
0.34	1.22
0.44	1.02
0.07	5.76
–	–
0.03	0.58
(0.13)	0.33
(0.13)	0.33
0.31	(0.32)
–	–
0.28	0.19
(0.01)	0.02
1.49	0.72
0.68	1.30
(0.01)	0.30
0.69	1.00

Credit continued

TOTAL TEMPORARY STRESS SCENARIO

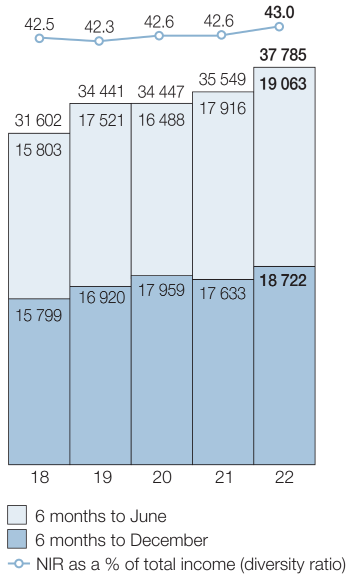
	As at 30 June 2022						Year ended 30 June 2022
	Core lending advances	Balance sheet impairments					
R million	Migration from stage 1 to 2	Total	Total portfolio	Stage 1	Stage 2	Stage 3	Impairment charge
Total temporary stress scenario	2 817	370	370	176	194	–	(110)
Total retail	2 687	315	315	153	162	–	(17)
Residential mortgages	2 354	142	142	64	78	–	46
WesBank VAF	12	44	45	21	24	(1)	(24)
FNB card	193	58	58	29	29	–	(10)
Personal loans	99	52	52	31	21	–	(14)
– FNB and DirectAxis	99	51	51	31	20	–	(7)
– Covid-19 relief	–	1	1	–	1	–	(7)
Retail other	29	19	18	8	10	1	(15)
FNB commercial	130	55	55	23	32	–	(93)

As at 30 June 2021							Year ended 30 June 2021
Core lending advances	Balance sheet impairments						
Migration from stage 1 to 2	Total	Total portfolio	Stage 1	Stage 2	Stage 3		Impairment charge
1 309	480	436	253	183	44		480
1 210	332	288	129	159	44		332
735	96	59	20	39	37		96
109	68	62	23	39	6		68
88	68	68	37	31	–		68
248	66	66	29	37	–		66
248	58	58	24	34	–		58
–	8	8	5	3	–		8
30	34	33	20	13	1		34
99	148	148	124	24	–		148

Non-interest revenue

Non-interest revenue – up 6%

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



Note: 2018 figures are based on IAS 39 and 2019 to 2022 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	2022	2021	% change
Net fee, commission and insurance income		**28 322**	26 845	6
– Fee and commission income	1	**27 883**	26 377	6
– Insurance income	2	**439**	468	(6)
Trading and other fair value income	3	**3 966**	3 574	11
Investment income		**199**	8	>100
Other non-interest revenue	4	**5 298**	5 122	3
Non-interest revenue		**37 785**	35 549	6

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 6%

R million	2022	2021	% change
Bank fee and commission income	**30 068**	28 055	7
– Card commissions	**5 147**	4 229	22
– Cash deposit fees	**1 582**	1 579	–
– Exchange and other commissions*	**3 039**	3 006	1
– Bank charges	**20 300**	19 241	6
– Commitment fees	**1 449**	1 333	9
– Other bank charges**	**18 851**	17 908	5
Knowledge-based fees	**1 068**	1 049	2
Management and fiduciary fees	**1 364**	1 391	(2)
– Investment management fees	**595**	639	(7)
– Management fees from associates and joint ventures	**756**	744	2
– Other management and brokerage fee income	**13**	8	63
Other non-bank commissions	**734**	761	(4)
Gross fee and commission income	**33 234**	31 256	6
Fee and commission expenditure	**(5 351)**	(4 879)	10
– Transaction-related fees	**(1 271)**	(1 059)	20
– Commission paid	**(244)**	(237)	3
– Customer loyalty programmes	**(2 019)**	(1 760)	15
– Cash sorting handling and transportation charges	**(1 069)**	(992)	8
– Card-related	**(366)**	(462)	(21)
– Other	**(382)**	(369)	4
Net fee and commission income	**27 883**	26 377	6

* *The description has been updated to more appropriately reflect the nature of income earned. This line was previously titled Electronic transaction fees. 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.*

Non-interest revenue continued

KEY DRIVERS

Fee and commission income growth of 6% benefited from 7% growth in bank fee and commission income, however, expenditure increased 10%, driven by higher transaction-related fees and the cost of the customer loyalty programme.

> FNB fee and commission grew reflecting higher transaction volumes and 5% growth in active customers, which was partly offset by below-inflation fee increases and c. R870 million of certain fee reductions.

> FNB transaction volumes increased 14% overall. Electronic platform logins grew 14% across all interfaces, whilst manual volumes declined 1%. Branch and cash centre transaction volumes decreased 33% and 8%, respectively.

> Card issuing (swipe) volumes increased 14% reflecting the rebound in overall customer activity to pre-pandemic levels, contributing to the 22% overall growth in card commissions.

> RMB's fee income was supported by resilient origination activities, providing an uplift to both structuring and commitment fee income. This was, however, partly offset by the non-repeat of material advisory fees reported in the prior year.

> RMB's domestic transactional fee income was impacted by reduced pricing on certain products for strategic clients and higher association fees, despite increased volumes in areas such as merchant services. EFT revenues declined as volumes decreased.

> Knowledge-based fees increased 2%, benefiting from increased deals in the current year despite the tough operating environment.

> Management and fiduciary fee income was driven by a decline in assets under management (AUM) as well as a switch by customers to new-generation products with lower fees, and outflows from maturing funds.

NOTE 2 – INSURANCE INCOME – DOWN 6%

R million	**2022**	2021	% change
Insurance commission	**130**	161	(19)
Insurance brokerage	**309**	307	1
Total insurance income	**439**	468	(6)

The insurance commission decline largely relates to the bank writing new business on its own licence.

Non-interest revenue continued

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 11%

R million	2022	2021	% change
Trading income	**4 080**	3 979	3
– Equities	**(1)**	(23)	(96)
– Commodities	**663**	446	49
– Fixed income	**2 206**	2 364	(7)
– Currencies	**1 212**	1 192	2
Other fair value income	**(114)**	(405)	(72)
– RMB banking activities and other	**286**	187	53
– Group Treasury economic hedges and other	**(400)**	(592)	(32)
Total trading and other fair value income	**3 966**	3 574	11

KEY DRIVERS

The 11% growth in trading and fair value income was driven by solid trading income in RMB and lower Group Treasury fair value losses.

> Trading income was supported by:
- the currency desk benefiting from exchange rate volatility, offset by a decline in fixed income and credit trading, impacted by the inflationary risks and the start of an interest rate hiking cycle in the latter part of the year; and
- strong client flow and pricing opportunities in hard commodities, coupled with soft commodities reflecting market-making activities.
- the equity desk benefiting from increased market volumes and values traded, as well as improved corporate activity.

> RMB banking activities include various one-off incomes.

> Group Treasury fair value income improved, driven by the net open foreign exchange position (the rand weakened this year whereas it strengthened in the prior year).

NOTE 4 – OTHER NON-INTEREST REVENUE – UP 3%

KEY DRIVERS

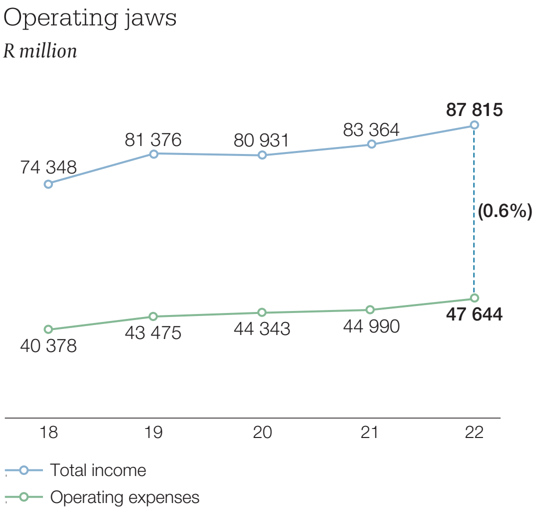
> A significant component of other NIR relates to various intercompany charges to other FirstRand group companies for the provision of services. These are relevant to bank but eliminate at a group level.

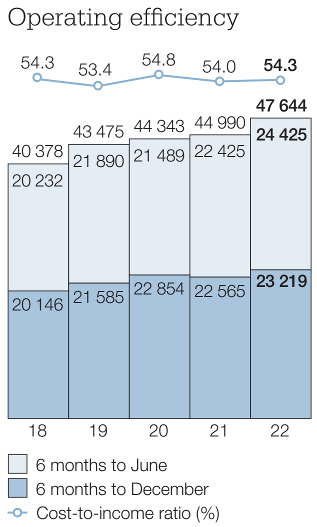
> Rental income reduced 6%, largely due to the decline in speedpoint rentals as a result of lower pricing and reduced FML rentals arising from the wind-down of two large partnerships.

> Rental income represents 31% (2021: 34%) of other NIR.

Operating expenses

Operating expenses – up 6%





Note: 2018 figures are based on IAS 39 and 2019 to 2022 figures on IFRS 9.

OPERATING EXPENSES

R million	2022	2021	% change
Staff expenditure	**28 580**	26 776	7
– Direct staff expenditure	**21 392**	20 599	4
– Variable staff expenditure	**5 672**	4 706	21
– Short-term incentive payments*	**4 114**	3 510	17
– Share price linked incentive payments*	**1 558**	1 196	30
– Other staff-related expenditure	**1 516**	1 471	3
Depreciation of property and equipment	**3 280**	3 600	(9)
Amortisation of intangible assets	**181**	211	(14)
Advertising and marketing	**1 568**	1 251	25
Insurance	**248**	245	1
Lease charges	**458**	320	43
Professional fees	**1 978**	1 717	15
Audit fees	**384**	411	(7)
Computer expenses	**3 164**	3 248	(3)
Repairs and maintenance	**1 226**	1 140	8
Telecommunications	**377**	438	(14)
Property	**941**	849	11
Business travel	**167**	84	99
Assets costing less than R7 000	**206**	302	(32)
Stationery and printing	**86**	90	(4)
Donations	**320**	227	41
Legal fees	**767**	869	(12)
Other expenditure	**3 713**	3 212	16
Total operating expenses	**47 644**	44 990	6

* *Certain staff expenses relating to the Covid-19 retention scheme award have been reclassified from short-term incentives to share price linked incentives, as the nature of these payments is more closely aligned to share price linked incentive expenses. Further, deferred bonus scheme costs are also included in the share price linked incentives.*

Operating expenses continued

KEY DRIVERS

The cost increase of 6% was driven by 7% growth in overall staff expenditure, driven by increases in variable remuneration.

> Staff costs represent 60% (2021: 60%) of the bank's operating expenses.

	% change	Reasons
Direct staff costs	4	Annual salary increases averaged 4% (unionised staff at 4.5%), with headcount flat year-on-year (excluding FirstJob employees).
Variable staff expenditure	21	
Short-term incentive payments	17	With the improvement in NIACC (the group's measure of economic profit) and earnings growth of 30%, the overall short-term incentive pool increased given the base effect of the removal of the prior year penalty on the pool. Growth was further affected by certain accounting-related timing differences, including the point in time at which deferred payments are expensed and included under share-based payments.
Share price linked incentive payments	30	The 2019 long-term incentive (LTI) awards did not vest in the current year, however, the net release was offset by the first tranche of the Covid-19 retention scheme award and other revaluations. This creates a distortion in the year-on-year growth, combined with the inclusion of the bonus deferral linked to the FirstRand share price.
Other staff-related costs	3	Other staff costs include the skills development levy (the 2021 levy was suspended).

> Accelerated amortisation and depreciation as a result of a revision to the useful lives of certain assets in the prior year led to a 14% decline in amortisation of intangible assets and a 9% reduction in depreciation.

> Advertising and marketing costs increased 25% given the improvement in economic activity, which resulted in an acceleration in FNB's digital marketing activities and sport sponsorships, which were reinstated after Covid-19 restrictions were lifted.

> Lease charges increased 43%, mainly due to connectivity infrastructure implementation costs for client-facing employees and an increase in points of presence.

> Professional fees increased mainly due to additional resourcing required for platform-related projects.

> The decrease in audit fees reflect the non-repeat of certain prior year audit requirements, especially those that were necessary given Covid-19.

> Computer expenses declined 3%, reflecting the benefit of elevated costs in the prior year (software write-off) as well as a reduction in IT expenditure towards professional fees.

> Business travel increased as borders reopened and most travel restrictions were lifted.

> The 41% increase in donations was a result of payments made to the Solidarity Fund and the FNB Philanthropy Trust, in addition to the usual contribution to the FirstRand Foundation linked to increased profitability.

> Other expenditure includes various items such as entertainment, bank charges, subscriptions and membership fees.

financial resource management

Economic view of the balance sheet

One of the bank's key financial resource management objectives is to protect and enhance FirstRand's financial performance through the holistic management of the balance sheet and its income streams within the context of the macro environment. This includes the relative positioning of the balance sheet through strategic tilts related to long-term trends, whilst tactical tilts are associated with the current point in the cycle.

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 optimise use of institutional funding.

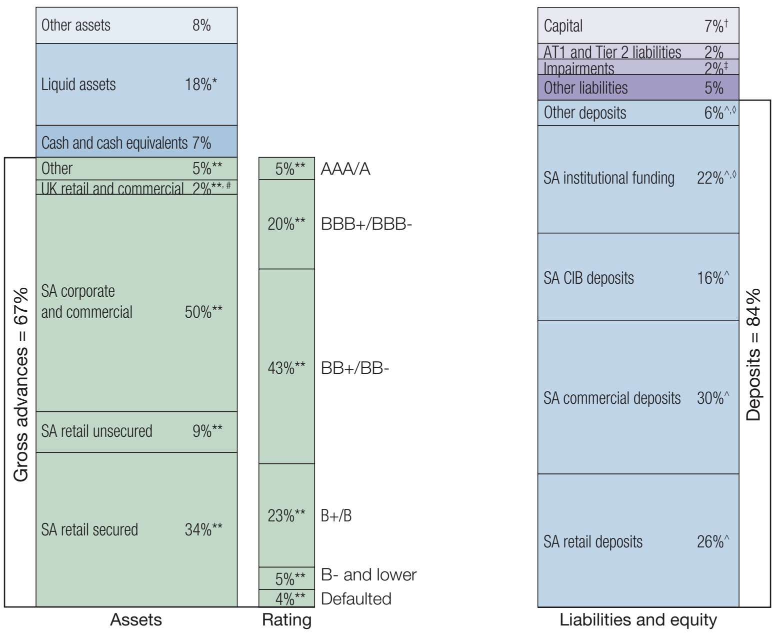
When assessing the underlying risk in the balance sheet, the bank's asset profile reflects a diversified advances portfolio, which constitutes 67% of total assets. The composition of the gross advances portfolio consists of SA corporate and commercial (50%), SA retail secured (34%), SA retail unsecured (9%), other (5%) and UK retail and commercial (2%). At June 2022, the bank reported total NPLs of R38 694 million (4.26% of core lending advances) and a credit loss ratio (%) of core lending advances of 68 bps.

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

The bank has continued to successfully enhance its risk-adjusted funding profile through optimised use of institutional funding and deposit franchise growth. The weighted average remaining term of institutional funding was 39 months at June 2022 (2021: 41 months). The reduction reflects a marginal increase in money market issuances relative to the longer-dated Tier 2 capital refinancing and senior debt issuances.

The bank remained strongly capitalised with a CET1 ratio of 14.2%, a Tier 1 ratio of 14.9% and a total capital adequacy ratio of 17.7%. Gearing decreased to 13.8 times (2021: 14.2 times), driven by 6% growth in average total equity, while average total assets increased 3%.

Economic view of the balance sheet



* Include 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

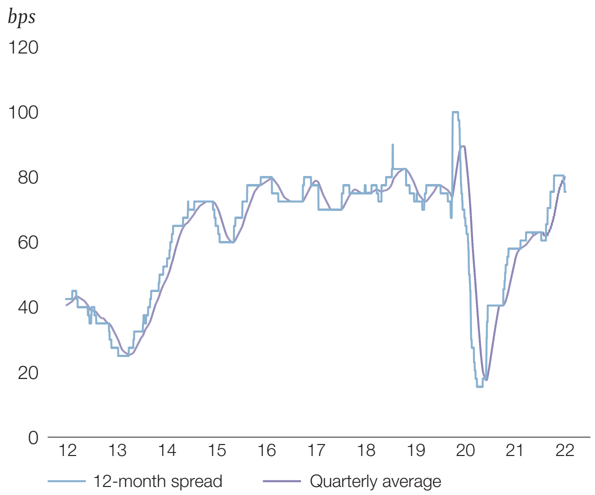
A comprehensive overview of the group's funding and liquidity management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2022, which is available at www.firstrand.co.za/investors/basel-pillar-3-disclosure/.

Funding conditions

The normalisation of market conditions in the first half of the financial year gave way to elevated inflation and global recession risks in the second half of the period. Despite the current macroeconomic headwinds, there has been limited impact on funding access and liquidity availability for the bank in both rand and hard currency. Furthermore, improved market stability allowed the SARB to further withdraw the liquidity support measures introduced during the Covid-19 crisis.

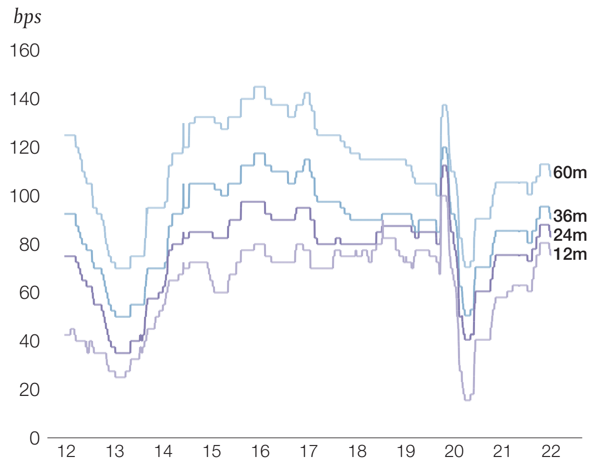
The spread to JIBAR paid on 12-month money market instruments is most representative of bank funding costs in the money markets. During the year under review institutional funding spreads returned to pre-pandemic levels. The period under review is also marked with renewed economic activity and credit demand that has fuelled funding demand. Through its customer franchises the bank has continued to grow customer deposits and more selectively incorporate institutional funding where required with money market and debt issuances.

12-month mid-market funding spread



Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads



Sources: Bloomberg (RMBP screen) and Reuters.

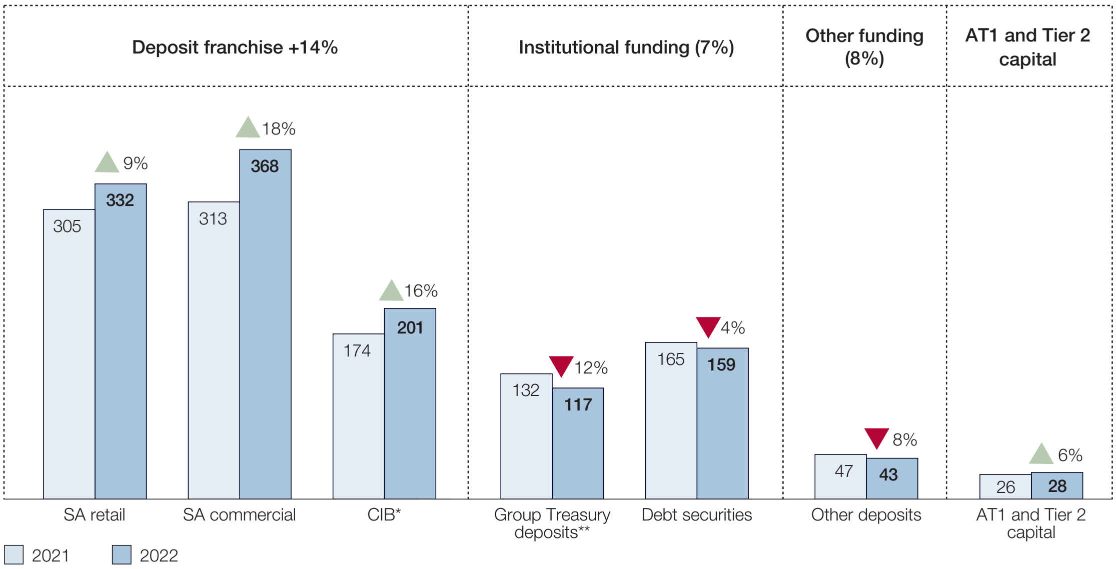
Funding and liquidity continued

Funding measurement and activity

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

Funding portfolio growth

R billion



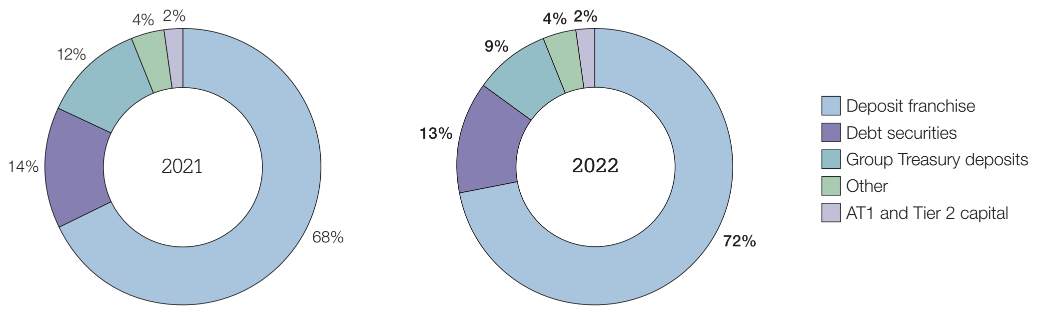
Note 1: Percentage change is based on actual underlying numbers rather than the rounded figures shown in the bar graphs above.

* *Includes South Africa and the London branch.*

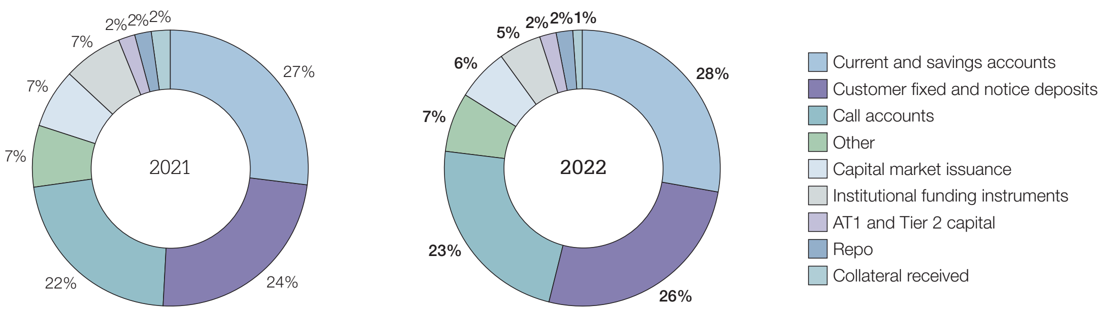
** *Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.*

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

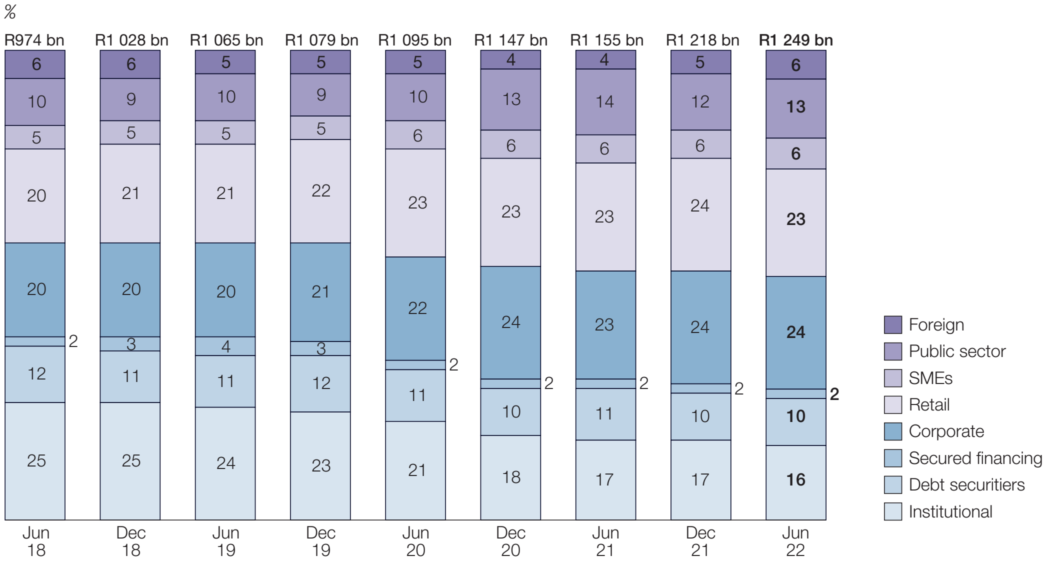
The bank's focus on growing main-banked transactional accounts naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when viewed in aggregate the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

BANK* COUNTERPARTY FUNDING ANALYSIS

	As at 30 June				
	2022				2021
% of funding liabilities	Total	Short term	Medium term	Long term	Total
Institutional	15.5	8.5	2.4	4.6	17.3
ZAR	15.2	8.2	2.4	4.6	17.0
FX	0.3	0.3	–	–	0.3
Debt securities	9.9	0.2	0.8	8.9	10.6
Secured financing	1.8	0.9	0.2	0.7	2.0
Corporate	24.3	22.4	1.7	0.2	23.3
ZAR	22.6	20.7	1.7	0.2	21.9
FX	1.7	1.7	–	–	1.4
Retail	23.5	18.3	3.2	2.0	23.4
ZAR	22.9	17.7	3.2	2.0	22.8
FX	0.6	0.6	–	–	0.6
SMEs	6.1	5.1	0.7	0.3	5.9
Public sector	12.7	11.2	1.1	0.4	13.4
Foreign	6.2	3.3	1.7	1.2	4.1
Total	100.0	69.9	11.8	18.3	100.0

* *Excluding foreign branches.*

Bank* funding analysis by source



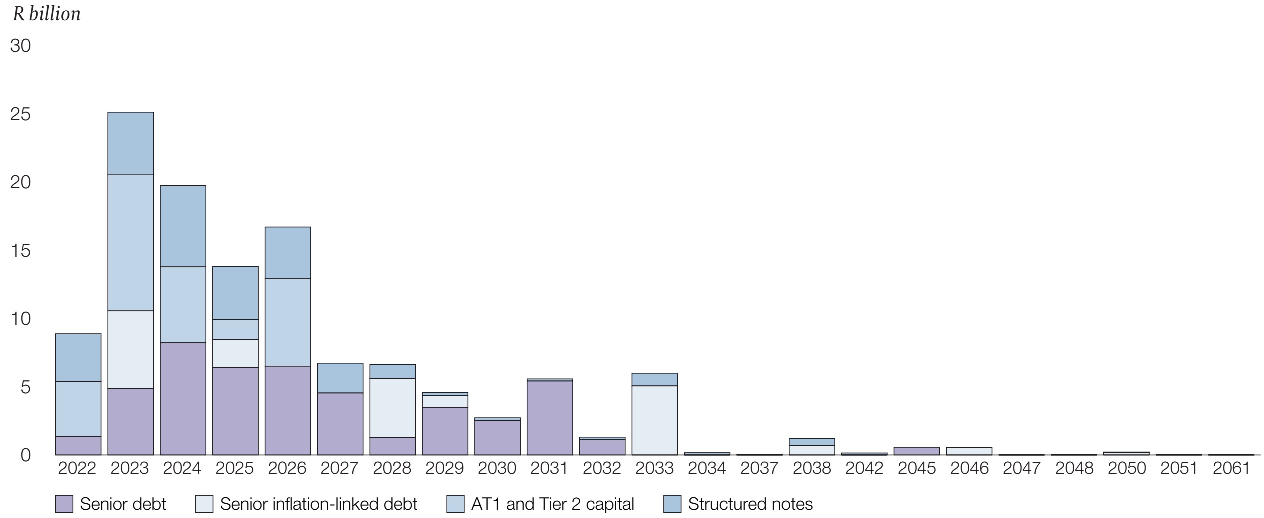
* *Excluding foreign branches.*

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 benchmark tenors, taking pricing and investor demand into consideration. Finalisation of regulations regarding flac and financial conglomerates will influence future issuance considerations.

Maturity profile of the bank's* capital market instruments



* *Including foreign branches.*

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	**2022**	2021
Cash and deposits with central banks	**38**	36
Short-term liquidity instruments	**119**	91
Long-term investment securities	**113**	116
Other liquid assets	**34**	44
Total liquid assets	**304**	287

Liquidity ratios for the bank at June 2022 are summarised below.

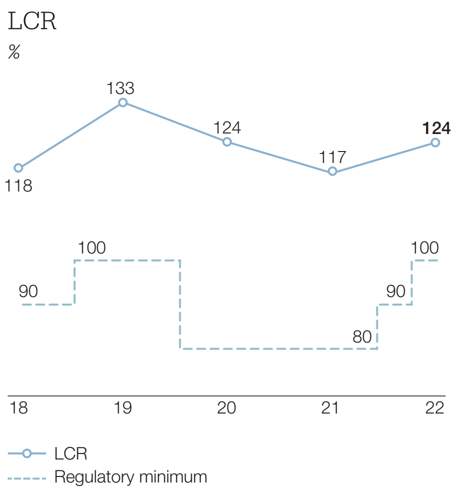
LIQUIDITY RATIOS

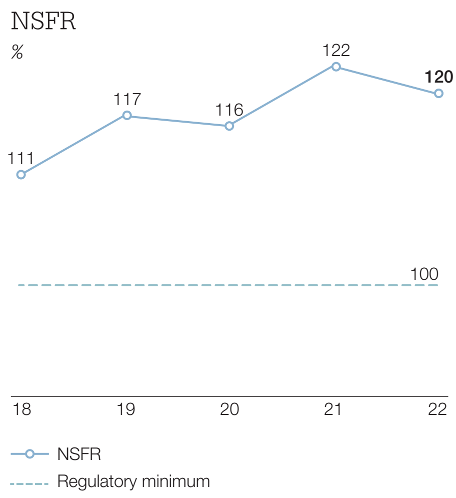
%	LCR*	NSFR*
Regulatory minimum**	**100**	**100**
Actual	**124**	**120**

* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2022 for FirstRand Bank South Africa.*

** *The temporary reduction of the LCR requirement from 100% to 80%, which came into effect on 1 April 2020, has been effectively withdrawn with Directive 8 of 2021, which increased the LCR requirement to 90% as at 1 January 2022, and further increased the LCR requirement to 100% as at 1 April 2022. There were no changes to the NSFR minimum requirement.*

The graphs below provide an historical view of the prudential liquidity ratios for the bank.





Capital

Capital management approach

A comprehensive overview of group's capital management approach is provided in the Basel Pillar 3 disclosure for the year ended 30 June 2022, 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 regulatory minimums and internal targets.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS*

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum**	8.5	10.8	13.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits#				
2022	**14.2**	**14.9**	**17.7**	**7.2**
2021	14.5	15.2	17.8	7.4

* *Relate to FRB including foreign branches.*

** *Excluding the individual capital requirement (Pillar 2B). The domestic systemically important bank (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 published *Directive 5 of 2021*, *Capital framework for South Africa based on the Basel III framework*, which reinstated the Pillar 2A requirement of 1% on 1 January 2022. The bank's internal targets remain appropriate as these are aligned to end-state capital requirements and consider other stakeholder requirements. There is ongoing focus on optimising the overall level and mix of capital across the bank.

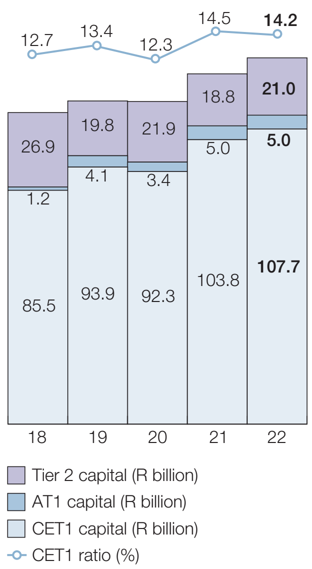
The bank continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the bank remains solvent at a confidence interval of 99.93%, and that it can deliver 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 continued to meet its economic capital requirements and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.8 times on a post-diversified basis.

Capital continued

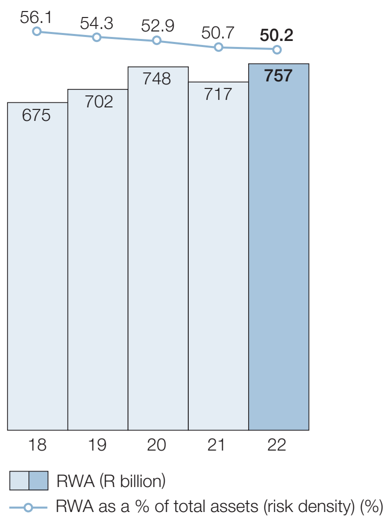
The capital and leverage information included in the following sections relate to FRB, including foreign branches.

The graphs below provide a five-year view of the bank's capital adequacy, RWA and leverage positions.

Capital adequacy*



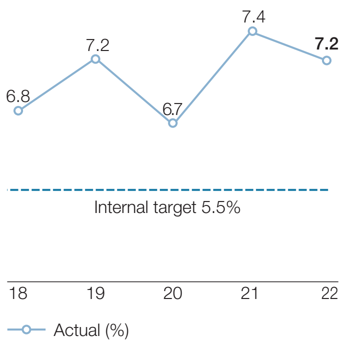
RWA history



** 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 decrease in the leverage ratio to June 2022 mainly relates to an increase in total exposures, partly offset by an increase in Tier 1 capital.

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	2022	2021
CET1 capital	**107 711**	103 762
Additional Tier 1 capital	**4 971**	4 996
Tier 1 capital	**112 682**	108 758
Tier 2 capital	**20 997**	18 830
Total qualifying capital	**133 679**	127 588

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

KEY DRIVERS
June 2022 vs June 2021

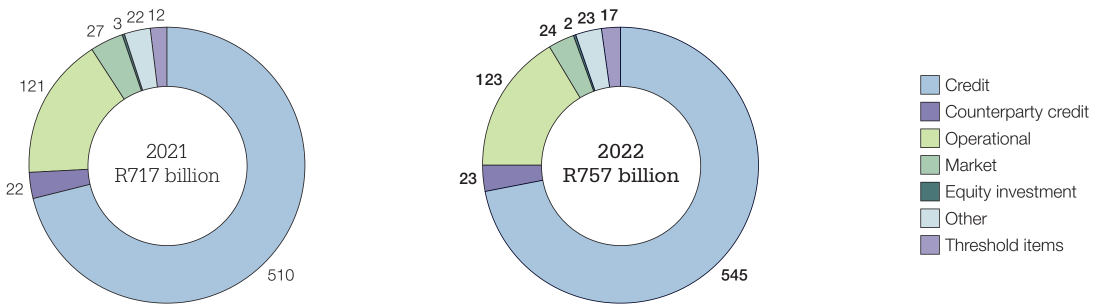
CET 1 capital	▲	> Positive earnings generation with the ROE at 23.4% partly offset by the payment of dividends and the final transitional impact of IFRS 9. > Increase in the foreign currency translation reserve given rand depreciation.
Tier 2 capital	▲	> Foreign exchange movements given rand depreciation against the dollar. > Tier 2 issuance in November 2021 (R2.5 billion) to replace rollover of instruments.

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

Capital continued

Demand for capital

RWA analysis



KEY DRIVERS
June 2022 vs June 2021

Credit	▲	> Increased advances growth, rand depreciation, risk migration and model refinement.
Counterparty credit	▲	> Increased risk positions and mark-to-market movements on the back of global market volatility, notably in commodity prices.
Operational	▲	> Recalibration of operational risk scenarios and additional losses for entities on the advanced measurement approach, as well as changes in gross income for entities on the standardised approach.
Market	▼	> Overall risk reduction in the markets business on the back of liquidity constraints and the market volatility induced by the tightening of monetary policy from central banks globally.
Threshold items	▲	> Increase in the deferred income tax assets.

Capital adequacy for FRB and its regulated entities

CAPITAL ADEQUACY FOR THE BANK AND ITS REGULATED ENTITIES

	As at 30 June		
	2022		2021
%	Total minimum requirement*	Total capital adequacy	Total capital adequacy
Basel III (PA regulations)			
FirstRand Bank**,#		**17.7**	17.8
FirstRand Bank South Africa**		**17.4**	17.6
FirstRand Bank London	**13.0**	**21.6**	22.0
FirstRand Bank India		**>100**	82.9
FirstRand Bank Guernsey		**43.0**	27.5

* *Excluding any confidential bank-specific requirements.*

** *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 below and on the next page, 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 the 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 B116 and B117.

Margin-related items included in fair value income

In terms of IFRS, the bank 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 is measured at fair value through profit or loss;

> fair value gains on derivatives that are used as interest rate hedges, but which do not qualify for hedge accounting; and

> currency translations and associated costs inherent to the USD funding and liquidity pool.

IAS 19 remeasurement of plan assets

In terms of IAS 19, interest income is recognised on the plan assets and offset against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

Presentation continued

Cash-settled share-based payments and the economic hedge

The bank entered into various total returns 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-based awards.

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 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 regarding the share schemes that are not hedge accounted.

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

Headline earnings adjustments

All adjustments required by *Circular 01/2021 – 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 B118.

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 2022

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 2022

We have completed our assurance engagement to report on the compilation of the pro forma financial information (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 118 to 120 of the Analysis of Financial Results, consist of:

- Reconciliation from headline to normalised earnings for the year ended 30 June 2022;
- Reconciliation of normalised to IFRS summary consolidated income statement for the year ended 30 June 2022; and
- Reconciliation of normalised to IFRS summary consolidated statement of financial position as at 30 June 2022.

The applicable criteria based on 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 and financial position sections and headline and normalised 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 and financial position for the year ended 30 June 2022. 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 year ended 30 June 2022, on which an unmodified audit report was issued on 14 September 2022.

Directors' responsibility for the Pro Forma Financial Information

The directors of the Bank are responsible for compiling the Pro Forma Financial Information based on the applicable criteria specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results and financial position sections and headline and normalised section of the Analysis of Financial Results for the year ended 30 June 2022.

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*

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Private Bag X6, Gallo Manor 2052, South Africa
Tel: +27 (0)11 806 5200, www.deloitte.com

PricewaterhouseCoopers, 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

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 based on the applicable criteria specified in the JSE Listings Requirements and described in the description of difference between normalised and IFRS results and financial position sections and headline and normalised 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, during 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, non-operational items and accounting anomalies 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, based on 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 is reasonable for the basis of 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.

The procedures selected depend on our judgement, 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, based on the applicable criteria specified by the JSE Listings Requirements and described in the description of difference between normalised and IFRS results and financial position sections and headline and normalised section of the Analysis of Financial Results.

DocuSigned by:
Deloitte & Touche
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Deloitte & Touche
Registered Auditor
Partner: Kevin Black
Johannesburg, South Africa
14 September 2022

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf
Johannesburg, South Africa
14 September 2022

Statement of headline earnings – IFRS (audited)

for year ended 30 June

R million	2022	2021	% change
Profit for the year (refer to page C63)	**25 477**	19 820	29
Other equity instrument holders	**(593)**	(525)	13
Earnings attributable to ordinary equityholders	**24 884**	19 295	29
Adjusted for	**20**	15	33
Compensation from third parties for impaired/lost property and equipment	**(109)**	–	(100)
Gain/(loss) on the disposal of property and equipment	**(10)**	12	(>100)
Cost recovery – PPE	**(3)**	–	(100)
Impairment of assets in terms of IAS 36	**131**	12	>100
Tax effects of adjustments	**11**	(9)	(>100)
Headline earnings	**24 904**	19 310	29

Reconciliation from headline to normalised earnings

for year ended 30 June

R million	2022	2021	% change
Headline earnings	**24 904**	19 310	29
Adjusted for	**(162)**	(278)	(42)
TRS and IFRS 2 liability remeasurement*	**(58)**	(176)	(67)
IAS 19 adjustment	**(104)**	(102)	2
Normalised earnings	**24 742**	19 032	30

* *The bank uses various TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share-based incentive schemes. The 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 R8.78 and increased R15.53 during the prior year. 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 from the TRS, as described in more detail on page B115.*

Reconciliation of normalised to IFRS summary income statement

for year ended 30 June 2022

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	50 030	(1 303)	–	–	235	48 962
Impairment charge	(5 891)	–	–	–	–	(5 891)
Net interest income after impairment of advances	44 139	(1 303)	–	–	235	43 071
Non-interest revenue	37 785	1 303	–	122	(628)	38 582
Income from operations	81 924	–	–	122	(393)	81 653
Operating expenses	(47 644)	–	144	(131)	473	(47 158)
Income before indirect tax	34 280	–	144	(9)	80	34 495
Indirect tax	(805)	–	–	–	–	(805)
Profit before tax	33 475	–	144	(9)	80	33 690
Income tax expense	(8 140)	–	(40)	(11)	(22)	(8 213)
Profit for the year	25 335	–	104	(20)	58	25 477
Attributable to						
Other equity instrument holders	(593)	–	–	–	–	(593)
Ordinary equityholders	24 742	–	104	(20)	58	24 884
Headline and normalised earnings adjustments	–	–	(104)	20	(58)	(142)
Normalised earnings attributable to ordinary equityholders of the bank	24 742	–	–	–	–	24 742

Reconciliation of normalised to IFRS summary income statement

for year ended 30 June 2021

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	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 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

annual financial statements

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Annual financial statements

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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, and for the year ended 30 June 2022.

These annual financial statements have been prepared in accordance with International Financial Reporting Standards, including interpretations issued by the IFRS Interpretations Committee; the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee; the JSE Listings Requirements; the 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 to keep 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.

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

Approval of the annual financial statements

The annual financial statements of the bank, which appear on pages C16 to C256, were approved by the board of directors on 14 September 2022.

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
Chairman
Sandton

AP Pullinger
Chief Executive Officer

H Kellan
Chief Financial Officer

14 September 2022

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 and 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 2022 financial year, is chaired by an independent non-executive chairman and is satisfied that individual members of the committee possess appropriate qualifications and the balance of skills and experience required to discharge their responsibilities.

The committee is satisfied that it has, during the past financial executed its duties, in accordance with these terms of reference as well as 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
14 September 2022

COMPANY SECRETARY'S CERTIFICATION

Declaration by the company secretary in respect of section 88(2)(E) of the Companies Act

I declare that, to the best of my knowledge, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices as 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

14 September 2022

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 R25 477 million (2021: R19 820 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 R20 640 million were paid during the 2022 financial year (2021: R6 270 million).

Distributions of R593 million were made on AT1 instruments (2021: R525 million). Current tax of R166 million (2021: R147 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 24 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

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

WR Jardine	**AP Pullinger**	**H Kellan**
Chairman	Chief Executive Officer	Chief Financial Officer
Sandton		

14 September 2022

Independent auditors' report

To the Shareholder of FirstRand Bank Limited

Our opinion

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

What we have audited

FirstRand Bank Limited's financial statements of the company standing alone set out on pages C16 to C256 comprise:

- the statement of financial position as at 30 June 2022;
- 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 matter

Key audit matter	How the matter was addressed in the audit
Impairment of advances Significant macroeconomic uncertainty persists in the environment in which the Company operates. Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of IFRS 9 and industry developments. Impairment of advances is a matter of most significance to our current year audit due to the following: • Advances are material to the financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Event driven uncertainty and its impact on the assessment of ECL.	Our audit of the impairment of advances included, inter alia, the following audit procedures we performed with the assistance of our economic, credit and actuarial experts: • Across all significant portfolios we assessed the associated impairment practices applied by management against the requirements of IFRS 9. • We assessed the Company's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario views and associated probabilities in terms of the principles of IFRS 9. We considered whether the forecasts are sound in terms of macroeconomic forecasting principles. We reviewed the approval of these macroeconomic variables through the appropriate governance structures. This was performed through discussion with management and comparison to our own and benchmarked economic forecasts and independent market data and attendance of the governance forums. • We confirmed that the latest approved macroeconomic outlook has been appropriately incorporated into the forward looking estimate of ECL. The impact of events and risks not included in the macroeconomic forecasts was also considered.
Wholesale advances*: The areas of significant management judgement applied in the Stage 1 and Stage 2 modelling methodology and calculations include: • Input assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). • Assessing the impact of macroeconomic uncertainty on the forward-looking econometric information incorporated into the respective models. • Determining and weighting of scenario assumptions used in the forward-looking economic model to account for this uncertainty. • Assessing whether there has been a Significant Increase in Credit Risk (SICR) event since the origination date of the exposure to the reporting date (i.e. a trigger	Wholesale advances: We performed the following procedures on the ECL of wholesale advances with the assistance of our economic, credit and actuarial experts: • Considered the design, implementation and, where appropriate, operating effectiveness of relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance. • Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these are calibrated by using historical information to estimate forward looking ECL.

event that has caused a significant deterioration in credit risk and results in migration of the loan from Stage 1 to Stage 2). The assessment considers the impact of client behaviour, movements in ratings as well as judgemental factors which includes triggers for industries in distress. • Ensuring consistency between forward-looking information (FLI) and the SICR assessment and ECL calculations. • Additional provisions are recognised as post-model adjustments where there are constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile. The area of significant management judgement used in the ECL calculations applied to Stage 3 exposures include the assumptions used to estimate the recoverable amounts and timing of future cash flows of individual exposures, which have been classified as non-performing. * This applies to wholesale advances apparent in RMB corporate and investment banking as centre (including Group Treasury).	• Tested controls over the credit risk management and governance processes when advancing new facilities or restructuring existing facilities. • Assessed the quality of the data used in credit management, reporting and modelling for completeness and accuracy through data analytics and agreeing model input data to underlying supporting documentation. • Assessed the appropriateness of the ECL methodology, including any refinements against actual experience and industry practice through benchmarking and alignment with the principles of IFRS 9. • Through independent reperformance on a sample basis, we assessed the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EADs, PDs, LGDs and valuation of collateral in the current economic climate. • Selected a sample of advances with no indicators of SICR and determined if this was reasonable by forming an independent view based on publicly available information and management's annual credit reviews. • We reperformed the ECL models based on management's methodologies and assessed the areas of judgement within the methodology. We also estimated an independent FLI assessment at an industry level to ensure the recent experience and economic outlook per industry are appropriately allowed for. • To supplement our model reperformance and independent view, we performed industry analyses, and assessed a sample of individual counterparties based on publicly available information to confirm appropriateness of the SICR assessment, assumptions applied and post-model adjustments raised. • In respect of Stage 3 advances, we tested the relevant key controls relating to the valuation of collateral (where applicable) for operating effectiveness, including inspecting a sample of legal agreements and underlying supporting documentation to assess the legal right to and existence of collateral and expected timing of future cash flows.
Retail and commercial advances**: Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the	Retail and commercial advances: We performed the following procedures on the ECL within retail and commercial advances with the assistance of our economic, credit and actuarial experts, at a portfolio level, based on the applicable methodologies and inputs:

use of statistical models incorporating data and assumptions which are not always observable. Management applies professional judgement in developing the credit impairment models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the modelling process require significant management judgement, which include: • The input assumptions and methodologies applied to estimate the PD, LGD and EAD within the ECL calculations. • The assessment of whether there has been a SICR event since the origination date of the exposure to the reporting date, considering the impact of the event driven uncertainty. • Determining the expected value to be realised from collateral and the time it will take to realise. • The determination of the write-off point and application of the cure rules. • The incorporation of FLI and macroeconomic inputs into the SICR assessment and ECL calculations. • The continued application of an additional stressed forward-looking scenario to account for event-driven uncertainty. • Determining and weighting of assumptions used in the forward-looking economic model to account for this uncertainty. • Additional provisions are recognised as post-model adjustments where there are constraints in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates, specific events and changes in risk profile. ** This applies to retail and commercial advances apparent in total retail secured and unsecured, FNB Commercial, and WesBank corporate.	• Considered the design, implementation and, where appropriate, operating effectiveness of relevant financial reporting controls as well as the general and application computer controls relating to the processes used to calculate impairments, and tested controls relating to data and model governance. • Through discussions with management and inspection of policy documents, we confirmed our understanding of the methodologies used with reference to actual experience, industry practice and assumptions used in the various ECL model components (PD, LGD, EAD) and how these are calibrated by using historical information to estimate forward looking ECL. • Through reperformance we tested the accurate implementation of the documented methodologies and assessed the alignment between the modelled outcomes and recent actual experience. • Independently recalculated the ECL by considering management's ECL calculation and our independent assessment of the component inputs. The independent results were compared to management's results. • Through applying the assumptions and data included in management's model, including the performance of cured accounts, assessed the accurate implementation of SICR classifications. • Tested the SICR thresholds applied and the resultant transfer into Stage 2 for SICR. This includes benchmarking of the volume of up-to-date accounts transferred to Stage 2 based on historical movements from performing into arrears and forward-looking expectation of default risk. • Tested the model ranking ability and model stability by testing the performance of client behavioural scores and other client behavioural data that drives PD estimates and SICR triggers. • Assessed the potential impact of reduced collateral values, a delayed recovery process and reduced cure from default for secured exposures by separately considering individually significant collateral, historically stressed collateral values and by quantifying the impact of potentially longer collateral realisations. • Assessed the potential impact on recoveries and cure from default for unsecured exposures by comparing estimates to historic experience of defaulted accounts. • Considered historical post write-off recoveries to evaluate management's assessment which indicates that the current write-off point is still the point at which there was no reasonable

The credit impairment models are subject to formal model governance and approval. 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 31 – Financial risk.	expectation of further recovery or part thereof. Through recalculation, we tested the application of the write-off policy, including the exclusion of post write-off recoveries from the LGD. • Considered the assumptions used in the forward-looking economic model, the macroeconomic variables selected and the sensitivity of ECL components to each variable by comparing it to our own independent analysis and statistical estimates. • Where applicable, developed an independent view to assess management's additional stressed forward-looking scenario by using our own challenger model and associated credit index. • Tested the performance and sensitivity of the FLI model to evaluate whether the chosen macroeconomic factors and model design provide a reasonable representation of the impact of macroeconomic changes on the ECL results. • Assessed, recalculated and performed a sensitivity analysis on management's post-model adjustments relating to the impact on ECL of additional relevant information not catered for in the models.
Valuation of complex financial instruments which are subject to significant judgements The valuation of complex financial instruments was considered to be a matter of most significance to the current year audit as management is required to exercise significant judgement in respect of complex valuation methodologies, as well as the determination of key inputs and assumptions. Factors such as unobservable inputs, funding costs, low levels of market liquidity, counterparty credit risk, market volatility, and economic and regulatory developments exacerbate the level of judgement required. The financial instruments impacted by management judgements, and which represented areas of most audit focus include: • Advances carried at fair value (level 3); and • Derivative financial instruments (level 2 and 3).	With the assistance of our valuation experts, we performed the following procedures on the valuation of complex financial instruments: • Tested the design, implementation and/or operating effectiveness, as appropriate, of the relevant financial reporting controls, the existence of key governance structures and the general and application computer controls relating to the relevant technology systems supporting valuations. • Performed a risk assessment on the key components of fair value, based on complexity, sensitivity and risk to direct our testing. The risk assessment was performed on curves, volatility surfaces, fair value models and valuation adjustments. • Evaluated the technical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to financial instrument valuation theory, market practice and the requirements of IFRS, and for consistency, with prior periods. • Assessed the appropriateness of the significant judgemental inputs used in valuations, including funding costs, low levels

The related disclosures in the financial statements are included in: Note 27 – Fair value measurements.	of market liquidity, counterparty credit risk, market volatility, against reasonable factors which impact the reported exit values, with reference to the best available independent information. • Considered the completeness and accuracy of management's assessment of valuation adjustments required to respond to market and regulatory developments impacting the portfolio. • Assessed the appropriateness of a sample of curves and volatility surfaces by reconstructing these using independently sourced market data. • For a sample of complex financial instruments, independently recalculated the fair values. • Evaluated the appropriateness of the fair value hierarchy disclosures with reference to the requirements of IFRS 13 - Fair value measurements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "*FirstRand Bank 2022 Annual Financial Statements*", which includes the Directors' Report, the Audit Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. 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 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 24 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.

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

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

The 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 2022; 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 other explanatory notes.

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 up in increments of R500 000. Amounts less than R500 000 will therefore round down to Rnil and are presented as a dash.
Foreign operations with a different functional currency from the 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 (OCI) (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the bank	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.

1 INTRODUCTION AND BASIS OF PREPARATION continued

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

Persistent global and local economic uncertainty

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

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

Increasing inflation poses material risk to the global economy's recovery. In addition, domestic constraints on electricity supply and the associated extent of loadshedding contributes to additional uncertainty. As such, management judgement has been applied to quantify the impact of the existing and developing stressors on the global and local economy. For more details refer to accounting policy note 8.4.

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 above-mentioned economic uncertainty 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 endemic. 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.

1 INTRODUCTION AND BASIS OF PREPARATION continued

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

Segmental analysis

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

1 INTRODUCTION AND BASIS OF PREPARATION continued

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
7	**Transactions with employees**	Employee liabilities (section 7.1)	Share-based payment transactions (section 7.2)	
8	**Critical accounting estimates, assumptions and 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

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

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 INVESTMENTS IN OTHER ENTITIES continued

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

KMP 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 KMP 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 not considered dependants.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest income recognised in profit or loss
Interest income includes: ➢ interest on financial instruments measured at amortised cost and debt instruments measured at FVOCI, including the effect of qualifying hedges for interest rate risk; ➢ interest on financial asset debt instruments measured at fair value through profit or loss (FVTPL) that are held by and managed as part of the bank's funding operations; ➢ 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: ○ the gross carrying amount of financial assets which are not credit impaired; and ○ 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; and ➢ modified advances (derecognition is achieved) – the unamortised portion of origination fees and capitalised transaction costs on financial assets are included as part of interest income. New fees or costs charged on the new advance which are integral to the new asset recognised are capitalised to the new loan. Interest expense includes: ➢ interest on financial liabilities measured at amortised cost; ➢ interest on financial liabilities measured at FVTPL that are held by and managed as part of the bank's funding operations; ➢ interest on capitalised leases where the bank is the lessee; and ➢ the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advances or deposit is measured at amortised cost, because the amount is in substance interest. The total interest expense is reduced by the amount of interest incurred in respect of 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.

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

<table>
<tr><th colspan="2">Non-interest and financial instrument revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Non-interest revenue from contracts with customers</th></tr>
<tr><td>Fee and commission income</td><td>Fees and commissions that form an integral part of the effective interest rate are excluded from fees and commissions from customers.

Fee and commission income is earned by the 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</td></tr>
</table>

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
Non-interest revenue from contracts with customers	
	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 bank is recognised in fee and commission income.
Fee and commission expenses	Fee and commission expenses are those that are incremental and directly attributable to the generation of fee and commission income and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received. Expenses relating to the provision of the customer loyalty reward credits are recognised as fee and commission expenses as incurred.
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 FVTPL, including derivative instruments that do not qualify for hedge accounting; ➢ fair value adjustments that are not related to credit risk on advances designated at FVTPL; ➢ a component of interest expense that relates to interest paid on liabilities which fund the bank's fair value operations. Interest expense is reduced by the amount that is included in fair value income;

3 INCOME, EXPENSES AND TAXATION continued

3.1 Income and expenses continued

Non-interest and financial instrument revenue recognised in profit or loss	
➢ fair value adjustment on financial instruments designated at FVTPL 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 FVTPL 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 FVTPL; ➢ any difference between the carrying amount of the liability and the consideration paid, when the bank repurchases debt instruments that it has issued; and ➢ fair value gains or losses on commodities acquired for short-term trading purposes, including commodities acquired with the intention to 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 risk and rewards of ownership are deemed to have transferred to the bank in terms of IFRS 15.	
Gains less losses from investing activities	
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any gains or losses on the sale of financial assets measured at amortised cost; ➢ impairments and reversal of impairments of investment securities measured at amortised cost and debt instruments measured at FVOCI; ➢ any amounts recycled from other comprehensive income in respect of debt instruments measured at FVOCI; ➢ dividend income on any equity instruments that are considered long-term investments of the bank, including non-trading equity instruments measured at FVOCI; and ➢ fair value gains or losses on investment property held at FVTPL	
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 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses

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

Current income tax
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted, or substantively enacted, at the reporting date in each particular jurisdiction within which the 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.

Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences for which deferred tax is provided	➢ Provision for loan impairment. ➢ Instalment credit assets. ➢ Revaluation (including ECL movements) of certain financial assets and liabilities, including derivative contracts. ➢ Share-based payment liabilities. ➢ Cash flow hedges. ➢ Provisions for pensions and other post-retirement benefits.
Measurement	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.
Presentation	Deferred income tax is presented in profit or loss unless it relates to items recognised directly in equity or OCI. Items recognised directly in equity or OCI relate to: ➢ the issue or buy-back of share capital; ➢ fair value remeasurement of financial assets measured at FVOCI; ➢ remeasurements of defined benefit post-employment plans; and ➢ derivatives designated as hedging instruments in effective cash flow hedge relationships. Tax in respect of share transactions is recognised 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.

3 INCOME, EXPENSES AND TAXATION continued

3.2 Income tax expenses continued

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

4 FINANCIAL INSTRUMENTS

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

4.1 Classification and measurement

4.1.1 Initial measurement

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

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

4.1.2 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.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Classification and subsequent measurement of financial assets
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 FVOCI, the cash flows on the asset have to be solely payments of principal and interest (SPPI), i.e. consistent with those of a basic lending agreement. The SPPI test is applied on a portfolio basis for retail advances, as the cash flow characteristics of these assets are standardised. This includes the consideration of any prepayment penalties that are limited by consumer credit regulation. They can therefore be considered reasonable compensation, which would not cause these assets to fail the SPPI test. For wholesale advances, the SPPI test is applied to individual advances at initial recognition, based on the cash flow characteristics of the asset. Wholesale advances that do not pass the SPPI test and that have to be measured at FVTPL include advances with equity participation features, convertible bonds and payments linked to commodity or other prices. If the contract contains prepayment penalties, the amount of the prepayment penalty is compared to the present value of the margin that will be earned if the loan is not prepaid. If the amount of the prepayment penalty is lower than or equal to the margin lost due to prepayment, this is considered reasonable compensation and the loan passes the SPPI test.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

<table>
<tr><th colspan="3">Amortised cost</th></tr>
<tr><td colspan="3">Financial assets are measured at amortised cost using the effective interest method when they are held to collect contractual cash flows which are SPPI, and sales of such assets are not significant or frequent. These include the majority of the retail, corporate and commercial advances of the 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 ECLs in the estimated future cash flows of the financial asset.</td></tr>
<tr><th colspan="3">Cash and cash equivalents</th></tr>
<tr><td colspan="3">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.</td></tr>
<tr><th colspan="3">Retail advances</th></tr>
<tr><th></th><th>Business model</th><th>Cash flow characteristics</th></tr>
<tr><td>Retail advances</td><td>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 under this business model include:
➢ residential mortgages;
➢ vehicle and asset finance;
➢ personal loans;
➢ credit cards; and
➢ other retail products such as overdrafts.</td><td>The cash flows on retail advances are SPPI. Interest charged to customers compensates the 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.</td></tr>
<tr><th colspan="3">Corporate and commercial advances</th></tr>
<tr><td>Corporate and commercial advances</td><td>The business models of FNB, WesBank and RMB are also focused on collecting contractual cash flows on corporate and commercial advances and growing these advances within acceptable credit appetite limits.

The products under this business model include:
➢ trade and working capital finance;
➢ specialised finance;
➢ commercial property finance; and
➢ asset-backed finance.</td><td>The cash flows on corporate and commercial advances are SPPI. 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.</td></tr>
</table>

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Corporate and commercial advances		
	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.	
	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 FVTPL (as set out further below).	The cash flows on these advances are considered to be SPPI if the loan contract does not contain equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract. Any advances that do contain such features are mandatorily measured at FVTPL.
Marketable advances	Advances also include marketable advances representing corporate bonds and certain debt investment securities qualifying as high-quality liquid assets that are under the control of the group treasurer, held by RMB. These assets are primarily held to collect the contractual cash flows over the life of the asset.	The cash flows on these advances are SPPI.

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Investment securities		
Investment securities	Group treasury holds investment securities with lower credit risk (typically government bonds and treasury bills). These investment securities are held in a business model with the objective of collecting contractual cash flows.	The cash flows on these investment securities are SPPI.
Cash and cash equivalents		
Cash and cash equivalents	Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash. These assets are held to collect contractual cash flows.	The cash flows on these assets are SPPI.
Other assets		
Other assets	Other financial assets are short-term financial assets that are held to collect contractual cash flows.	The cash flows on these assets are SPPI.
Mandatory at FVTPL		
Corporate advances	In certain instances, RMB originates advances with the mandate of distributing an identified portion of the total advances in the secondary market within an approved 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.	Any advances which are originated to be distributed or managed on a fair value basis, or are held to collect contractual cash flows but include cash flows related to equity upside features, conversion options, payments linked to equity or commodity prices or prepayment penalties that exceed reasonable compensation for early termination of the contract, will be included in this category.
Marketable advances	RMB occasionally invests in notes issued by special purpose vehicles (SPVs), with the intention of selling these notes to external parties. These include notes issued by an SPV to which it sells a portion of corporate and commercial advances that it originates to distribute (detailed above). The collection of contractual cash flows on these notes are merely incidental.	Advances which are acquired to distribute are included in this category.
Investment securities	RMB Global Markets holds portfolios of investment securities (including corporate and government bonds) to hedge risks or for short-term profit realisation. These securities are managed on a fair value basis.	

4 FINANCIAL INSTRUMENTS continued

4.1.2 Classification and subsequent measurement of financial assets continued

Mandatory at FVTPL		
	All equity investments of the bank are managed on a fair value basis, either through profit or loss (FVTPL) or designated at FVOCI.	
Derivative assets	Derivatives are either held for trading or to hedge economic risk. These instruments are managed on a fair value basis.	
Designated at FVTPL		
Advances	Certain advances with fixed interest rates in RMB have been designated at FVTPL in order to eliminate an accounting mismatch that would otherwise result from measuring these assets on a different basis. The cash flows on these advances are considered to be SPPI.	
Investment securities	Group Treasury holds investment securities (typically treasury bills) for liquidity purposes.	
Debt instruments at FVOCI		
Investment securities	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.	The cash flows on these investment securities are SPPI.
Equity investments at FVOCI		
Investment securities	The bank has elected to designate certain equity investments not held for trading to be measured at FVOCI.	

4.1.3 Classification and subsequent measurement of financial liabilities and compound instruments

Financial liabilities and compound financial instruments
The 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.

Financial liabilities measured at amortised cost
The following liabilities are measured at amortised cost using the effective interest rate method, unless they have been designated as measured at FVTPL: ➢ deposits; ➢ creditors; ➢ Tier 2 liabilities; and ➢ other funding liabilities.

4 FINANCIAL INSTRUMENTS continued

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

Financial liabilities measured mandatory at FVTPL
The following held for trading liabilities are measured at FVTPL: ➢ derivative liabilities; and ➢ short trading positions. These liabilities are measured at fair value at reporting date as determined under IFRS 13, with fair value gains or losses recognised in profit or loss.
Financial liabilities designated at FVTPL
A financial liability other than one held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated at FVTPL upon initial recognition if: ➢ such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or ➢ the financial liability forms part of a group of financial liabilities which is managed and its performance evaluated on a fair value basis, in accordance with the 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 FVTPL are the following: ➢ deposits; and ➢ other funding liabilities. Both types of liabilities satisfied the above-mentioned conditions of IFRS 9 for such designation. These financial liabilities are measured at fair value at reporting date as determined under IFRS 13, with any gains/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 OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability.

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

This policy applies to:

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

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

4 FINANCIAL INSTRUMENTS continued

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

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

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

4 FINANCIAL INSTRUMENTS continued

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

Advances	
Credit-impaired financial assets	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 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 SICR since initial recognition are defined as default events. Retail accounts are considered to no longer be in default if they meet the stringent cure definition, which has been determined at portfolio level based on analysis of re-defaulted rates. Curing from default within wholesale 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.

4 FINANCIAL INSTRUMENTS continued

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

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

Other financial assets	
Cash and cash equivalents	All physical cash is classified as stage 1. Other exposures are classified as stage 1 unless specific evidence of impairment exists, in which case, due to the nature of these assets, they are classified immediately as stage 3. ECL for physical cash is zero. ECL for cash equivalents is calculated using the loss rate approach.
Other assets	ECL for other assets i.e. financial accounts receivable and where applicable, contract assets, are calculated using the simplified approach. This results in a 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 SICR and default definitions are then applied and the ECL calculated in the same way as for advances. The SICR thresholds applied for investment securities are the same as those applied within the wholesale credit portfolio, to ensure consistency in the way that a SICR is identified for a particular counterparty and for similar exposures. The bank does not use the low credit risk assumption for investment securities, including government bonds.
Intercompany balances	ECLs 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 FINANCIAL INSTRUMENTS continued

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:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Reverse repurchase agreements	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 specific future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the agreement. The bank remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The transferred assets continue to be recognised by the 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.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

Transaction type	Description	Accounting treatment
Securities lending	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The 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.	
Other transfers	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.	Similar to repurchase agreements above.
Transfers with derecognition		
Where the bank purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	
Traditional securitisations and other structured transactions	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 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.	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 ➢ 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.

4 FINANCIAL INSTRUMENTS continued

4.3 Transfers, modifications and derecognition continued

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.	The existing asset is not derecognised. The gross carrying amount of the financial asset is recalculated as the present value of the estimated future cash receipts through the expected life of the renegotiated or modified financial asset, discounted at the financial asset's original effective interest rate. Distressed modifications are included in ECL.
Modifications with derecognition (i.e. substantial modifications)		
Retail advances	The process for modifying an advance (which is not part of a debt restructuring) is substantially the same as the process for raising a new advance, including reassessing the customer's credit risk, repricing the asset and entering into a new legal agreement.	The existing asset is derecognised and a new asset is recognised at fair value based on the modified contractual terms.
Neither transferred nor derecognised		
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The bank continues to recognise the advances and recognises associated credit derivatives which are measured at FVTPL.

4 FINANCIAL INSTRUMENTS continued

4.4 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the 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 FINANCIAL INSTRUMENTS continued

4.5 Derivative financial instruments and hedge accounting

Derivatives are financial instruments that derive their value from the price of underlying items such as equities, interest rates or other indices. Derivatives are recognised initially and are subsequently measured at FVTPL with movements in fair value recognised in fair value gains or losses within non-interest revenue in the 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 interbank offered rates (IBORs) with alternative reference rates (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

Classification	Measurement
Property and equipment (owned and right of use)	
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.	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
Investment properties	
Investment properties are those 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.	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.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement continued

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><th colspan="2">Intangible assets</th></tr>
<tr><td>Intangible assets of the 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 to 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>FVTPL.</td></tr>
</table>

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement continued

Provisions
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).

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.

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

If a disposal group contains assets that are outside of the measurement scope of IFRS 5, those assets are remeasured in terms of the relevant IFRS standards and any impairment loss on the disposal group is allocated only to those non-current assets in the disposal group that are within the measurement scope of IFRS 5, until the assets are reduced to zero. 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.

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 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.

5 OTHER ASSETS AND LIABILITIES

5.3 Leases

<table>
<tr><th></th><th>Bank is the lessee</th><th>Bank is the lessor</th></tr>
<tr><td>Over the life of the lease</td><td>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 whether a ROUA is impaired and accounts for any identified impairment loss.</td><td>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.</td></tr>
<tr><td>Presentation</td><td>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.</td><td>Finance lease receivables are presented as part of advances in the statement of financial position.</td></tr>
<tr><td>Operating leases</td><td>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.</td><td>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.</td></tr>
<tr><td>Finance lease agreements (including hire purchases) where the bank is the lessor</td><td colspan="2">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.</td></tr>
</table>

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.
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 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.

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.

7 TRANSACTIONS WITH EMPLOYEES continued

7.1 Employee benefits continued

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.

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 material critical accounting estimates, assumptions and judgements made by the bank, except those related to fair value measurement, which are included in note 27.

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.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.2 Subsidiaries, structured entities and associates continued

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 South African Reserve Bank's (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 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

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 been substantially enacted as the change in the tax rate is not inextricably linked to other changes in the tax laws, as such, deferred tax assets and liabilities have been calculated at the current corporate tax rate of 27%.

Furthermore, deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. The most significant management assumption is the forecasts that are used to support the probability assessment that sufficient taxable profits will be generated by the 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 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. ECL is based on a weighted average of the macroeconomic scenarios selected, weighted by the probability of occurrence. Regression modelling techniques are used to predict borrower's behaviour and transaction characteristics in accordance and to align with IFRS 9, based on relationships observed in historical data related to the group of accounts to which the model will be applied. Models are used to estimate impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information
Forward-looking macroeconomic information has been incorporated into expected credit loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. Both quantitative models and expert judgement-based adjustments consider a range of forecast macroeconomic scenarios as inputs. Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for various scenarios. Development of these scenarios is overseen by the FirstRand macroeconomic forum, which is responsible for oversight and is independent of credit and modelling functions. To arrive at the range of macroeconomic forecasts teams of economists, both locally and within the various subsidiaries, assess the micro- and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal economists are then requested to assign a probability to each scenario. The rationale for probabilities assigned by each respondent is noted and explained at the FirstRand macroeconomic forum. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on assumptions applied during the process. Quantitative techniques applied estimate the impact of forecasted macroeconomic factors on ECLs 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 ECL. These stress testing models are industry-specific and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scalars based on historical S&P default data. Within retail and commercial portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters (with industry considerations further applied in the case of commercial portfolios) based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance. 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 post-model adjustments have been applied 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.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information
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 the global and South African economy and the inability of economic forecasts and existing statistical models to adequately capture these shocks, an additional stress scenario was added to the macroeconomic scenarios applied to the retail and commercial portfolios specifically as at 30 June 2021 and again as at 30 June 2022. Refer to page C115 for more details. The inclusion of this forward-looking scenario is a temporary measure to capture this uncertainty. The reason for limiting the temporary stress scenario to only these portfolios is that the RMB corporate and investment portfolio already incorporates stressed scenarios for high-risk industries and the impact within broader Africa was not found to be material. The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information relating to ECL provisions. The information is forecast over a period of three years, per major economic region that the bank operates in.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Forward-looking information		
Scenario	**Probability**	**Description**
Baseline	54% (2021: 58%)	• Global economic growth slows towards trend level and developed market (DM) inflation remains high but does not spiral out of control. • South Africa struggles to lift the potential growth rate meaningfully over the forecast horizon. • Confidence normalises from depressed levels inducing a normalisation in credit and savings growth. • Social unrest remains elevated but does not significantly impair confidence or operating conditions. • The climate transition progresses slowly and negotiations on the detail of the climate change deal at the United Nations Climate Change conference (COP26 deal) takes a long time with lack of meaningful implementation progress. • Russia's invasion of Ukraine contributes to higher headline inflation which limits potential upside to real disposable income growth.
Upside	14% (2021:16%)	• Global growth remains elevated keeping commodity prices elevated through the forecast horizon. • The South African government manages the carbon transition effectively and negotiations on the detail of the COP26 deal make meaningful progress. • Social unrest abates and the inflationary impact of Russia's invasion of Ukraine moderates significantly. • Broader fiscal and economic reforms lift the potential growth rate meaningfully over the forecast horizon. • Private sector confidence and related investment lift, resulting in higher credit extension and a draw down in precautionary savings.
Downside	32% (2021:26%)	• The South African government experiences significant setbacks in its efforts to manage the energy transition and de-carbonisation process. • The country fails to implement growth-enhancing economic reforms. • The Covid-19 endemic resurges resulting in increased economic restrictions. • Real credit extension falls and savings lift. • Global inflation lifts above central banks' comfort levels resulting in significant policy tightening with negative knock-on consequences for global financial conditions and risk appetite. • Russia's invasion of Ukraine drives headline inflation significantly higher and real disposable income growth significantly lower.
Temporary stress scenario		The ECL impact of the temporary stress scenario as well as its impact on staging of the GCA has been tracked separately for classes of advances within the retail and commercial portfolios, where the temporary stress scenario had a material impact. Therefore, for the retail and commercial portfolios a weighting of 8% (2021: 11%) has been attributed to the temporary scenario, 13% (2021: 11%) to the upside scenario, 29% (2021: 26%) attributed to the downside and 50% (2021: 52%) to the baseline scenario.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

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

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Significant macroeconomic factors for 30 June 2022

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. The information below reflects the bank's forecasts for each period at 30 June.

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

* *Applicable to the secured portfolio.*

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

* *Applicable to the secured portfolio.*

	Upside scenario			Baseline scenario			Downside scenario		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
	Applicable across all portfolios								
	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
	3.10	3.60	4.10	4.10	4.60	5.00	7.10	7.60	8.10
	3.25	2.75	2.50	3.50	3.75	3.75	6.55	6.50	6.50
	Retail-specific								
	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.70
	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
	Wholesale-specific								
	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
	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)

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

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 2022	**14 963**	
Scenarios		
Baseline	**14 338**	**(4)**
Upside	**13 376**	**(11)**
Downside*	**16 992**	**14**
Impairment provision on performing advances 30 June 2021	16 167	
Scenarios		
Baseline	15 509	(4)
Upside	14 399	(11)
Downside	18 657	15

* *Due to the non-linearity of the temporary stress scenario, the scenario increases to R24 230 million (2021: 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.

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and ECL</td><td>Parameters are determined on a basis, whereby exposures are pooled at a portfolio level (at a minimum). Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics in addition to historical draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows, adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within historical data will continue to be relevant in the future.</td><td>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 ECLs, 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 remaining lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining lifetime is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset’s original effective interest rate or a reasonable approximation thereof.</td></tr>
</table>

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

Judgement	Retail and retail SME	Wholesale and commercial SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition (SICR)	SICR triggers continue to be based on client behaviour, client-based behaviour scores and judgemental factors. In the prior year, additional judgmental triggers that arose due to the impact of Covid-19, such as employment in industries in distress, were calibrated into the SICR triggers. Additional enhancements were incorporated including SICR rules that cater for behaviour that had not been previously captured. These specific updates catered for performing customers in particular those in severely impacted sectors that may have exhausted or close-to-exhausted their emergency savings, but for which the strain of this was likely to only become evident shortly after year end. In the current year, no additional judgemental triggers have been added.	SICR triggers continue to be determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors, which include triggers for industries in distress, potentially resulting in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk.
Treatment of SME Government Guaranteed Loan Scheme	During 2020, 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.	

8 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

8.4 Impairment of financial assets continued

<table>
<tr><th>Judgement</th><th>Retail and retail SME</th><th>Wholesale and commercial SME</th></tr>
<tr><td>Sensitivity staging</td><td colspan="2">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 estimated additional ECL charge to the income statement that the group would recognise if 5% of the stage 1 gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2022. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.
<table>
<tr><th></th><th colspan="2">30 June 2022</th></tr>
<tr><th>R million</th><th>5% increase in gross carrying amount of exposure</th><th>Increase in the loss allowance</th></tr>
<tr><td>Retail</td><td>17 671</td><td>1 493</td></tr>
<tr><td>Wholesale, commercial and other (including Group Treasury)</td><td>25 612</td><td>3 128</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>43 283</td><td>4 621</td></tr>
</table>
<table>
<tr><th></th><th colspan="2">30 June 2021</th></tr>
<tr><th>R million</th><th>5% increase in gross carrying amount of exposure</th><th>Increase in the loss allowance</th></tr>
<tr><td>Retail</td><td>16 361</td><td>1 357</td></tr>
<tr><td>Wholesale, commercial and other (including Group Treasury)</td><td>22 250</td><td>3 015</td></tr>
<tr><td>Total increase in stage 2 advances and ECL</td><td>38 611</td><td>4 372</td></tr>
</table>
</td></tr>
</table>

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 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS continued

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% (2021: 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 of the award	The award is determined using a Black Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk-free interest rate 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	2022	2 021
Interest income calculated using effective interest rate		**85 174**	82 290
Interest on other financial instruments and similar income		**1 283**	1 727
Interest and similar income	1.1	**86 457**	84 017
Interest expense and similar charges	1.2	**(37 495)**	(37 013)
Net interest income before impairment of advances		**48 962**	47 004
Impairment and fair value of credit on advances		**(5 891)**	(11 115)
- Impairment on amortised cost advances	11	**(5 380)**	(10 947)
- Fair value of credit on advances	11	**(511)**	(168)
Net interest income after impairment of advances		**43 071**	35 889
Non-interest revenue	2	**38 582**	36 685
- Net fee and commission income	2.1	**27 883**	26 377
- Fee and commission income		**33 234**	31 256
- Fee and commission expense		**(5 351)**	(4 879)
- Insurance commission income	2.2	**439**	468
- Fair value gains or losses	2.3	**2 432**	3 637
- Fair value gains or losses		**8 387**	7 963
- Interest expense on fair value activities		**(5 955)**	(4 326)
- Gains less losses from investing activities	2.4	**199**	8
- Other non-interest revenue	2.5	**7 629**	6 195
Income from operations		**81 653**	72 574
Operating expenses	3	**(47 158)**	(44 954)
Income before indirect tax		**34 495**	27 620
Indirect tax	4.1	**(805)**	(1 008)
Profit before income tax		**33 690**	26 612
Income tax expense	4.2	**(8 213)**	(6 792)
Profit for the year		**25 477**	19 820
Attributable to			
Ordinary equityholders		**24 884**	19 295
Other equity instrument holders		**593**	525
Profit for the year		**25 477**	19 820

STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2022	2 021
Profit for the year	**25 477**	19 820
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(3 712)**	(727)
(Losses)/gains arising during the year	**(2 137)**	881
Reclassification adjustments for amounts included in profit or loss	**(2 973)**	(1 890)
Deferred income tax	**1 398**	282
FVOCI debt reserve	**(18)**	256
(Losses)/gains arising during the year	**(17)**	375
Reclassification adjustments for amounts included in profit or loss	**(10)**	(20)
Deferred income tax	**9**	(99)
Exchange differences on translating foreign operations	**762**	(1 127)
Gains/(losses) arising during the year	**753**	(1 085)
Deferred income tax	**9**	(42)
Items that may not subsequently be reclassified to profit or loss		
Equity investments designated at FVOCI	**3**	(235)
Gains/(losses) arising during the year	**8**	(303)
Deferred income tax	**(5)**	68
Remeasurements on defined benefit post-employment plans	**22**	(195)
Gains/(losses) arising during the year	**41**	(271)
Deferred income tax	**(19)**	76
Other comprehensive loss for the year	**(2 943)**	(2 028)
Total comprehensive income for the year	**22 534**	17 792
Attributable to		
Ordinary equityholders	**21 941**	17 267
Other equity instrument holders	**593**	525
Total comprehensive income for the year	**22 534**	17 792

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2022	2021
ASSETS			
Cash and cash equivalents	6	**104 625**	99 646
Derivative financial instruments	7	**61 674**	70 774
Commodities	8	**17 580**	18 641
Investment securities	9	**278 879**	273 766
Advances	10	**944 087**	857 955
- Advances to customers*		**871 338**	786 643
- Marketable advances		**72 749**	71 312
Other assets	12	**5 789**	4 928
Current tax asset		**125**	32
Amounts due by holding company and fellow subsidiaries	13	**70 753**	67 108
Property and equipment	14	**16 333**	16 865
Intangible assets	15	**512**	338
Investment properties	16	**249**	249
Deferred income tax asset	17	**6 741**	4 727
Total assets		**1 507 347**	1 415 029
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	18	**14 183**	18 660
Derivative financial instruments	7	**70 284**	70 722
Creditors, accruals and provisions	19	**18 899**	15 814
Current tax liability		**-**	896
Deposits	20	**1 220 026**	1 135 585
Employee liabilities	21	**11 684**	9 859
Other liabilities	22	**5 258**	5 087
Amounts due to holding company and fellow subsidiaries	13	**32 900**	27 214
Tier 2 liabilities	23	**20 433**	18 813
Total liabilities		**1 393 667**	1 302 650
Equity			
Ordinary shares	24.1	**4**	4
Share premium	24.1	**16 804**	16 804
Reserves		**89 746**	88 445
Capital and reserves attributable to ordinary equityholders		**106 554**	105 253
Other equity instruments	24.2	**7 126**	7 126
Total equity		**113 680**	112 379
Total equity and liabilities		**1 507 347**	1 415 029

* *Included in advances to customers are advances under agreements to resell R70 540 million (2021: R65 058 million).*

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2020	4	16 804	**16 808**	(381)	2 060
Equity transactions with fellow subsidiaries	-	-	**-**	-	-
AT1 instruments issued	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
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
Ordinary dividends	-	-	**-**	-	-
Distributions on other equity instruments	-	-	**-**	-	-
Total comprehensive income for the year	-	-	**-**	22	(3 712)
- Profit for the year	-	-	**-**	-	-
- Other comprehensive income for the year	-	-	**-**	22	(3 712)
Balance as at 30 June 2022	4	16 804	**16 808**	(554)	(2 379)

* *Refer to note 24.3 for a breakdown of other reserves.*

** *Other equity instruments at 30 June 2022 include R7 126 (2021: R7 126 million) AT1 instruments.*

	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**
	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**
	-	-	(20 640)	**(20 640)**	**-**	**(20 640)**
	-	-	-	**-**	**(593)**	**(593)**
	762	(15)	24 884	**21 941**	**593**	**22 534**
	-	-	24 884	**24 884**	**593**	**25 477**
	762	(15)	-	**(2 943)**	**-**	**(2 943)**
	1 654	1 197	89 828	**89 746**	**7 126**	**113 680**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Note	2022	2021
Cash flows from operating activities			
Interest and fee commission receipts		**108 322**	102 959
- Interest received		**80 000**	76 114
- Fee and commission received		**33 234**	31 256
- Insurance income received		**439**	468
- Fee and commission paid		**(5 351)**	(4 879)
Trading and other income		**7 474**	6 024
Interest payments		**(32 531)**	(30 236)
Other operating expenses		**(37 313)**	(34 972)
Dividends received		**694**	318
Dividends paid		**(21 233)**	(6 795)
Taxation paid		**(10 614)**	(6 840)
Cash generated from operating activities		**14 799**	30 458
Movements in operating assets and liabilities		**(7 797)**	(26 529)
- Liquid assets and trading securities		**(7 632)**	(58 527)
- Advances		**(85 853)**	12 643
- Deposits		**86 882**	40 321
- Other assets		**(729)**	(276)
- Creditors		**1 904**	353
- Employee liabilities		**(4 552)**	(3 679)
- Other liabilities*		**2 183**	(17 364)
Net cash generated from operating activities		**7 002**	3 929
Cash flows from investing activities			
Acquisition of property and equipment		**(2 811)**	(2 822)
Proceeds on disposal of property and equipment		**600**	529
Acquisition of intangible assets and investment properties		**(355)**	(309)
Net cash outflow from investing activities		**(2 566)**	(2 602)
Cash flows from financing activities			
Proceeds from the issue of other financing liabilities		**247**	210
Redemption of other financing liabilities		**(135)**	(348)
Principal payments towards lease liabilities		**(673)**	(729)
Proceeds from issue of Tier 2 liabilities		**2 500**	3 111
Capital repaid on Tier 2 liabilities		**(1 619)**	(4 770)
Proceeds from issue of AT1 equity instruments		**-**	1 400
Net cash inflow/(outflow) from financing activities		**320**	(1 126)
Net increase in cash and cash equivalents		**4 756**	201
Cash and cash equivalents at the beginning of the year		**99 646**	99 781
Effect of exchange rate changes on cash and cash equivalents		**223**	(336)
Cash and cash equivalents at the end of the year	6	**104 625**	99 646

** Other liabilities consist of various operating liabilities, the most significant balances are short trading positions and derivative financial instruments.*

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	2022	2021
Analysis of interest and similar income		
Instruments at fair value through profit and loss	**1 283**	1 727
Instruments at amortised cost	**84 279**	81 451
Debt instruments at fair value through other comprehensive income	**893**	839
Non-financial instruments	**2**	-
Interest and similar income	**86 457**	84 017
Advances	**64 487**	61 795
- Overdrafts and cash management accounts	**5 834**	5 360
- Term loans	**2 797**	2 658
- Card loans	**4 207**	3 925
- Instalment sales and hire purchase agreements*	**9 777**	10 310
- Lease payments receivable	**192**	217
- Property finance	**18 088**	16 804
- Personal loans	**9 349**	9 756
- Preference share agreements	**13**	14
- Assets under agreements to resell	**767**	582
- Investment bank term loans	**7 714**	7 118
- Long-term loans to group associates and joint ventures	**-**	3
- Other advances	**2 175**	1 680
- Marketable advances	**3 574**	3 368
Cash and cash equivalents	**1 326**	1 018
Investment securities	**10 396**	9 445
Amounts due by holding company and fellow subsidiaries	**1 673**	1 634
Preference dividends received	**2 038**	2 245
Interest on derivatives qualifying as hedging instruments	**6 537**	7 880
Interest and similar income	**86 457**	84 017

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

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2022	2021
Analysis of interest expense and similar charges		
Instruments at fair value through profit or loss	**(23)**	(16)
Instruments at amortised cost	**(37 397)**	(36 869)
Non-financial instruments	**(75)**	(128)
Interest expense and similar charges	**(37 495)**	(37 013)
Deposits from customers	**(25 536)**	(21 470)
- Current accounts	**(3 288)**	(2 785)
- Savings deposits	**(846)**	(556)
- Call deposits	**(9 596)**	(8 225)
- Fixed and notice deposits	**(11 806)**	(9 904)
Debt securities	**(9 337)**	(9 545)
- Negotiable certificates of deposit	**(1 787)**	(1 462)
- Fixed and floating-rate notes	**(7 550)**	(8 083)
Repurchase agreements	**(377)**	(448)
Securities lending	**(86)**	(90)
Cash collateral and credit-linked notes	**(442)**	(317)
SARB funding facility due to Covid-19 SME government guarantee	**(65)**	(32)
Lease liabilities	**(84)**	(126)
Tier 2 liabilities	**(1 311)**	(1 316)
Amounts due to holding company and fellow subsidiaries	**(465)**	(284)
Interest on derivatives qualifying as hedging instruments	**(4 538)**	(6 292)
Other funding interest*	**(1 209)**	(1 419)
Gross interest expense and similar charges	**(43 450)**	(41 339)
Less: interest expense on fair value activities reallocated	**5 955**	4 326
Interest expense and similar charges	**(37 495)**	(37 013)

**The description has been updated to appropriately reflect the nature of the interest expense. This line was previously: Other. The total amount reflected in the prior year has not changed.*

2 NON-INTEREST REVENUE

R million	Notes	2022	2021
Fee and commission income		**33 234**	31 256
Instruments at amortised cost		**27 867**	26 102
Instruments at fair value through profit or loss		**8**	9
Non-financial instruments		**5 359**	5 145
Fee and commission expenses		**(5 351)**	(4 879)
Net fee and commission income	2.1	**27 883**	26 377
Non-financial instruments		**439**	468
Insurance commission income	2.2	**439**	468
Instruments at fair value through profit or loss		**1 929**	5 521
- Mandatory at fair value through profit or loss		**2 342**	5 581
- Designated at fair value through profit or loss		**(413)**	(60)
Translation gains or losses on instruments not held at fair value through profit or loss		**503**	(1 884)
Fair value gains or losses	2.3	**2 432**	3 637
Instruments at fair value through profit or loss		**-**	40
- Mandatory fair value through profit or loss*		**-**	40
Instruments at amortised cost		**130**	(64)
Instruments at fair value through other comprehensive income		**22**	32
Non-financial*		**47**	-
Gains less losses from investing activities**	2.4	**199**	8
Other non-interest revenue	2.5	**7 629**	6 195
Total non-interest revenue		**38 582**	36 685

**Non-financial presented in the prior year was reclassified to mandatory fair value through profit or loss to reflect the true nature of the item.*

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

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2022	2021
Banking fee and commission income	**30 068**	28 055
- Card commissions	**5 147**	4 229
- Cash deposit fees	**1 582**	1 579
- Commitment fees	**1 449**	1 333
- Electronic transaction fees	**933**	1 085
- Exchange commissions	**2 106**	1 921
- Brokerage income	**123**	83
- Bank charges	**18 728**	17 825
- Transaction and service fees	**6 183**	5 492
- Documentation and administration fees	**9 354**	9 125
- Cash handling fees	**2 412**	2 407
- Other	**779**	801
Knowledge-based fee and commission income	**1 068**	1 049
Management, trust and fiduciary fees	**1 364**	1 391
Fee and commission from service providers	**500**	512
Other non-banking fee and commission income	**234**	249
Fee and commission income*	**33 234**	31 256
Transaction processing fees	**(1 105)**	(908)
Commission paid	**(179)**	(171)
Customer loyalty programmes	**(2 019)**	(1 760)
Cash sorting, handling and transportation charges	**(1 069)**	(992)
Card and cheque book related	**(366)**	(462)
ATM commissions paid	**(65)**	(66)
Other	**(548)**	(520)
Fee and commission expenses	**(5 351)**	(4 879)
Net fee and commission income	**27 883**	26 377

* *Revenue from contracts with customers.*

2.2 Insurance commission income

R million	2022	2021
Insurance commissions	**130**	161
Insurance brokerage	**309**	307
Total insurance commission income*	**439**	468

* *Revenue from contracts with customers.*

2 NON-INTEREST REVENUE continued

2.3 Fair value gains or losses

R million	2022	2021
Dividend income on preference shares held	**683**	266
Fair value gains or losses	**1 749**	3 371
Total fair value gains or losses	**2 432**	3 637

2.4 Gains less losses from investing activities

R million	2022	2021
Gains on disposal of investment securities	**134**	32
- Gains on disposal of debt instruments at amortised cost	**134**	32
Impairment losses of impairment of debt investment securities at amortised cost	**(4)**	(96)
Reclassification from other comprehensive income on the derecognition/sale of debt instruments at FVOCI	**10**	20
Dividends on equity instruments at FVOCI	**11**	12
Other dividends received	**-**	39
Preference dividends from insurance profit share	**1**	1
Rental income from investment properties	**47**	-
Total gains less losses from investing activities	**199**	8

2.5 Other non-interest revenue

R million	Notes	2022	2021
Revenue from contracts with customers*		**1 142**	1 085
- Sales		**1 785**	1 699
- Cost of sales		**(1 299)**	(1 316)
- Other income		**656**	702
Gains/(losses) on disposal of property and equipment		**10**	(12)
Recoveries from holding company and fellow subsidiaries**	29	**4 672**	3 235
Rental income		**1 643**	1 746
Other operating lease transactions		**162**	141
Total other non-interest revenue		**7 629**	6 195

* *Revenue from contracts with customers.*

** *Costs the bank incurs on behalf of group entities as principal, are invoiced to the respective entities as part of the bank's cost recovery process.*

3 OPERATING EXPENSES

R million	Notes	2022	2021
Auditors' remuneration		**(384)**	(411)
- Audit fees		**(354)**	(341)
- Fees for other services		**(24)**	(61)
- Prior year under accrual		**(6)**	(9)
Non-capitalised lease charges		**(458)**	(320)
- Short-term lease charges		**(253)**	(241)
- Low-value lease charges		**(185)**	(118)
- Variable lease charges		**(20)**	39
Staff costs		**(27 963)**	(26 730)
- Salaries, wages and allowances		**(21 392)**	(20 599)
- Contributions to employee benefit funds		**(286)**	(336)
- Defined contribution schemes		**(201)**	(196)
- Defined benefit schemes	21.1	**(85)**	(140)
- Social security levies		**(355)**	(263)
- Share-based payments	25	**(1 087)**	(940)
- Movement in short-term employee benefit liability		**(4 261)**	(4 077)
- Other staff costs		**(582)**	(515)
Other operating costs		**(18 353)**	(17 493)
- Amortisation of intangible assets	15	**(181)**	(211)
- Depreciation of property and equipment	14	**(3 280)**	(3 600)
- Impairments incurred		**(205)**	(38)
- Insurance		**(248)**	(245)
- Advertising and marketing		**(1 568)**	(1 251)
- Maintenance		**(1 226)**	(1 140)
- Property		**(941)**	(849)
- Computer equipment		**(3 164)**	(3 248)
- Stationery, storage and delivery		**(201)**	(202)
- Telecommunications		**(377)**	(438)
- Professional fees		**(1 978)**	(1 717)
- Expenses paid to holding company and fellow subsidiaries*	29	**(896)**	(817)
- Donations		**(320)**	(227)
- Assets costing less than R7 000		**(206)**	(302)
- Business travel		**(167)**	(84)
- Profit share expenses		**(116)**	28
- Bank charges		**(45)**	(145)
- Legal fee expenses		**(767)**	(869)
- Entertainment		**(139)**	(79)
- Subscriptions and memberships		**(214)**	(198)
- Training expenses		**(237)**	(192)
- Other operating expenditure		**(1 877)**	(1 669)
Total operating expenses		**(47 158)**	(44 954)

**Costs the holding company and fellow subsidiaries incur on behalf of the bank as principal, are invoiced to the bank as part of the respective company's cost recovery process.*

3 OPERATING EXPENSES continued

Notable impairments incurred during 2022

Other

Impairments incurred include R111 million impairment losses recognised on properties and equipment held by the bank that have been reduced to their respective recoverable amount. This impairment is included in the FNB segment. Furthermore, ECL of R67 million was raised on non-advances.

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.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

Non-executive directors' remuneration

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

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 2022. The FirstRand annual remuneration cycle runs from 1 August to 31 July.

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

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

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

3 OPERATING EXPENSES continued

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

3 OPERATING EXPENSES continued

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

3 OPERATING EXPENSES continued

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

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

3 OPERATING EXPENSES continued

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

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

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

4 *Long-term incentive awards are made annually under the CIP and vesting is subject to performance conditions and targets on a cumulative basis over three years. The value presented in the table is the LTI allocated in the financial year and is reflected at award value at grant date. Refer to note 25.*

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

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

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

8 *Steven Cooper was Aldermore CEO effective May 2021.*

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

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

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

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

3 OPERATING EXPENSES continued

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

Ownership of FirstRand Bank Limited

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

Covid-19 Instrument for executive directors and prescribed officers

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

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

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

Covid-19 instrument

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

3 OPERATING EXPENSES continued

Co-investment scheme

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

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

Long-term executive management retention scheme

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

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

Prescribed officers' outstanding incentives

The outstanding incentive disclosure has been prepared in the format required by King IV. King IV reporting requires the number of units of outstanding incentive schemes, the value of outstanding incentive schemes and value on settlement. The explanation of the basis of preparation of the remuneration tables is disclosed in the FirstRand remuneration report.

3 OPERATING EXPENSES continued

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

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

3 OPERATING EXPENSES continued

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

	Units					
	Opening balance	Awards made during year[1]	Number of awards settled in year	Number of awards forfeited in year	Closing number of awards[2, 3] 30 Jun 2022	Value on settlement in 2022[4] R thousand
	31 959	-	(31 959)	-	-	2 162
	31 959	-	-	-	31 959	-
	29 306	-	-	-	29 306	-
	29 306	-	-	-	29 306	-
	60 863	-	-	-	60 863	-
	-	-	-	-	-	-
	183 393	-	(31 959)	-	151 434	2 162
	180 122	-	-	(180 122)	-	-
	206 136	-	-	(206 136)	-	-
	355 530	-	-	-	355 530	-
	-	259 682	-	-	259 682	-
	741 788	259 682	-	(386 258)	615 212	-
	108 053	-	(108 053)	-	-	6 658
	108 053	-	-	-	108 053	-
	108 053	-	-	-	108 053	-
	324 159	-	(108 053)	-	216 106	6 658
	48 217	-	(48 217)	-	-	3 261
	48 217	-	-	-	48 217	-
	52 880	-	-	-	52 880	-
	52 880	-	-	-	52 880	-
	94 946	-	-	-	94 946	-
	-	-	-	-	-	-
	297 140	-	(48 217)	-	248 923	3 261
	217 647	-	-	(217 647)	-	-
	237 961	-	-	(237 961)	-	-
	410 296	-	-	-	410 296	-
	-	270 458	-	-	270 458	-
	865 904	270 458	-	(455 608)	680 754	-
	127 485	-	(127 485)	-	-	7 855
	127 485	-	-	-	127 485	-
	127 484	-	-	-	127 484	-
	382 454	-	(127 485)	-	254 969	7 855

3 OPERATING EXPENSES continued

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

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

3 OPERATING EXPENSES continued

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

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

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

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

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

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

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

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

9 Aldermore incentive awards are not convertible into units.

4 INDIRECT TAX AND INCOME TAX EXPENSE

	R million	2022	2021
4.1	**Indirect tax**		
	Value-added tax (net)	**(804)**	(1 008)
	Other	**(1)**	-
	Total indirect tax	**(805)**	(1 008)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(8 832)**	(7 520)
	- Current year	**(8 856)**	(7 535)
	- Prior year adjustment	**24**	15
	Deferred income tax	**875**	786
	- Current year	**535**	791
	- Prior year adjustment	**340**	(5)
	Total South African income tax	**(7 957)**	(6 734)
	Foreign company and withholding tax	**(1)**	(1)
	- Current year	**(1)**	(1)
	Total foreign company and withholding tax	**(1)**	(1)
	South African capital gains tax	**(8)**	(55)
	- Deferred capital gains tax	**(8)**	(55)
	Total capital gains tax	**(8)**	(55)
	Change in tax rate adjustment	**(247)**	-
	Withholding tax on dividends	**-**	(2)
	Total income tax expense	**(8 213)**	(6 792)

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

Tax rate reconciliation

%	2022	2021
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend income	**(2.9)**	(3.6)
Non-taxable income*	**(0.6)**	(0.4)
Prior year adjustments	**(1.1)**	(0.0)
Rate difference	**0.8**	(0.0)
Effect of capital gains tax rate	**(0.0)**	0.1
Disallowed expenditure**	**0.5**	1.7
Other items	**(0.3)**	(0.3)
Effective rate of tax	**24.4**	25.5

* *The majority of non-taxable income relates to non-taxable translation gains and losses on preference shares.*

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

5 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.

	2022			
		At fair value through profit or loss		
R million	**Amortised cost**	**Mandatory**	**Designated**	
ASSETS				
Cash and cash equivalents	**104 625**	**-**	**-**	
Derivative financial instruments	**-**	**56 197**	**-**	
Investment securities	**123 494**	**143 811**	**31**	
Advances	**852 912**	**81 993**	**9 182**	
Other assets	**3 760**	**-**	**-**	
Amounts due by holding company and fellow subsidiaries	**56 726**	**14 027**	**-**	
Non-financial assets	**-**	**-**	**-**	
Total assets	**1 141 517**	**296 028**	**9 213**	
	2021			
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	3 458	-	-	
Amounts due by holding company and fellow subsidiaries	58 393	8 715	-	
Non-financial assets	-	-	-	
Total assets	1 031 320	313 460	8 371	

**Comparative information relating to the split of advances between current and non-current and non-contractual has been amended. In the prior year, R312 838 million was reflected as current and R545 117 million was reflected as non-current and non-contractual.*

	At fair value through other comprehensive income		Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
	Debt	Equity					
2022							
	-	-	-	-	104 625	104 625	-
	-	-	5 477	-	61 674	56 133	5 541
	11 216	327	-	-	278 879	187 022	91 857
	-	-	-	-	944 087	349 835	594 252
	-	-	-	2 029	5 789	3 196	2 593
	-	-	-	-	70 753	46 938	23 815
	-	-	-	41 540	41 540	17 704	23 836
	11 216	327	5 477	43 569	1 507 347	765 453	741 894
2021							
	-	-	-	-	99 646	99 646	-
	-	-	9 441	-	70 774	61 693	9 081
	9 796	319	-	-	273 766	179 887	93 879
	-	-	-	-	857 955	299 976	557 979
	-	-	-	1 470	4 928	3 047	1 881
	-	-	-	-	67 108	38 215	28 893
	-	-	-	40 852	40 852	31 534	9 318
	9 796	319	9 441	42 322	1 415 029	713 998	701 031

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 when the liabilities are expected to be settled.

	2022			
		At fair value through profit or loss		
R million	Amortised cost	Mandatory	Designated	
LIABILITIES				
Short trading positions	**-**	**14 183**	**-**	
Derivative financial instruments	**-**	**62 932**	**-**	
Creditors, accruals and provisions	**10 608**	**-**	**-**	
Deposits	**1 173 712**	**37 586**	**8 728**	
Other liabilities	**2 868**	**-**	**873**	
Amounts due to holding company and fellow subsidiaries	**21 782**	**11 118**	**-**	
Tier 2 liabilities	**20 433**	**-**	**-**	
Non-financial liabilities	**-**	**-**	**-**	
Total liabilities	**1 229 403**	**125 819**	**9 601**	
	2021			
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	
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	

	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current and non-contractual
2022					
	-	**-**	**14 183**	**14 183**	**-**
	7 352	**-**	**70 284**	**63 317**	**6 967**
	-	**8 291**	**18 899**	**13 874**	**5 025**
	-	**-**	**1 220 026**	**1 055 344**	**164 682**
	-	**1 517**	**5 258**	**3 695**	**1 563**
	-	**-**	**32 900**	**26 786**	**6 114**
	-	**-**	**20 433**	**12 159**	**8 274**
	-	**11 684**	**11 684**	**5 901**	**5 783**
	7 352	**21 492**	**1 393 667**	**1 195 259**	**198 408**
2021					
	-	-	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

6 CASH AND CASH EQUIVALENTS

R million	2022	2021
Coins and bank notes	**9 422**	8 569
Money at call and short notice	**65 720**	54 993
Balances with central banks	**29 483**	36 084
Mandatory reserve balance with central banks	**29 361**	35 239
Other balances with central banks not included in mandatory reserve balance	**122**	845
Total cash and cash equivalents*	**104 625**	99 646

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

The bank is 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 bank. 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.

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

For further details on the valuation of derivatives refer to note 27.

Qualifying for hedge accounting

Where all required criteria are met, derivatives are classified as qualifying for hedge accounting. Hedge accounting is applied to remove the accounting mismatch between the derivative (hedging instrument) and the underlying hedged item. All qualifying hedging relationships are designated as either fair value or cash flow hedges. The 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 31.

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments – assets

R million	2022 Notional	2022 Fair value	2021 Notional	2021 Fair value
Qualifying for hedge accounting				
Cash flow hedges	**178 795**	**4 074**	210 228	8 937
- Interest rate derivatives	**176 632**	**2 803**	208 955	8 272
- Equity derivatives	**2 163**	**1 271**	1 273	665
Fair value hedges	**36 655**	**1 403**	28 312	504
- Interest rate derivatives	**36 655**	**1 403**	28 312	504
Held for trading	**5 442 698**	**56 197**	4 832 716	61 333
Currency derivatives	**279 987**	**12 397**	259 859	8 948
Interest rate derivatives	**5 057 297**	**37 013**	4 468 335	49 138
Equity derivatives	**55 694**	**2 355**	59 471	2 758
Commodity derivatives	**26 219**	**1 185**	27 159	281
Energy derivatives	**10 551**	**3 154**	3 688	119
Credit derivatives	**12 950**	**93**	14 204	89
Total derivative assets	**5 658 148**	**61 674**	5 071 256	70 774
Exchange traded	**36 806**	**475**	27 307	41
Over the counter	**5 621 342**	**61 199**	5 043 949	70 733
Total derivative assets	**5 658 148**	**61 674**	5 071 256	70 774

Derivative financial instruments – liabilities

R million	2022 Notional	2022 Fair value	2021 Notional	2021 Fair value
Qualifying for hedge accounting				
Cash flow hedges	**318 631**	**7 222**	271 024	7 298
- Interest rate derivatives	**316 181**	**7 162**	268 890	6 900
- Equity derivatives	**2 450**	**60**	2 134	398
Fair value hedges	**7 779**	**130**	21 924	696
- Interest rate derivatives	**7 779**	**130**	21 924	696
Held for trading	**5 263 734**	**62 932**	4 975 800	62 728
Currency derivatives	**270 452**	**17 748**	212 583	11 530
Interest rate derivatives	**4 913 550**	**39 592**	4 684 382	48 022
Equity derivatives	**63 358**	**3 324**	60 239	2 659
Commodity derivatives	**2 945**	**586**	12 312	338
Energy derivatives	**7 413**	**1 525**	2 691	89
Credit derivatives	**6 016**	**157**	3 593	90
Total derivative liabilities	**5 590 144**	**70 284**	5 268 748	70 722
Exchange traded	**12 003**	**205**	39 968	41
Over the counter	**5 578 141**	**70 079**	5 228 780	70 681
Total derivative liabilities	**5 590 144**	**70 284**	5 268 748	70 722

Refer to note 29 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:

- mismatches in the repricing of assets and liabilities;
- increases or decreases in the absolute levels of interest rates and/or changes in the shape of the term structure of interest rates when applied to the 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 as the designated 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 are designated as the hedged item. Due to liquidity and other assessments made, the interest rate swap curve is regarded as the best indicator of the interest rate risk and as such the benchmark interest rate is obtained from the interest rate swap curve denominated in the exposure's currency. The swap curve enables the measurement of the benchmark interest rate component on designation. The difference between the benchmark rate and the base rate is therefore excluded from the hedge risk designated.

As such, the benchmark interest rate risk is the component being hedged, while other risks such as credit risk is managed but not hedged by the bank. 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 current year, not all macro hedge relationships qualified for hedge accounting. The bank continually assesses whether macro hedge accounting can be applied to failed macro hedges, which could result in these macro hedges being reinstated for hedge accounting purposes.

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 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 are rather based on 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 determining the effectiveness of the hedge relationship in line with the bank's risk management strategy.

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

- the designated fixed interest rate on the hedged item differs from the offsetting rate of the interest rate swap;
- the unwinding of the time value of 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;
- day 1 gains or losses on the hedging instrument at the inception of the hedge;
- prepayment risk on macro hedging portfolios on the date of designating the hedge relationship;
- 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 (IBOR) Phase 1 and Phase 2 in the prior year. In accordance with the transition provisions, the amendments were adopted retrospectively to hedging relationships that existed at the start of the financial period or were designated thereafter.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

These 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.

The relief measures 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 instrument, 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 that are still to transition are set out below:

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

These derivatives have and will continue to be transitioned via ISDA protocols. *Refer to Note 31.4.1 – Interest rate risk in the banking book* for a detailed explanation on how FirstRand is managing the transition to ARRs.

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	**2022** **Interest rate risk** **Notional amount**	2021 Interest rate risk Notional amount
Derivative asset		
4 — 12 months	**7 129**	-
> 12 months	**7 513**	12 533
Total	**14 642**	12 533
Derivative liability		
4 — 12 months	**-**	456
> 12 months	**12 989**	12 185
Total	**12 989**	12 641

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

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	Advances*	Investment securities	Funding liabilities**
	2022		
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	**-**	**24 234**	**8 287**
Accumulated fair value hedge adjustments for instruments that are actively hedged	**-**	**(1 481)**	**(141)**
Total carrying amount of hedged items	**-**	**22 753**	**8 146**
Accumulated fair value hedge adjustments for items that have ceased to be adjusted for fair value hedge gains and losses	**-**	**57**	**-**
	2021		
Interest rate risk-hedged items			
Carrying amount excluding fair value hedge adjustments	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. In the current year, a portion of the fair value hedges failed to qualify for hedge accounting.*
*** Funding liabilities are included in the deposit and Tier 2 liabilities lines in the statement of financial position.*

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	2022	2021
Interest rate risk		
Changes in fair value for the year arising on hedging instruments		
- Interest rate derivatives	**1 444**	126
On hedged items attributable to the hedged risk	**(1 437)**	(134)
- Advances	**-**	(2)
- Investment securities – amortised cost	**(1 020)**	(622)
- Investment securities – FVOCI	**(797)**	185
- Funding liabilities*	**380**	305
Ineffectiveness recognised in NIR	**7**	(8)

** 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);
- prime-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-linked assets and overnight financial liabilities exposes the bank 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.

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 prime and JIBAR-linked swaps to hedge overnight financial liabilities; and
- designation of JIBAR-linked advances between JIBAR fixing dates.

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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 25 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 of the TRS will increase/decrease for the share price component of the derivative in line with the increase/decrease in share price. Critical terms such as notional amounts and maturity dates are matched, resulting in a hedge ratio of 1:1. 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 number of FirstRand shares covered by the TRS was 80 million (2021: 71 million).

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 bank'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 partial vesting in the current year and non-vesting in the prior period, the hedging relationship for the schemes no longer qualified for hedge accounting from the date the vesting terms were confirmed.

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

	2022		2021	
	Notional amount		Notional amount	
R million	**Interest rate risk**	**Equity price risk**	Interest rate risk	Equity price risk
Derivative assets				
1 — 3 months	**6 371**	**-**	5 048	-
4 — 12 months	**41 396**	**-**	39 209	1 273
>12 months	**128 865**	**2 163**	164 698	-
Total	**176 632**	**2 163**	208 955	1 273
Derivative liabilities				
1 — 3 months	**10 141**	**-**	10 354	327
4 — 12 months	**106 060**	**-**	88 633	292
>12 months	**199 980**	**2 450**	169 903	1 515
Total	**316 181**	**2 450**	268 890	2 134

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.

	2022		2021	
	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	**6**	**-**	7	-
4 — 12 months	**6**	**-**	5	35
>12 months	**7**	**42**	6	-
Derivative liabilities				
1 — 3 months	**6**	**-**	6	10
4 — 12 months	**5**	**-**	5	7
>12 months	**7**	**61**	7	45

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.

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

7 DERIVATIVE FINANCIAL INSTRUMENTS continued

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

R million	Interest rate risk	Equity price risk*	Total
As at 30 June 2022			
Cash flow hedge reserve – opening balance	**1 195**	**138**	**1 333**
(Losses)/gains recognised in reserves in the current year	**(3 816)**	**1 679**	**(2 137)**
Deferred tax on reserve movement	**1 575**	**(177)**	**1 398**
Transfers to NII, and operating expenses (staff costs)	**(1 956)**	**(1 017)**	**(2 973)**
Hedged item affects profit or loss	**(1 377)**	**(708)**	**(2 085)**
Hedged future cash flows no longer expected to occur	**(579)**	**(309)**	**(888)**
Cash flow hedge reserve – closing balance	**(3 002)**	**623**	**(2 379)**
Cash flow hedge reserve relating to continuing hedges	**(3 331)**	**579**	**(2 752)**
Cash flow hedge reserve relating to discontinued hedges	**329**	**44**	**373**
Cash flow hedge reserve – closing balance	**(3 002)**	**623**	**(2 379)**
As at 30 June 2021			
Cash flow hedge reserve – opening balance	2 629	(569)	2 060
Gains/(losses) recognised in reserves in the current year	(518)	1 399	881
Deferred tax on reserve movement	557	(275)	282
Transfers to NII, and operating 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

**Due to the IFRS 2 award partially vesting in the current financial year and non-vesting in the prior 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	2022	2021
Agricultural commodities	**2 518**	4 838
Gold	**14 887**	12 839
Platinum group metals	**175**	964
Total commodities	**17 580**	18 641

9 INVESTMENT SECURITIES

R million	**2022**	2021
Treasury bills	**106 429**	90 491
Other government and government guaranteed stock	**156 470**	159 834
Other dated securities	**11 727**	17 033
Equities	**4 396**	6 547
Total gross carrying amount of investment securities	**279 022**	273 905
Loss allowance on investment securities	**(143)**	(139)
Total investment securities	**278 879**	273 766

Analysis of the impairment stages of investment securities

	2022			
	Amortised cost		**FVOCI (debt)**	
R million	**Carrying amount**	**ECL allowance**	**Carrying amount**	**ECL allowance**
Stage 1	**123 637**	**143**	**11 216**	**-**
Stage 2	**-**	**-**	**-**	**-**
Total investment securities	**123 637**	**143**	**11 216**	**-**
	2021			
Stage 1	103 217	121	9 796	-
Stage 2	1 051	18	-	-
Total investment securities	104 268	139	9 796	-

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

Repurchase agreements

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

	Investment securities (carrying amount)		**Associated liabilities recognised in deposits (carrying amount)**	
R million	**2022**	2021	**2022**	2021
Repurchase agreements	**4 259**	17 663	**3 518**	16 361

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

9 INVESTMENT SECURITIES continued

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 R327 million (2021: R319 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.

10 ADVANCES

10.1 Category analysis of advances

R million	Notes	2022	2021
Overdrafts and cash management accounts		**72 014**	60 481
Term loans		**53 665**	48 984
Card loans		**36 593**	34 331
Instalment sales, hire purchase agreements and lease payments receivable	10.2	**123 696**	117 661
Property finance		**270 422**	253 223
Personal loans		**48 922**	49 376
Preference share agreements		**31 466**	39 367
Investment bank term loans		**148 493**	126 196
Long-term loans to group associates and joint ventures		**500**	300
Other		**50 376**	30 135
Total customer advances		**836 147**	760 054
Marketable advances		**72 749**	71 312
Advances under agreements to resell		**70 540**	65 058
Gross value of advances		**979 436**	896 424
Impairment and credit of fair value advances	11	**(35 349)**	(38 469)
Net advances		**944 087**	857 955
Gross advances – amortised cost		**886 992**	803 450
Impairment of advances – amortised cost		**(34 080)**	(37 756)
Net advances – amortised cost		**852 912**	765 694
Gross advances – fair value		**92 444**	92 974
Impairment of advances – fair value		**(1 269)**	(713)
Net advances – fair value		**91 175**	92 261
Net advances		**944 087**	857 955

10 ADVANCES continued

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

R million	2022	2021
Within 1 year	**30 710**	28 648
Between 1 and 2 years	**27 835**	26 755
Between 2 and 3 years	**24 397**	23 894
Between 3 and 4 years	**19 832**	19 959
Between 4 and 5 years	**15 637**	14 026
More than 5 years	**11 269**	9 176
Total gross amount*	**129 680**	122 458
Unearned finance charges	**(25 797)**	(23 096)
Net amount of hire purchase and lease payments receivable	**103 883**	99 362
Instalment sales	**19 813**	18 299
Total instalment sales, hire purchase agreements and lease payments receivable	**123 696**	117 661

* *WesBank originates lease receivables within the bank. During the current year lease receivables increased by 4%. This increase can be attributed to new business gradually recovering post the lifting of Covid-19 restrictions, an increase in average loan values and the buoyant second-hand car market.*

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

10 ADVANCES continued

Transfers and derecognition of advances in structured transactions

Transfers without derecognition

Advances with the carrying amount of R18 931 million (2021: R16 600 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). During the financial year, the following entities were closed out (notes redeemed and assets repurchased by the relevant servicer): Nitro 6, Turbo Finance 8, MotoFirst and MotoPark. These structured entities are consolidated by the FirstRand group. The table below discloses the carrying amount of advances and related assets held by the structured entities at 30 June, as well as the financial liabilities incurred to fund the initial acquisitions and other related liabilities. Some structured entities' financial assets have early settled and the cash held by the structured entities will be utilised to purchase additional advances post year end.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2022	2021	**2022**	2021
FAST	July 2016	R6.8 billion	**7 129**	9 883	**6 261**	9 164
MotoFirst	October 2017	£400 million	**2**	4 821	**2**	4 873
MotoPark	January 2018	£540 million	**-**	2 919	**-**	2 835
Nitro 6	April 2018	R2 billion	**23**	379	**-**	305
Turbo Finance 8	November 2018	£400 million	**-**	1 283	**-**	1 325
Nitro Programme	May 2019	R2 billion	**477**	861	**413**	808
MotoWay	September 2019	£583 million	**2 003**	5 351	**2 209**	5 590

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.

	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	
As at 30 June 2022					
Traditional securitisation transactions					
Derivative financial instruments	**11**	**612**	**11**	**612**	**2 056**
Investment securities and other investments	**3 851**	**1 318**	**3 849**	**1 318**	**3 851**
Other structured transactions					
Marketable advances	**1 018**	**-**	**1 018**	**-**	**1 018**
Total	**4 880**	**1 930**	**4 878**	**1 930**	**6 925**
As at 30 June 2021					
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

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.

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.

10 ADVANCES continued

10.4 Type of continuing involvement continued

The table below sets out the profit or loss impact of transfers of financial assets which are derecognised in their entirety.

	2022			2021		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Gain at date of transfer	**565**	**-**	**565**	586	-	586
Income recognised from continuing involvement	**3 639**	**135**	**3 774**	3 095	142	3 237
- for the current period	**484**	**10**	**494**	424	27	451
- cumulative	**3 155**	**125**	**3 280**	2 671	115	2 786

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.

	2022			2021		
R million	**Traditional securitisation transactions**	**Other structured transactions**	**Total**	Traditional securitisation transactions	Other structured transactions	Total
Total undiscounted cash outflows	**7 933**	**-**	**7 933**	22 343	-	22 343
- Call	**-**	**-**	**-**	522	-	522
- 1 to 3 months	**696**	**-**	**696**	1 915	-	1 915
- 4 to 12 months	**2 366**	**-**	**2 366**	6 653	-	6 653
- 1 to 5 years	**4 871**	**-**	**4 871**	13 253	-	13 253
- Over 5 years	**-**	**-**	**-**	-	-	-

10.5 Analysis of advances per class

Basis of preparation of the analysis of advances per class

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

Voluntary changes in presentation

Asset-based finance book

During the year the asset-based finance (ABF) advances with customers that bank with FNB were moved from FNB commercial to WesBank corporate. This change was implemented to create consistency of process and to effect business efficiencies by managing the ABF book (i.e. the same type of client and loans) as a single portfolio within WesBank. Details of the comparative information that has been restated are included in *Note 32 – Impact due to movements in the classes of advances.*

10 ADVANCES continued

10.5 Analysis of advances per class continued

MotoNovo back book

The MotoNovo back book (i.e., business written prior to the integration with Aldermore) was previously separately reported in the analysis of credit information per class. The book has been running down for a number of years and is no longer deemed to be material enough to report separately. The MotoNovo back book has been collapsed into Centre (including Group Treasury). This is also aligned with how its results are reported in the segment report and reviewed by the group's executives. Comparative information has been restated. Details of the information restated are included in *Note 32 – Impact due to movements in the classes of advances*.

Core lending advances

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

Temporary stress scenario

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

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

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

10.6 Reconciliation of the gross advances and loss allowance on advances per class

Voluntary changes in general presentation of the advances note

The bank has made voluntary changes to the presentation of the reconciliations within *Note 10 – Advances* and *Note 11 – Impairment on advances*. To allow the user to compare the amended comparatives provided in these notes to the information previously presented, the whole of note 10 and note 11 included in the 2021 annual financial statements have been included in *Note 33 – Change in presentation of advances note.*

10 ADVANCES continued

10.6 Reconciliation of the gross advances and loss allowance on advances per class continued

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 bank 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 bank 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 are included in changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement in the ECL for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime expected credit losses (LECL) and other changes.

The movement on GCA is made up 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 impairment stage of the exposures 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 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 advances per class continued

Additional information relating to advances

The total contractual amount outstanding on amortised cost advances that were written off during the period and are still subject to enforcement activity is R13 513 million (2021: R13 022 million).

Included in the core lending advances is advances of R1 961 million (2021: R2 179 million) for which no ECL is raised due to over collateralisation. These advances are originated in FNB commercial and RMB corporate and investment banking. Advances under agreement to resell also are also fully collateralised.

10 ADVANCES continued

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

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
GCA reported as at 1 July 2021	225 666	90 516	31 249	39 686	15 712
— Stage 1	196 375	69 224	24 553	25 153	11 680
— Stage 2	15 935	11 821	2 662	6 987	1 540
— Stage 3	13 356	9 471	4 034	7 546	2 492
— Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	(2 445)	(1 051)	(628)	(1 783)	(277)
Transfers into stage 1	7 678	4 135	1 171	2 005	496
Transfers out of stage 1	(10 123)	(5 186)	(1 799)	(3 788)	(773)
— Transfers to/(from) stage 2	1 711	475	(853)	(912)	(192)
Transfers into stage 2	10 563	5 502	860	2 735	481
Transfers out of stage 2	(8 852)	(5 027)	(1 713)	(3 647)	(673)
— Transfers to/(from) stage 3	734	576	1 481	2 695	469
Transfers into stage 3	3 904	2 596	1 713	3 665	699
Transfers out of stage 3	(3 170)	(2 020)	(232)	(970)	(230)
Current period movement	17 617	5 985	3 618	5 598	1 064
New business - changes in exposure	44 607	35 585	3 239	19 345	4 363
Back book					
— Current year movement	(26 990)	(29 600)	379	(13 747)	(3 299)
— Exposures with a change in measurement basis from 12 months to LECL	(1 486)	(2 833)	74	(1 393)	(12)
— Other current year change in exposure net movement on GCA	(25 504)	(26 767)	305	(12 354)	(3 287)
— Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	(870)	-	-	-
Transfers from/(to) other divisions	(9)	-	-	-	9
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Bad debts written off	(469)	(2 331)	(1 970)	(4 743)	(2 324)
Modifications that did not give rise to derecognition	(48)	(86)	(76)	(368)	(104)
GCA as at 30 June 2022	242 757	93 214	32 821	40 173	14 357
— Stage 1	211 306	76 766	26 914	27 342	11 213
— Stage 2	19 649	10 463	2 229	6 557	1 178
— Stage 3	11 802	5 985	3 678	6 274	1 966
— Purchased or originated credit impaired	-	-	-	-	-
Core lending advances	242 757	93 214	32 821	40 173	14 357
Advances under agreements to resell	-	-	-	-	-
Total GCA of advances at 30 June 2022	242 757	93 214	32 821	40 173	14 357

Retail secured and unsecured	Corporate and commercial						
Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
-	97 001	-	41 015	225 884	-	36 721	803 450
(1 210)	83 139	(99)	35 561	201 210	-	36 325	681 911
1 210	8 064	99	4 060	22 435	-	107	74 920
-	5 798	-	1 394	1 423	-	289	45 803
-	-	-	-	816	-	-	816
-	-	-	-	-	-	-	-
-	(1 222)	-	88	211	-	(9)	(7 116)
-	5 103	-	2 727	2 481	-	19	25 815
-	(6 325)	-	(2 639)	(2 270)	-	(28)	(32 931)
-	(564)	-	(198)	(939)	-	(17)	(1 489)
-	5 515	-	2 505	2 734	-	24	30 919
-	(6 079)	-	(2 703)	(3 673)	-	(41)	(32 408)
-	1 786	-	110	728	-	26	8 605
-	1 900	-	419	1 266	-	37	16 199
-	(114)	-	(309)	(538)	-	(11)	(7 594)
-	12 245	-	4 319	33 696	-	9 709	93 851
-	18 177	-	25 287	80 997	-	2 038	233 638
-	(5 932)	-	(20 968)	(47 217)	-	7 671	(139 703)
-	(544)	-	(1 291)	(4 406)	-	(140)	(12 031)
-	(5 388)	-	(19 677)	(42 811)	-	7 811	(127 672)
-	-	-	-	(84)	-	-	(84)
-	-	-	-	(892)	-	4 007	2 245
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1 835	-	-	1 835
-	(1 540)	-	(206)	(92)	-	(37)	(13 712)
-	5	-	-	-	-	-	(677)
-	107 711	-	45 128	260 431	-	50 400	886 992
(2 687)	95 656	(130)	39 417	240 834	-	49 467	776 098
2 687	7 428	130	4 808	17 654	-	269	73 052
-	4 627	-	903	1 211	-	664	37 110
-	-	-	-	732	-	-	732
-	107 711	-	45 128	259 762	-	27 077	863 000
-	-	-	-	669	-	23 323	23 992
-	107 711	-	45 128	260 431	-	50 400	886 992

10 ADVANCES continued

10.6.2 Reconciliation of the loss allowance on total advances per class continued
Amortised cost – 30 June 2022

R million	Retail secured		Retail unsecured		
	Residential mortgages	**WesBank VAF**	**FNB card**	**Personal loans**	**Retail other**
ECL reported as at 1 July 2021	**4 304**	**5 629**	**4 683**	**8 630**	**3 119**
— Stage 1	**646**	**708**	**861**	**1 611**	**718**
— Stage 2	**841**	**1 039**	**654**	**1 722**	**575**
— Stage 3	**2 817**	**3 882**	**3 168**	**5 297**	**1 826**
- Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**
Transfers between stages	**-**	**-**	**-**	**-**	**-**
— Transfers to/(from) stage 1	**192**	**227**	**130**	**(9)**	**21**
Transfers into stage 1	**235**	**279**	**209**	**272**	**76**
Transfers out of stage 1	**(43)**	**(52)**	**(79)**	**(281)**	**(55)**
— Transfers to/(from) stage 2	**(67)**	**(182)**	**(292)**	**(633)**	**(61)**
Transfers into stage 2	**228**	**206**	**64**	**347**	**89**
Transfers out of stage 2	**(295)**	**(388)**	**(356)**	**(980)**	**(150)**
— Transfers to/(from) stage 3	**(125)**	**(45)**	**162**	**642**	**40**
Transfers into stage 3	**160**	**197**	**283**	**954**	**126**
Transfers out of stage 3	**(285)**	**(242)**	**(121)**	**(312)**	**(86)**
Current period provision created/(released)	**249**	**1 920**	**1 648**	**3 921**	**1 663**
New business - impairment charge/(release)	**347**	**739**	**194**	**2 262**	**375**
Back book - impairment charge/(release)	**(98)**	**1 181**	**1 454**	**1 659**	**1 288**
— Exposures with a change in measurement basis from 12 months to LECL	**21**	**(246)**	**231**	**(73)**	**29**
— Other current year impairment charge/(release)	**(119)**	**1 427**	**1 223**	**1 732**	**1 259**
— Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**
Acquisition/(disposal) of advances	**-**	**3**	**-**	**-**	**-**
Transfers from/(to) other divisions	**-**	**-**	**-**	**-**	**-**
Transfers from/(to) non-current assets or disposal groups held for sale	**-**	**-**	**-**	**-**	**-**
Exchange rate differences	**-**	**-**	**-**	**-**	**-**
Bad debts written off	**(469)**	**(2 331)**	**(1 970)**	**(4 743)**	**(2 324)**
ECL as at 30 June 2022	**4 084**	**5 221**	**4 361**	**7 808**	**2 458**
— Stage 1	**609**	**779**	**1 130**	**1 785**	**665**
— Stage 2	**939**	**1 289**	**620**	**1 544**	**330**
— Stage 3	**2 536**	**3 153**	**2 611**	**4 479**	**1 463**
— Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**
Current period provision created/(released) per impairment stage	**249**	**1 920**	**1 648**	**3 921**	**1 663**
— Stage 1	**(230)**	**(150)**	**140**	**183**	**(75)**
— Stage 2	**166**	**432**	**257**	**454**	**(184)**
— Stage 3	**313**	**1 638**	**1 251**	**3 284**	**1 922**
— Purchased or originated credit impaired	**-**	**-**	**-**	**-**	**-**

	Retail secured and unsecured	Corporate and commercial						
	Temporary stress scenario	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)	Total
	332	5 761	148	956	3 915	-	279	37 756
	129	944	124	197	1 292	-	27	7 257
	159	1 438	24	208	2 236	-	14	8 910
	44	3 379	-	551	297	-	238	21 499
	-	-	-	-	90	-	-	90
	-	-	-	-	-	-	-	-
	-	192	-	149	114	-	3	1 019
	-	332	-	169	128	-	3	1 703
	-	(140)	-	(20)	(14)	-	-	(684)
	-	(359)	-	(97)	(191)	-	(3)	(1 885)
	-	127	-	38	11	-	2	1 112
	-	(486)	-	(135)	(202)	-	(5)	(2 997)
	-	167	-	(52)	77	-	-	866
	-	255	-	21	119	-	3	2 118
	-	(88)	-	(73)	(42)	-	(3)	(1 252)
	(17)	1 012	(93)	45	(847)	-	76	9 577
	-	187	-	234	677	-	(3)	5 012
	(17)	825	(93)	(189)	(1 517)	-	79	4 572
	-	230	-	(105)	(158)	-	24	(47)
	(17)	595	(93)	(84)	(1 359)	-	55	4 619
	-	-	-	-	(7)	-	-	(7)
	-	-	-	-	(36)	-	471	438
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	25	-	(4)	21
	-	(1 540)	-	(206)	(92)	-	(37)	(13 712)
	315	5 233	55	795	2 965	-	785	34 080
	153	1 029	23	186	882	-	42	7 283
	162	1 059	32	193	1 482	-	31	7 681
	-	3 145	-	416	518	-	712	19 033
	-	-	-	-	83	-	-	83
	(17)	1 012	(93)	45	(847)	-	76	9 577
	24	(103)	(101)	(161)	(504)	-	13	(964)
	3	(20)	8	82	(566)	-	20	652
	(44)	1 135	-	124	230	-	43	9 896
	-	-	-	-	(7)	-	-	(7)

10 ADVANCES continued

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

Fair value – 30 June 2022

R million	FNB	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2021	91	91 247	1 636	92 974
— Stage 1	91	88 627	1 586	90 304
— Stage 2	-	2 465	50	2 515
— Stage 3	-	73	-	73
— Purchased or originated credit impaired	-	82	-	82
Transfers between stages	-	-	-	-
— Transfers to/(from) stage 1	-	-	8	8
Transfers into stage 1	-	-	8	8
Transfers out of stage 1	-	-	-	-
— Transfers to/(from) stage 2	-	-	(8)	(8)
Transfers into stage 2	-	-	-	-
Transfers out of stage 2	-	-	(8)	(8)
— Transfers to/(from) stage 3	-	-	-	-
Transfers into stage 3	-	-	-	-
Transfers out of stage 3	-	-	-	-
Current period movement	21	(1 250)	(255)	(1 484)
New business - changes in exposure	-	14 645	-	14 645
Back book - current year movement	21	(15 896)	(255)	(16 130)
— Exposures with a change in measurement basis from 12 months to LECL	-	(361)	-	(361)
— Other current year change in exposure/ net movement on GCA	21	(15 535)	(255)	(15 769)
Purchased or originated credit impaired	-	1	-	1
Acquisition/(disposal) of advances	-	-	200	200
Transfers from/(to) other divisions	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-
Exchange rate differences	-	754	-	754
Bad debts written off	-	-	-	-
GCA as at 30 June 2022	112	90 751	1 581	92 444
— Stage 1	112	87 918	1 538	89 568
— Stage 2	-	1 981	43	2 024
— Stage 3	-	769	-	769
— Purchased or originated credit impaired	-	83	-	83
Core lending advances	112	44 203	1 581	45 896
Advances under agreements to resell	-	46 548	-	46 548
Total GCA of advances at 30 June 2022	112	90 751	1 581	92 444

10 ADVANCES continued

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

Fair value – 30 June 2022

R million	FNB	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2021	-	602	111	713
— Stage 1	-	133	103	236
— Stage 2	-	377	8	385
— Stage 3	-	10	-	10
— Purchased or originated credit impaired	-	82	-	82
Transfers between stages	-	-	-	-
— Transfers to/(from) stage 1	-	-	3	3
Transfers into stage 1	-	-	3	3
Transfers out of stage 1	-	-	-	-
— Transfers to/(from) stage 2	-	-	(6)	(6)
Transfers into stage 2	-	-	-	-
Transfers out of stage 2	-	-	(6)	(6)
— Transfers to/(from) stage 3	-	-	3	3
Transfers into stage 3	-	-	3	3
Transfers out of stage 3	-	-	-	-
Current period movement	3	512	(5)	510
New business - changes in exposure	-	521	-	521
Back book - current year movement	3	(9)	(5)	(11)
— Exposures with a change in measurement basis from 12 months to LECL	-	(31)	-	(31)
— Other current year impairment charge/(release)	3	22	(5)	20
Purchased or originated credit impaired	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-
Exchange rate differences	-	46	-	46
Bad debts written off	-	-	-	-
ECL as at 30 June 2022	3	1 160	106	1 269
— Stage 1	3	195	103	301
— Stage 2	-	412	3	415
— Stage 3	-	471	-	471
— Purchased or originated credit impaired	-	82	-	82
Current period provision created/(released) per impairment stage	3	513	(5)	511
— Stage 1	3	58	(4)	57
— Stage 2	-	(6)	2	(4)
— Stage 3	-	461	(3)	458
— Purchased or originated credit impaired	-	-	-	-

10 ADVANCES continued

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

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
GCA reported as at 1 July 2020	224 404	94 024	30 210	41 874	16 732
— Stage 1	197 845	73 399	24 352	28 371	12 879
— Stage 2	14 897	10 815	2 183	6 079	1 646
— Stage 3	11 662	9 810	3 675	7 424	2 207
— Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	(5 410)	(6 375)	(1 980)	(5 663)	(1 291)
Transfers into stage 1	7 283	2 171	1 486	1 218	565
Transfers out of stage 1	(12 693)	(8 546)	(3 466)	(6 881)	(1 856)
— Transfers to/(from) stage 2	1 792	2 361	6	1 467	254
Transfers into stage 2	10 988	7 068	1 960	4 277	1 104
Transfers out of stage 2	(9 196)	(4 707)	(1 954)	(2 810)	(850)
— Transfers to/(from) stage 3	3 618	4 014	1 974	4 196	1 037
Transfers into stage 3	5 050	4 854	2 032	4 798	1 138
Transfers out of stage 3	(1 432)	(840)	(58)	(602)	(101)
Current period movement	1 666	(1 063)	2 736	3 462	1 068
New business - changes in exposure	31 889	31 408	2 443	15 462	1 757
Back book					
— Current year movement	(30 223)	(32 471)	293	(12 000)	(689)
— Exposures with a change in measurement basis from 12 months to LECL	(1 269)	(2 230)	110	(1 286)	10
— Other current year change in exposure net movement on GCA	(28 954)	(30 241)	183	(10 714)	(699)
— Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	(283)
Transfers from/(to) other divisions	(6)	-	143	-	6
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Bad debts written off	(367)	(2 310)	(1 790)	(5 292)	(1 778)
Modifications that did not give rise to derecognition	(31)	(135)	(50)	(358)	(33)
GCA as at 30 June 2021	225 666	90 516	31 249	39 686	15 712
— Stage 1	196 375	69 224	24 553	25 153	11 680
— Stage 2	15 935	11 821	2 662	6 987	1 540
— Stage 3	13 356	9 471	4 034	7 546	2 492
— Purchased or originated credit impaired	-	-	-	-	-
Core lending advances	225 666	90 516	31 249	39 686	15 712
Advances under agreements to resell	-	-	-	-	-
Total GCA of advances at 30 June 2021	225 666	90 516	31 249	39 686	15 712

** Restated. Refer to Note 32 Impact due to movements in the classes of advances.*

Retail secured and unsecured	Corporate and commercial						
Temporary stress scenario	FNB commercial*	Temporary stress scenario	WesBank corporate*	RMB corporate and investment banking	Broader Africa	Centre (including Group Treasury)*	Total
-	95 081	-	39 920	258 206	-	39 337	839 788
-	80 877	-	36 119	228 595	-	38 285	720 722
-	7 631	-	2 470	25 913	-	357	71 991
-	6 573	-	1 331	2 797	-	695	46 174
-	-	-	-	901	-	-	901
-	-	-	-	-	-	-	-
-	(101)	-	(3 124)	(806)	-	38	(24 712)
-	4 664	-	625	6 528	-	102	24 642
-	(4 765)	-	(3 749)	(7 334)	-	(64)	(49 354)
-	(1 493)	-	2 506	702	-	(83)	7 512
-	4 144	-	3 358	7 334	-	71	40 304
-	(5 637)	-	(852)	(6 632)	-	(154)	(32 792)
-	1 594	-	618	104	-	45	17 200
-	2 201	-	823	104	-	98	21 098
-	(607)	-	(205)	-	-	(53)	(3 898)
-	3 527	-	1 249	(26 235)	(28)	(2 064)	(15 682)
-	15 459	-	12 051	59 733	-	(400)	169 802
-	(11 932)	-	(10 802)	(85 792)	(28)	(1 664)	(185 308)
-	1 331	-	(1 352)	2 460	-	(108)	(2 334)
-	(13 263)	-	(9 450)	(88 252)	(28)	(1 556)	(182 974)
-	-	-	-	(176)	-	-	(176)
-	-	-	1	(1 357)	-	-	(1 639)
-	-	-	-	-	-	(143)	-
-	-	-	-	-	-	-	-
-	-	-	-	(3 670)	-	(231)	(3 901)
-	(1 615)	-	(155)	(1 060)	28	(177)	(14 516)
-	8	-	-	-	-	(1)	(600)
-	97 001	-	41 015	225 884	-	36 721	803 450
(1 210)	83 139	(99)	35 561	201 210	-	36 325	681 911
1 210	8 064	99	4 060	22 435	-	107	74 920
-	5 798	-	1 394	1 423	-	289	45 803
-	-		-	816	-	-	816
-	97 001	-	41 015	225 585	-	30 340	796 770
-	-		-	299	-	6 381	6 680
-	97 001	-	41 015	225 884	-	36 721	803 450

10 ADVANCES continued

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

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
ECL reported as at 1 July 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
— Purchased or originated credit impaired	-	-	-	-	-
Transfers between stages	-	-	-	-	-
— Transfers to/(from) stage 1	249	82	34	(399)	-
Transfers into stage 1	345	177	295	251	133
Transfers out of stage 1	(96)	(95)	(261)	(650)	(133)
— Transfers to/(from) stage 2	(324)	(311)	(384)	(631)	(142)
Transfers into stage 2	128	164	127	402	89
Transfers out of stage 2	(452)	(475)	(511)	(1 033)	(231)
— Transfers to/(from) stage 3	75	229	350	1 030	142
Transfers into stage 3	232	334	377	1 199	190
Transfers out of stage 3	(157)	(105)	(27)	(169)	(48)
Current period provision created/(released)	754	2 292	2 090	5 226	1 865
New business - impairment charge/(release)	116	890	148	1 448	150
Back book - impairment charge/(release)	638	1 402	1 942	3 778	1 715
— Exposures with a change in measurement basis from 12 months to LECL	26	(197)	174	(315)	64
— Other current year impairment charge/(release)	612	1 599	1 768	4 093	1 651
— Purchased or originated credit impaired	-	-	-	-	-
Acquisition/(disposal) of advances	-	-	-	-	(41)
Transfers from/(to) other divisions	-	-	182	-	(66)
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-
Exchange rate differences	-	-	-	-	-
Bad debts written off	(366)	(2 310)	(1 790)	(5 293)	(1 778)
ECL as at 30 June 2022	4 304	5 629	4 683	8 630	3 119
— Stage 1	646	708	861	1 611	718
— Stage 2	841	1 039	654	1 722	575
— Stage 3	2 817	3 882	3 168	5 297	1 826
— Purchased or originated credit impaired	-	-	-	-	-
Current period provision created/(released) per impairment stage	754	2 292	2 090	5 226	1 865
— Stage 1	(335)	80	(137)	197	6
— Stage 2	389	88	477	700	19
— Stage 3	700	2 124	1 750	4 329	1 840
— Purchased or originated credit impaired	-	-	-	-	-

** Restated. Refer to Note 32 Impact due to movements in the classes of advances.*

Retail secured and unsecured	Corporate and commercial						
Temporary stress scenario	FNB commercial*	Temporary stress scenario	WesBank corporate*	RMB corporate and investment banking	Broader Africa	Centre including Group Treasury)*	Total
-	5 706	-	828	4 408	-	500	37 042
-	1 290	-	218	1 339	-	64	7 699
-	1 291	-	159	1 861	-	70	8 336
-	3 125	-	451	1 208	-	366	21 007
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	556	-	16	249	-	9	796
-	622	-	56	373	-	11	2 263
-	(66)	-	(40)	(124)	-	(2)	(1 467)
-	(790)	-	(20)	(280)	-	(7)	(2 889)
-	74	-	50	124	-	14	1 172
-	(864)	-	(70)	(404)	-	(21)	(4 061)
-	234	-	4	31	-	(2)	2 093
-	372	-	47	31	-	15	2 797
-	(138)	-	(43)	-	-	(17)	(704)
332	1 670	148	282	732	(28)	106	15 469
-	224	-	218	352	-	5	3 551
332	1 446	148	64	293	(28)	101	11 831
-	393	-	(58)	141	-	(17)	211
332	1 053	148	122	152	(28)	118	11 620
-	-	-	-	87	-	-	87
-	-	-	1	(2)	-	-	(42)
-	-	-	-	-	-	(116)	-
-	-	-	-	-	-	-	-
-	-	-	-	(163)	-	(34)	(197)
-	(1 615)	-	(155)	(1 060)	28	(177)	(14 516)
332	5 761	148	956	3 915	-	279	37 756
129	944	124	197	1 292	-	27	7 257
159	1 438	24	208	2 236	-	14	8 910
44	3 379	-	551	297	-	238	21 499
-	-	-	-	90	-	-	90
332	1 670	148	282	732	(28)	106	15 469
129	(903)	124	(38)	(262)	-	(44)	(1 183)
159	937	24	69	683	-	(47)	3 498
44	1 636	-	251	221	(28)	197	13 064
-	-	-	-	90	-	-	90

10 ADVANCES continued

10.6.7 Reconciliation of the gross carrying amount on total advances per class continued

Fair value – 30 June 2021

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
GCA reported as at 1 July 2020	27	64 031	1 866	65 924
— Stage 1	27	60 094	1 823	61 944
— Stage 2	-	3 759	43	3 802
— Stage 3	-	51	-	51
— Purchased or originated credit impaired	-	127	-	127
Transfers between stages	-	-	-	-
— Transfers to/(from) stage 1	-	983	(149)	834
Transfers into stage 1	-	1 213	-	1 213
Transfers out of stage 1	-	(230)	(149)	(379)
— Transfers to/(from) stage 2	-	(983)	-	(983)
Transfers into stage 2	-	230	-	230
Transfers out of stage 2	-	(1 213)	-	(1 213)
— Transfers to/(from) stage 3	-	-	149	149
Transfers into stage 3	-	-	149	149
Transfers out of stage 3	-	-	-	-
Current period movement	64	28 220	(81)	28 203
New business - changes in exposure	-	4 790	25	4 815
Back book - current year movement	64	23 475	(106)	23 433
— Exposures with a change in measurement basis from 12 months to LECL	-	508	-	508
— Other current year change in exposure/ net movement on GCA	64	22 967	(106)	22 925
Purchased or originated credit impaired	-	(45)	-	(45)
Acquisition/(disposal) of advances	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-
Exchange rate differences	-	(1 004)	-	(1 004)
Bad debts written off	-	-	(149)	(149)
GCA as at 30 June 2021	91	91 247	1 636	92 974
— Stage 1	91	88 627	1 586	90 304
— Stage 2	-	2 465	50	2 515
— Stage 3	-	73	-	73
— Purchased or originated credit impaired	-	82	-	82
Core lending advances	91	32 869	1 636	34 596
Advances under agreements to resell	-	58 378	-	58 378
Total GCA of advances at 30 June 2021	91	91 247	1 636	92 974

10 ADVANCES continued

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

Fair value – 30 June 2021

R million	FNB commercial	RMB corporate and investment banking	Centre (including Group Treasury)	Total
ECL reported as at 1 July 2020	-	485	245	730
— Stage 1	-	103	245	348
— Stage 2	-	262	-	262
— Stage 3	-	-	-	-
— Purchased or originated credit impaired	-	120	-	120
Transfers between stages	-	-	-	-
— Transfers to/(from) stage 1	-	17	(149)	(132)
Transfers into stage 1	-	18	-	18
Transfers out of stage 1	-	(1)	(149)	(150)
— Transfers to/(from) stage 2	-	(17)	-	(17)
Transfers into stage 2	-	1	-	1
Transfers out of stage 2	-	(18)	-	(18)
— Transfers to/(from) stage 3	-	-	149	149
Transfers into stage 3	-	-	149	149
Transfers out of stage 3	-	-	-	-
Current period movement	-	154	14	168
New business - changes in exposure	-	21	11	32
Back book - current year movement	-	171	3	174
— Exposures with a change in measurement basis from 12 months to LECL	-	(2)	-	(2)
— Other current year impairment charge/(release)	-	173	3	176
Purchased or originated credit impaired	-	(38)	-	(38)
Acquisition/(disposal) of advances	-	-	-	-
Transfers from/(to) other divisions	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-
Exchange rate differences	-	(37)	-	(37)
Bad debts written off	-	-	(148)	(148)
ECL as at 30 June 2021	-	602	111	713
— Stage 1	-	133	103	236
— Stage 2	-	377	8	385
— Stage 3	-	10	-	10
— Purchased or originated credit impaired	-	82	-	82
Current period provision created/(released) per impairment stage	-	154	14	168
— Stage 1	-	16	7	23
— Stage 2	-	166	7	173
— Stage 3	-	10	-	10
— Purchased or originated credit impaired	-	(38)	-	(38)

10 ADVANCES continued

10.7 Breakdown of temporary stress scenario

	2022				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Residential mortgages	**-**	**(2 354)**	**2 354**	**-**	**-**
WesBank VAF	**-**	**(12)**	**12**	**-**	**-**
Total retail secured	**-**	**(2 366)**	**2 366**	**-**	**-**
FNB card	**-**	**(193)**	**193**	**-**	**-**
Personal loans	**-**	**(99)**	**99**	**-**	**-**
- FNB and DirectAxis	**-**	**(99)**	**99**	**-**	**-**
- Covid-19 relief	**-**	**-**	**-**	**-**	**-**
Retail other	**-**	**(29)**	**29**	**-**	**-**
Total retail unsecured	**-**	**(321)**	**321**	**-**	**-**
Total retail secured and unsecured	**-**	**(2 687)**	**2 687**	**-**	**-**
FNB commercial	**-**	**(130)**	**130**	**-**	**-**
Total temporary stress scenario impact	**-**	**(2 817)**	**2 817**	**-**	**-**
	2021				
Residential mortgages	-	(735)	735	-	-
WesBank VAF	-	(109)	109	-	-
Total retail secured	-	(844)	844	-	-
FNB card	-	(88)	88	-	-
Personal loans	-	(248)	248	-	-
- FNB and DirectAxis	-	(248)	248	-	-
- Covid-19 relief	-	-	-	-	-
Retail other	-	(30)	30	-	-
Total retail unsecured	-	(366)	366	-	-
Total retail secured and unsecured	-	(1 210)	1 210	-	-
FNB commercial	-	(99)	99	-	-
Total temporary stress scenario impact	-	(1 309)	1 309	-	-

2022				
Loss allowance				
Total	**Stage 1**	**Stage 2**	**Stage 3**	**Purchased or originated credit-impaired**
142	**64**	**78**	**-**	**-**
44	**21**	**24**	**(1)**	**-**
186	**85**	**102**	**(1)**	**-**
58	**29**	**29**	**-**	**-**
52	**31**	**21**	**-**	**-**
51	**31**	**20**	**-**	**-**
1	**-**	**1**	**-**	**-**
19	**8**	**10**	**1**	**-**
129	**68**	**60**	**1**	**-**
315	**153**	**162**	**-**	**-**
55	**23**	**32**	**-**	**-**
370	**176**	**194**	**-**	**-**
2021				
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	-
332	129	159	44	-
148	124	24	-	-
480	253	183	44	-

10 ADVANCES continued

10.8 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.

	2022			
	Stage 2 and stage 3			
R million	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
Residential mortgages	709	(74)	635	(48)
WesBank VAF	1 089	(181)	908	(85)
Total retail secured	1 798	(255)	1 543	(133)
FNB card	516	(263)	253	(76)
Personal loans	2 205	(834)	1 371	(368)
Other retail	429	(169)	260	(104)
Total retail unsecured	3 150	(1 266)	1 884	(548)
FNB commercial	257	(32)	225	4
Total corporate and commercial	257	(32)	225	4
Centre (including Group Treasury)	-	-	-	-
Total	5 205	(1 553)	3 652	(677)

The gross carrying amount in stage 2 or stage 3 of advances that previously had been modified but not derecognised, and whose improvement in credit risk has moved into stage 1, amounted to Rnil million (2021: R4 million).

	2021			
	'Stage 2 and stage 3			
	Gross carrying amount before modification	Loss allowance before modification	Amortised cost before modification	Modification gain/(loss)
	292	(23)	269	(31)
	1 220	(240)	980	(135)
	1 512	**(263)**	**1 249**	**(166)**
	386	(243)	143	(50)
	2 374	(1 032)	1 342	(358)
	924	(531)	393	(33)
	3 684	**(1 806)**	**1 878**	**(441)**
	563	(40)	523	8
	563	**(40)**	**523**	**8**
	65	(10)	55	(1)
	5 824	**(2 119)**	**3 705**	**(600)**

11 IMPAIRMENT OF ADVANCES

11.1 Analysis of the loss allowance closing balance

	2022				
	Loss allowance				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amount as at 30 June 2022	**35 349**	**7 583**	**8 096**	**19 505**	**165**
Included in the total loss allowance					
On- and off-balance sheet exposure*	**35 194**	**7 542**	**7 994**	**19 493**	**165**
Letters of credit and guarantees	**155**	**41**	**102**	**12**	**-**
Components of total loss allowance as at 30 June 2022					
— Forward-looking information**	**1 793**	**590**	**1 028**	**175**	**-**
— Model updates#	**150**	**(182)**	**305**	**27**	**-**
	2021				
Amount as at 30 June 2021	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 2021					
— Forward-looking information**	3 494	1 958	1 320	216	-
— Model updates#	298	173	27	98	-

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

** *This represents the total ECL closing balance as at 30 June that is attributable to incorporating FLI macro economic information into the ECL calculations. For more detail on the process of incorporating FLI into the ECL calculation, refer to accounting policy note 8.4.*

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

11 IMPAIRMENT OF ADVANCES continued

11.2 Breakdown of ECL created in the reporting period

11.2.1 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
	2022				
Current year ECL provided	**10 088**	**(908)**	**647**	**10 356**	**(7)**
Interest on stage 3 advances	**(2 633)**	**-**	**-**	**(2 633)**	**-**
Current year change in ECL provided after interest on stage 3 advances	**7 455**	**(908)**	**647**	**7 723**	**(7)**
Post write-off recoveries	**(2 241)**	**-**	**-**	**(2 241)**	**-**
Modification losses	**677**	**-**	**116**	**561**	**-**
Impairment recognised in the income statement at 30 June 2022	**5 891**	**(908)**	**763**	**6 043**	**(7)**
Amortised cost	**5 380**	**(964)**	**767**	**5 584**	**(7)**
Fair value*	**511**	**56**	**(4)**	**459**	**-**
	2021				
Current year ECL provided	15 637	(1 160)	3 671	13 074	52
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
Amortised cost	10 946	(1 183)	3 557	8 482	90
Fair value*	169	24	174	9	(38)

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

11 IMPAIRMENT OF ADVANCES continued

11.2 Breakdown of ECL created in the reporting period continued

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

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

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

11 IMPAIRMENT OF ADVANCES continued

11.2 Breakdown of ECL created in the reporting period continued

11.2.2 Breakdown of ECL created in the reporting period per key driver continued

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

11 IMPAIRMENT OF ADVANCES continued

11.2 Breakdown of ECL created in the reporting period continued

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

R million	Change in volume stage 1	Change in coverage stage 1	Change in volume stage 2	Change in coverage stage 2
	2022			
Total retail secured	**126**	**(92)**	**77**	**271**
Total retail unsecured	**213**	**177**	**(369)**	**(88)**
Temporary stress scenario	**132**	**(108)**	**137**	**(134)**
Total retail secured and unsecured	**471**	**(23)**	**(155)**	**49**
Total FNB commercial	**159**	**(171)**	**(105)**	**(267)**
- FNB commercial	**120**	**(31)**	**(113)**	**(267)**
- Temporary stress scenario	**39**	**(140)**	**8**	**-**
- WesBank corporate	**21**	**(32)**	**38**	**(53)**
- RMB corporate and investment banking	**335**	**(683)**	**(552)**	**(167)**
Total corporate and commercial	**515**	**(886)**	**(619)**	**(487)**
Broader Africa	**-**	**-**	**-**	**-**
Centre (including Group Treasury)	**(34)**	**48**	**22**	**(9)**
MotoNovo	**-**	**-**	**-**	**-**
Total	**952**	**(861)**	**(752)**	**(447)**
	2021			
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*	196	(418)	76	95
- FNB commercial	196	(542)	76	71
- Temporary stress scenario	-	124	-	24
- WesBank corporate*	(3)	(18)	102	(53)
- RMB corporate and investment banking**	(183)	166	(387)	877
Total corporate and commercial	10	(270)	(209)	919
Broader Africa	-	-	-	-
Centre (including Group Treasury)** #	(98)	(81)	(43)	(5)
MotoNovo				
Total	(394)	(160)	95	602

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

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

\# *Prior year has been restated due to the reallocation of MotoNovo to Centre.*

	Change in stage 3 provisions	Credit provision increase	Modification loss	Gross write-off and other	Post write-off recoveries	Total
	2022					
	(1 010)	**(628)**	**134**	**2 336**	**(402)**	**1 440**
	(1 738)	**(1 805)**	**547**	**7 275**	**(1 654)**	**4 363**
	(44)	**(17)**	**-**	**-**	**-**	**(17)**
	(2 792)	**(2 450)**	**681**	**9 611**	**(2 056)**	**5 786**
	(234)	**(618)**	**(4)**	**1 089**	**(114)**	**353**
	(234)	**(525)**	**(4)**	**1 089**	**(114)**	**446**
	-	**(93)**	**-**	**-**	**-**	**(93)**
	(135)	**(161)**	**-**	**196**	**(23)**	**12**
	675	**(392)**	**-**	**55**	**(9)**	**(346)**
	306	**(1 171)**	**(4)**	**1 340**	**(146)**	**19**
	-	**-**	**-**	**-**	**-**	**-**
	474	**501**	**-**	**(376)**	**(39)**	**86**
	-	**-**	**-**	**-**	**-**	**-**
	(2 012)	**(3 120)**	**677**	**10 575**	**(2 241)**	**5 891**
	2021					
	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
	254	203	(8)	1 063	(81)	1 177
	254	55	(8)	1 063	(81)	1 029
	-	148	-	-	-	148
	100	128	-	122	(14)	236
	(849)	(376)	-	1 233	(5)	852
	(495)	(45)	(8)	2 418	(100)	2 265
	-	-	-	(28)	-	(28)
	(128)	(355)	1	458	(38)	66
		-				-
	554	697	600	11 881	(2 063)	11 115

12 OTHER ASSETS

R million	2022	2021
Items in transit	**1 657**	913
Interest and commission accrued	**11**	19
Prepayments	**1 645**	1 382
Sundry debtors	**442**	289
Fair value hedge asset*	**-**	5
Contract assets	**4**	-
Accounts receivable**	**2 326**	2 513
Total gross carrying amount of other assets	**6 085**	5 121
- Financial#	**4 056**	3 458
- Non-financial	**2 029**	1 663
Loss allowance on other financial assets**	**(296)**	(193)
Total other assets	**5 789**	4 928

* *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.*

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

In the prior year other financial assets was reflected net of ECL. The comparative information has been amended to reflect other financial assets gross of impairments.

13 AMOUNTS DUE (TO)/BY HOLDING COMPANY AND FELLOW SUBSIDIARIES

R million	2022	2021
Amounts due by holding company	**8**	-
Amounts due by fellow subsidiaries	**70 884**	67 231
Impairment provision on amounts due by fellow subsidiaries	**(139)**	(123)
Total amounts due by holding company and fellow subsidiaries	**70 753**	67 108
Amounts due to holding company	**(198)**	(593)
Amounts due to fellow subsidiaries	**(32 702)**	(26 621)
Total amounts due to holding company and fellow subsidiaries	**(32 900)**	(27 214)
Net amounts due by holding company and fellow subsidiaries	**37 853**	39 894

As at 30 June 2022 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 R281 million (2021: R282 million) (the prior year was reflected as R23 million and has been re-presented int the current year) are subject to subordination agreements until such time as 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**
2022 **Derivative financial instruments**	**1 748 924**	**14 027**	**(1 519 051)**	**(11 118)**
2021 Derivative financial instruments	1 116 227	8 715	(1 204 383)	(10 047)

14 PROPERTY AND EQUIPMENT

R million	Property					
	Freehold property	Right of use property	Right of use equip-ment	Computer equipment	Other equip-ment	Total
Net book value at 1 July 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)**
Movement for the year	**(329)**	**(13)**	**46**	**182**	**(418)**	**(532)**
Acquisitions*	**121**	**798**	**194**	**1 261**	**1 103**	**3 477**
Disposals	**(42)**	**(7)**	**-**	**(108)**	**(433)**	**(590)**
Exchange rate difference	**-**	**1**	**-**	**-**	**-**	**1**
Depreciation charge for the year	**(297)**	**(800)**	**(144)**	**(971)**	**(1 068)**	**(3 280)**
Impairments recognised	**(111)**	**-**	**-**	**-**	**(20)**	**(131)**
Early terminations/modification of leases	**-**	**(5)**	**(4)**	**-**	**-**	**(9)**
Net book value at 30 June 2022	**7 545**	**1 798**	**319**	**2 548**	**4 123**	**16 333**
Cost	**10 321**	**4 661**	**704**	**8 567**	**8 122**	**32 375**
Accumulated depreciation	**(2 776)**	**(2 863)**	**(385)**	**(6 019)**	**(3 999)**	**(16 042)**

* *Includes capitalised improvements to property leases of R327 million (2021: R351 million).*

15 INTANGIBLE ASSETS

R million	Goodwill	Software and development costs	Total
Net book value as at 1 July 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)**
Movements for the year	**-**	**174**	**174**
Acquisitions/capitalisations	**-**	**355**	**355**
Amortisation for the year	**-**	**(181)**	**(181)**
Net book value as at 30 June 2022	**-**	**512**	**512**
Cost	**104**	**1 737**	**1 841**
Accumulated amortisation and impairment	**(104)**	**(1 225)**	**(1 329)**

16 INVESTMENT PROPERTIES

R million	Notes	2022	2021
Opening balance		**249**	-
Additions		**-**	249
Closing balance		**249**	249

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

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

Refer to note 27 for the significant inputs used to determine the fair value of investment properties.

17 DEFERRED INCOME TAX

R million	2022	2021
Deferred income tax asset		
Opening balance	**4 727**	3 711
Recognised in profit or loss	**620**	731
Deferred income tax on amounts charged directly to other comprehensive income	**1 394**	285
Total deferred income tax asset	**6 741**	4 727

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	2022	2021	2022	2021
Deferred income tax asset				
Tax losses	**7**	9	**(2)**	9
Provision for loan impairment	**3 493**	3 892	**(399)**	39
Provision for post-employment benefits	**326**	326	**19**	(17)
Other provisions	**1 347**	751	**596**	297
Cash flow hedges	**880**	(518)	**-**	-
Equity instruments designated at FVOCI*	**85**	90	**-**	-
Instalment credit assets	**(186)**	(176)	**(9)**	(9)
Debt instruments held at FVOCI*	**(59)**	(69)	**5**	(4)
Financial instruments**	**2**	(3)	**-**	-
Capital gains tax	**255**	155	**100**	(34)
Share-based payments	**899**	531	**368**	278
Deferred revenue liability	**(288)**	(321)	**33**	32
Other	**(20)**	60	**(91)**	140
Total deferred income tax asset	**6 741**	4 727	**620**	731

** Comparative information relating to the debt instruments designated at FVOCI and equity instruments designated at FVOCI has been re-presented. In the prior year, R87 million and (R69 million) was reflected.*

*** Line has been disaggregated to show financial instruments separately. This does not impact the total amount disclosed.*

18 SHORT TRADING POSITIONS

R million	2022	2021
Government and government guaranteed	**13 662**	18 522
Other dated securities	**521**	138
Total short trading positions	**14 183**	18 660

19 CREDITORS, ACCRUALS AND PROVISIONS

R million	2022	2021
Net unclaimed balances	**637**	533
Accounts payable	**10 988**	9 344
Withholding tax for employees	**601**	598
Customer loyalty programme liability*	**1 981**	1 885
Payments received in advance	**413**	450
Accrued expenses	**2 423**	1 994
Audit fees accrued	**207**	177
Provisions (including litigation and claims)	**1 649**	833
Total creditors, accruals and provisions	**18 899**	15 814

* *The customer loyalty programme liability relates to eBucks and is determined by the value of unredeemed eBucks in issue that have not been converted to cash or redeemed by the customer. The timing of the customer's use of these eBucks as reward credits redeemable against future purchases with the bank or a loyalty programme strategic partner is purely at the customer's discretion.*

19.1 Reconciliation of provisions

R million	2022	2021
Opening balance	**833**	230
Exchange rate differences	**-**	(5)
Charge to profit or loss	**860**	658
- Additional provisions created	**1 251**	695
- Unused provisions reversed	**(391)**	(37)
Utilised	**(44)**	(50)
Closing balance	**1 649**	833

20 DEPOSITS

R million	2022	2021
Category analysis		
Deposits from customers	**1 016 956**	921 689
- Current accounts	**319 956**	286 438
- Call deposits	**284 423**	258 410
- Savings accounts	**32 609**	26 727
- Fixed and notice deposits	**317 405**	275 960
- Other deposits from customers	**62 563**	74 154
Debt securities	**158 574**	165 125
- Negotiable certificates of deposit	**35 046**	22 760
- Fixed-rate and floating-rate notes*	**122 113**	141 133
- Exchange-traded notes	**1 415**	1 232
Other	**44 496**	48 771
- Repurchase agreements	**14 630**	23 331
- Securities lending	**1 526**	923
- Cash collateral and credit-linked notes	**26 837**	22 660
- SARB funding facility	**1 503**	1 857
Total deposits	**1 220 026**	1 135 585

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

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2022	2021
Liability for short-term employee benefits		**7 140**	6 768
Share-based payment liability (detailed in note 25)		**3 329**	1 895
Defined benefit post-employment liability	21.1	**1 207**	1 165
Other long-term employee liabilities		**8**	31
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**11 684**	9 859

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 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 (14 members), the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. The liability of the plan in respect of defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets. The fund provides a pension that can be purchased with the member's fund credit (equal to member contributions at retirement) should the member so choose.	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.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Nature of benefits	
Pension	**Medical**
In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and for granting pension increases subject to the ring-fenced pensioner assets of the fund supporting such increases. Should the pension account in the fund be in deficit to the extent that current pensions in payment cannot be maintained, the 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 plan's 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 on the board for four years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Registrar of Pension Funds (i.e. to the Financial Sector Conduct Authority). A full actuarial valuation of the pension fund for submission to the Financial Sector Conduct Authority is performed every three years, with the last valuation 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. This committee is managed and governed by the FirstRand financial resources management executive committee and the FirstRand group asset, liability and capital committee. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies
The bank ensures that the investment positions are managed within an asset and liability matching (ALM) framework that has been developed to achieve long-term investment returns that are in line with the obligations under the schemes. Within this framework, the bank's ALM objective is to match assets to the pension obligations by investing in long-term fixed-interest securities with maturities that match benefit payments as they fall due. The bank actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets. The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely aims to achieve 80% exposure in fixed-interest instruments to immunise against interest rate and inflation risk, and 20% exposure to local and foreign growth assets. An overlay comprising 20% exposure of high-quality corporate credit fixed-income instruments is funded through a repo transaction of a portion of the South African government-issued inflation-linked bonds to improve the probability of achieving the performance objective. The fixed-interest instruments consist mainly of long-dated South African government-issued inflation-linked bonds, while the growth assets are allocated to selected local 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 total 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 relative to the value of the liabilities would create a deficit. **Inflation risk** — The plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities. Consumer price inflation and 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 post-employment medical aid liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

		2022			2021		
R million	Notes	**Pension**	**Medical***	**Total**	Pension	Medical*	Total
Post-employment benefit fund liability							
Present value of funded obligation		**8 029**	**3 122**	**11 151**	7 946	3 105	11 051
Fair value of plan assets		**(8 373)**	**(1 915)**	**(10 288)**	(8 371)	(1 940)	(10 311)
- Listed equity instruments		**(2 381)**	**-**	**(2 381)**	(2 281)	-	(2 281)
- Cash and cash equivalents		**(201)**	**-**	**(201)**	(223)	-	(223)
- Debt instruments		**(2 406)**	**-**	**(2 406)**	(2 669)	-	(2 669)
- Derivatives		**(9)**	**-**	**(9)**	(10)	-	(10)
- Qualifying insurance policy		**-**	**(1 915)**	**(1 915)**	-	(1 940)	(1 940)
- Other		**(3 376)**	**-**	**(3 376)**	(3 188)	-	(3 188)
Total employee (asset)/liability		**(344)**	**1 207**	**863**	(425)	1 165	740
Limitation imposed by IAS 19 asset ceiling		**344**	**-**	**344**	425	-	425
Total net post-employment liability		**-**	**1 207**	**1 207**	-	1 165	1 165
Total amount recognised in the income statement (included in staff costs)	**3**	**(41)**	**126**	**85**	(9)	149	140
Movement in post-employment benefit fund liability							
Present value opening balance		**-**	**1 165**	**1 165**	-	956	956
Current service cost		**3**	**32**	**35**	2	27	29
Net interest		**(44)**	**94**	**50**	(11)	122	111
Remeasurements recognised in OCI		**43**	**(84)**	**(41)**	11	260	271
- Actuarial gains/losses from changes in							
- Actuarial gains/losses from							-
financial assumptions		**(40)**	**46**	**6**	495	410	905
- Other remeasurements		**83**	**(130)**	**(47)**	(484)	(150)	(634)
Benefits paid		**-**	**-**	**-**	(1)	-	(1)
Employer contributions		**(1)**	**-**	**(1)**	(1)	(200)	(201)
Employee contributions		**(1)**	**-**	**(1)**	-	-	-
Closing balance		**-**	**1 207**	**1 207**	-	1 165	1 165

* *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.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2022			2021		
R million	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Movement in the fair value of plan assets						
Opening balance	**8 371**	**1 940**	**10 311**	7 690	1 760	9 450
Interest income	**832**	**235**	**1 067**	781	193	974
Remeasurements recognised in OCI	**(132)**	**(51)**	**(183)**	587	(8)	579
Employer contributions	**1**	**-**	**1**	1	200	201
Employee contributions	**1**	**-**	**1**	1	-	1
Benefits paid and settlements	**(700)**	**(209)**	**(909)**	(689)	(205)	(894)
Closing balance	**8 373**	**1 915**	**10 288**	8 371	1 940	10 311
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**425**	**-**	**425**	106	-	106
Interest income	**44**	**-**	**44**	11	-	11
Change in the asset ceiling, excluding amounts included in interest	**(125)**	**-**	**(125)**	308	-	308
Closing balance	**344**	**-**	**344**	425	-	425
Actual return on plan assets	**11%**	**-**		10%	-	
Included in plan assets were the following						
FirstRand Limited ordinary shares with fair value of	**39**	**-**	**39**	32	-	32
Total exposure to FirstRand	**39**	**-**	**39**	32	-	32

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

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

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

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

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Pension benefits	**779**	**3 328**	**40 607**	**44 714**
Post-employment medical benefits	**207**	**999**	**24 527**	**25 733**
Total as at 30 June 2022	**986**	**4 327**	**65 134**	**70 447**
Pension benefits*	782	3 165	34 334	38 281
Post-employment medical benefits	205	1 000	20 161	21 366
Total as at 30 June 2021	987	4 165	54 495	59 647

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

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

Mortality rates

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

The mortality rate table used for active members and pensioners of the pension fund and post-employment medical benefits 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 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 an employee retiring at age 65 is 20 years after the reporting date for pension and medical is 18 for male and 22 for female.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2022	2021
Pension		
The number of employees covered by the scheme		
Active members	**14**	16
Pensioners	**5 353**	5 632
Deferred plan participants	**247**	249
Total	**5 614**	5 897
Defined benefit obligation amounts due to		
Benefits vested at the end of the reporting period (R million)	**8 028**	7 947
- Amounts attributable to future salary increases (R million)	**69**	67
- Other benefits (R million)	**7 959**	7 880
Medical		
The number of employees covered by the scheme		
Active members	**2 525**	2 788
Pensioners	**5 119**	5 156
Total employees	**7 644**	7 944
Benefits vested at the end of the reporting period (R million)	**2 229**	2 223
Benefits accrued but not vested at the end of the reporting period (R million)	**893**	882
Conditional benefits (R million)	**893**	882
Other benefits (R million)	**2 229**	2 223

21.2 Defined contribution post-employment liability

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

The defined contribution scheme allows active 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 the 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.

22 OTHER LIABILITIES

R million	2022	2021
Lease liabilities	**1 517**	1 554
Funding liabilities	**3 741**	3 533
- Preference shares*	**2 868**	2 864
- Other	**873**	669
Total other liabilities	**5 258**	5 087

* *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.*

22.1 Other liabilities reconciliation

	2022			2021		
R million	**Funding liabilities**	**Lease**	**Total**	Funding liabilities	Lease	Total
Opening balance	**3 533**	**1 554**	**5 087**	3 452	1 803	5 255
Cash flow movements	**(34)**	**(756)**	**(790)**	(208)	(853)	(1 061)
- Proceeds from the issue of other liabilities	**247**	**-**	**247**	210	-	210
- Redemption of other liabilities	**(135)**	**-**	**(135)**	(348)	-	(348)
- Principal payments towards lease liabilities	**-**	**(673)**	**(673)**	-	(729)	(729)
- Interest paid	**(146)**	**(83)**	**(229)**	(70)	(124)	(194)
Non-cash flow movements	**242**	**719**	**961**	289	604	893
- Fair value movement	**103**	**-**	**103**	244	-	244
- Foreign exchange	**4**	**-**	**4**	(12)	-	(12)
- New leases recognised during the year	**-**	**648**	**648**	-	868	868
- Early termination/modification of lease	**-**	**(13)**	**(13)**	-	(390)	(390)
- Interest accrued	**135**	**84**	**219**	57	126	183
Total other liabilities	**3 741**	**1 517**	**5 258**	3 533	1 554	5 087

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

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

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

For details on the contractual maturity of lease liabilities, refer to Note *31.2.1 – Liquidity risk*.

23 TIER 2 LIABILITIES

R million	Maturity dates	Interest rate	2022	2021
Fixed rate bonds			**12 093**	8 862
- ZAR denominated	19 April 2026 to 3 June 2026	8.15% – 10.19%	**3 947**	1 430
- USD denominated	23 April 2023	6.25%	**8 146**	7 432
Floating rate bonds			**8 340**	9 951
- ZAR denominated	20 September 2022 to 24 November 2026	Three-month JIBAR 190 bps to 390 bps	**8 340**	9 951
Total Tier 2 liabilities			**20 433**	18 813

23.1 Tier 2 liabilities reconciliation

R million	2022	2021
Opening balance	**18 813**	22 322
Cash flow movements	**881**	(1 659)
- Proceeds from the issue of Tier 2 liabilities	**2 500**	3 111
- Capital repaid on Tier 2 liabilities	**(1 619)**	(4 770)
Non-cash flow movements	**739**	(1 850)
- Foreign exchange	**761**	(2 039)
- Fair value hedging adjustment	**(467)**	(307)
- Interest accrued	**445**	496
Tier 2 liabilities	**20 433**	18 813

24 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

24.1 Share capital and share premium classified as equity

R million	2022	2021
Ordinary shares		
Authorised		
2 000 000 shares with a par value of R2 per share	**4**	4
Issued		
1 866 836 (2021: 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

The dividend paid is R20 640 million (2021: R6 270 million*) which resulted in a dividend per share of R11 056 (2021: R3 359*).

* *The prior year amounts have been re-presented.*

24.2 Additional Tier 1 capital

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

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 Prudential Authority (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 R593 million (2021: R525 million). Current tax of R166 million (2021: R147 million) was recognised in the income statement.

24 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES continued

24.3 Other reserves

Other reserves are made up of the following:

R million	**2022**	2021
FVOCI reserve – debt instruments	**160**	178
FVOCI reserve – equity instruments	**(309)**	(312)
Capital redemption reserve fund	**1 345**	1 345
Other reserves	**1**	1
Total other reserves	**1 197**	1 212

25 REMUNERATION SCHEMES

R million	Note	**2022**	2021
The charge to profit or loss for share-based payments is as follows:			
Conditional incentive plan		**1 087**	940
Amount included in profit or loss	**3**	**1 087**	940

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 2019 scheme were not met and part of the obligation relating to awards with market vesting conditions raised in prior periods was reversed in the current year.

25 REMUNERATION SCHEMES continued

Description of the scheme and vesting conditions:

Conditional and deferred incentive plans (awards)	
IFRS 2 treatment	Cash settled
Description	The award is a notional share based on the FirstRand Limited share price.
Vesting conditions	These awards vest up to three years after initial award. The awards vest if the employment and, where applicable, performance conditions are met. Awards which include performance conditions have vesting conditions subject to specified financial performance targets set annually by the group's remuneration committee. These corporate performance targets (CPTs) are set out below.
Valuation methodology	The awards are valued using the Black Scholes option pricing model. The awards are cash settled and are 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 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. If the performance conditions are not met, the award fails. From 2019 onwards, the awards have a graded vesting structure. The level of vesting is correlated to the earnings growth achieved relative to macroeconomic variables or set normalised earnings per share growth targets and minimum return on equity requirements. The vesting outcome is based on the delivery of the performance conditions and this level is finally determined and calculated by the group remuneration committee. The remuneration committee is permitted to adjust the final outcome of the graded vesting level downwards for predetermined issues. In terms of the scheme rules, participants are not entitled to dividends on their conditional share awards during the vesting period. For the 2019 and 2020 awards, 50% of the awards granted to non-senior employees are subject only to continued employment for the award to vest, with the remaining 50% subject to performance conditions. From 2021, awards with only time-based vesting conditions were introduced as a short-term incentive category for staff not eligible for the conditional incentive plans (CIP). These are referred to as the deferred incentive plan (DIP). Awards that include both performance and time-based vesting conditions are referred to as CIP.

25 REMUNERATION SCHEMES continued

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

Expired schemes

2018 (Did not vest at the expected vesting date of September 2021) – FirstRand Limited must achieve growth in normalised earnings per share which equals or exceeds the South African CPI plus GDP growth, on a cumulative basis, over the performance period from the base year end, being 30 June 2018, to the year end immediately preceding the vesting date, and the bank 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 macroeconomic strategy unit. For vesting to occur, the criteria must be met or exceeded. However, the scheme rules allow the remuneration committee (Remco) the discretion to determine whether the conditional awards will vest in full or partially in circumstances where the performance conditions were not fulfilled. During the 2021 financial year, it was determined that the bank failed to achieve the targets over the performance period, set for cumulative growth in normalised earnings per share and ROE, and Remco notified qualifying employees that the scheme would consequently not vest.

Currently open

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

The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment with the bank 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 correlated to normalised earnings per share growth between targets. If the minimum ROE and normalised earnings per share growth conditions are met, vesting will commence at 70%. If these are not met, the award will lapse.

25 REMUNERATION SCHEMES continued

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

Linear vesting applies between each vesting level based on the achieved normalised earnings per share growth rate. The ROE is based on net asset value (NAV) without material adjustments resulting from dividend policy changes, regulatory changes, IFRS changes or changes in volatile reserves. Under the new structure, Remco cannot apply upward vesting judgement if performance criteria are not met.

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

25 REMUNERATION SCHEMES continued

2020 (Vesting date in 2023) – The awards for all top and certain senior management have performance conditions applied to 100% of the award. For all other participants, 50% of the award seeks to drive retention and will vest in three years without performance conditions, provided the participant remains in employment of the bank. The remaining 50% of the award is subject to performance conditions. For the awards subject to performance conditions, graded vesting applies. The awards are subject to the achievement of performance conditions set at award date and these determine the value that will ultimately vest. These performance conditions include a minimum condition to achieve any vesting, a target, a stretch and a maximum target with linear grading correlated to normalised earnings per share between targets. If the minimum conditions are met, vesting will commence at 70%. If these are not met, the award will lapse.

Remco has the right to adjust the vesting level down by up to 20% if material negative outcomes for the business occur that are within management control. Examples would include issues that materially damaged the 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 adherence to the liquidity and capital management strategies in place.

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

25 REMUNERATION SCHEMES continued

Vesting level*	Performance conditions	
	Minimum ROE requirement at 30 June 2024**	**Normalised earnings per share growth requirement (3-year compound annual growth rate)**
70.1% to 99.9%	For grading above 95%, ROE must be more than cost of equity as at issue date of award, i.e. net income after capital charge (NIACC) positive	Grading based on minimum compound annual growth rate (CAGR) of 4.3% up to <13.4%
100%	ROE must be more than cost of equity as at issue date of award, i.e. NIACC positive	Minimum compound annual growth rate of 13.4% up to <17.5% (100% vesting only for all growth outcomes in the range above)
100.1% to 119.9%	ROE of at least 18%	Minimum compound annual growth rate of 17.5% up to <22%
120%	ROE of at least 20%	Minimum compound annual growth rate of 22%
120.1% to 150% (maximum vesting of 150%)	ROE of at least 22%	Minimum compound annual growth rate above 22% and up to 28.2% to calculate linear grading up to 150% vesting

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

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

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

25 REMUNERATION SCHEMES continued

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

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

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

25 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	
	2022	2021
Award life (years)	**2 – 4**	2 – 4
Risk-free rate (%)	**5.03 – 8.44**	3.67 – 5.74

	Share incentive plan (FirstRand shares)	
Share awards outstanding	**2022**	2021
Number of awards in force at the beginning of the year (millions)	**90.9**	56.4
Number of awards granted during the year (millions)	**47.4**	65.2
Number of awards exercised/released during the year (millions)	**(9.9)**	(4.2)
- Market value range at date of exercise/release (cents)*	**5 328 – 6 537**	3 768 – 5 534
- Weighted average (cents)	**6 135**	3 929
Number of awards forfeited during the year (millions)**	**(21.3)**	(26.5)
Number of awards in force at the end of the year (millions)	**106.2**	90.9

	Share incentive plan (FirstRand shares)			
	2022		2021	
Share awards outstanding#	**Weighted average remaining life (years)**	**Out-standing awards (millions)**	Weighted average remaining life (years)	Out-standing awards (millions)
Vesting during 2021			0.30	9.8
Vesting during 2022	**0.29**	**14.7**	1.30	26.9
Vesting during 2023	**1.33**	**60.7**	2.31	54.2
Vesting during 2024	**2.29**	**30.8**	-	-
Total conditional awards	**-**	**106.2**	-	90.9
Number of participants		**4 718**		4 582

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

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

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

26 CONTINGENCIES AND COMMITMENTS

R million	**2022**	Restated 2021
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**46 141**	39 662
Letters of credit	**13 246**	9 710
Total contingencies	**59 387**	49 372
Irrevocable commitments	**155 143**	139 860
Committed capital expenditure*	**4 857**	4 219
Legal proceedings**	**178**	212
Other	**39**	7
Total contingencies and commitments	**219 604**	193 670
Guarantees		
Guarantees consisting predominantly of endorsements and performance guarantees granted to other FirstRand group companies amount to:	**10 169**	8 521

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

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

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

R million	**Previously reported**	**Reclassified**	**Adjusted**	**Restated**
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)#	36 335	3 327	-	39 662
Letters of credit	9 710	-	-	9 710
Total contingencies	46 045	3 327	-	49 372
Irrevocable commitments#	151 103	(11 243)	-	139 860
Committed capital expenditure†	3 323	-	896	4 219
Legal proceedings‡	-	212	-	212
Other	7	-	-	7
Total contingencies and commitments	200 478	(7 704)	896	193 670
Legal proceedings	212	(212)	-	

 # During the current year, the methodology and business rules for classification of off-balance sheet items in the retail secured lending business were reviewed and streamlined. This resulted in the re-presentation of balances from irrevocable commitments to guarantees and, revocable commitments of R7 704 million that do not form part of contingencies and commitments. The related release of ECL on this restatement is not material.

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

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

26 CONTINGENCIES AND COMMITMENTS continued

26.1 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.

	2022			
R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property	**51**	**191**	**9**	**251**
Motor vehicles	**1 002**	**1 658**	**250**	**2 910**
Total receivable under non-cancellable operating leases	**1 053**	**1 849**	**259**	**3 161**
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

27 FAIR VALUE MEASUREMENTS

27.1 Valuation methodology

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.

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Derivative financial instruments				
Forward rate agreements, forwards and swaps	Discounted cash flow	Future cash flows are projected using a related forecasting curve or referencing a traded future contract price and then discounted using a market-related discounting curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, future contract prices, credit, and currency basis curves and spot prices	Market interest rates, credit and currency basis curves
Options and equity derivatives	Option pricing and industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate spot or forward rate, the volatility of the underlying, dividends and listed share prices	Volatilities, dividends and unlisted share prices

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Advances to customers				
Advances under repurchase agreements, and other advances	Discounted cash flow	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. For advances under repurchase agreements, credit inputs are an insignificant input as the advance is fully collateralised. For some advances under repurchase agreements, the amount repayable is referenced to a listed price of an underlying. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Market interest rates, credit inputs and listed prices of an underlying	Credit inputs and market risk correlation factors
Corporate and investment banking book	Discounted cash flow	Future cash flows are discounted using a market-related interest rates, adjusted for credit inputs. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. Where credit risk has a significant impact on the fair value measurement, these advances are classified as level 3 on the fair value hierarchy.	Market interest rates	Credit inputs
Investment securities				
Equities listed in an inactive market	Discounted cash flow	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate.	Market interest rates	P/E ratios

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Investment securities continued				
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions and market interest rates	Growth rates and P/E ratios
Unlisted bonds, bonds listed in an inactive market or negotiable certificates of deposit (NCD)	Discounted cash flow	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate. Where the valuation technique incorporates significant inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates, credit inputs and market quotes for NCD instruments	Credit inputs
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market quotes for money market and fixed-income instruments	N/A
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.	Equity listed prices	Third-party valuations used, minority and marketability adjustments

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Investment securities continued				
		Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.		
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 bank. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above-and below-market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The fair value was based on unobservable income capitalisation rate inputs.	N/A	Expected rentals, capitalisation and exit/terminal rates
Deposits				
Call and non-term deposits	Discounted cash flow or the undiscounted amount is used	Cash flows are discounted with the interest rates derived from the appropriate curve to arrive at the present value. Where the deposit has a demand feature, the undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	Market interest rates	N/A

27 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable Inputs - Level 2	Unobservable Inputs - Level 3
Deposits continued				
Deposits referencing credit-linked instruments and 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 rates	Credit inputs, market risk and correlation factors
Other				
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flow	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates	Credit inputs

27 FAIR VALUE MEASUREMENTS continued

27.2.1 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.

	2022			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**475**	**60 553**	**646**	**61 674**
Advances	**-**	**48 573**	**42 602**	**91 175**
Investment securities	**68 774**	**85 425**	**1 186**	**155 385**
Commodities	**17 580**	**-**	**-**	**17 580**
Investment properties	**-**	**-**	**249**	**249**
Amounts due by holding company and fellow subsidiaries	**-**	**14 027**	**-**	**14 027**
Total assets measured at fair value	**86 829**	**208 578**	**44 683**	**340 090**
Liabilities				
Recurring fair value measurements				
Short trading positions	**14 183**	**-**	**-**	**14 183**
Derivative financial instruments	**205**	**67 872**	**2 207**	**70 284**
Deposits	**1 103**	**39 821**	**5 390**	**46 314**
Other liabilities	**-**	**873**	**-**	**873**
Amounts due to holding company and fellow subsidiaries	**-**	**11 118**	**-**	**11 118**
Total liabilities measured at fair value	**15 491**	**119 684**	**7 597**	**142 772**

	2021			
	Level 1	Level 2	Level 3	Total fair value
	41	69 528	1 205	70 774
	-	60 774	31 487	92 261
	81 465	86 451	1 721	169 637
	18 641	-	-	18 641
	-	-	249	249
	-	8 715	-	8 715
	100 147	225 468	34 662	360 277
	18 660	-	-	18 660
	41	69 086	1 595	70 722
	1 046	39 989	4 254	45 289
	-	669	-	669
	-	10 047	-	10 047
	19 747	119 791	5 849	145 387

27 FAIR VALUE MEASUREMENTS continued

27.2.2 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.

	2022			
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**	
Level 1	**688**	**(41)**	The market for certain investment securities has become liquid in the current year which resulted in transfers from level 3 into level 1.	
Level 2	**608**	**(1 405)**	Increased liquidity in the market for certain investment securities as well as equity-linked deposits that are approaching maturity, resulted in transfers from level 3 to level 2 due to the significant inputs becoming more observable during the current period.	
Level 3	**1 446**	**(1 296)**	Investment securities and equity-linked deposits, whose fair value had been observable in a traded market no longer met the criteria for level 1 and level 2, as the market has become illiquid and the fair value was determined using significant unobservable inputs.	
Total transfers	**2 742**	**(2 742)**		

	2021		
	Transfers in	Transfers out	Reasons for significant transfers in
	945	(24)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 and level 2 into level 1.
	210	(992)	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
	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.
	1 729	(1 729)	

27 FAIR VALUE MEASUREMENTS continued

27.3 Additional disclosures for level 3 financial instruments

27.3.1 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 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**
Gains/(losses) recognised in profit or loss	**(30)**	**1 634**	**153**	**-**
Gains/(losses) recognised in other comprehensive income	**-**	**-**	**8**	**-**
Purchases, sales, issue and settlements	**(515)**	**8 887**	**21**	**-**
Acquisitions/disposals of subsidiaries	**-**	**-**	**(15)**	**-**
Net transfer to level 3	**(14)**	**-**	**(702)**	**-**
Exchange rate differences	**-**	**594**	**-**	**-**
Balance as at 30 June 2022	**646**	**42 602**	**1 186**	**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
	1 856	4 840	323
	319	(235)	(72)
	-	-	-
	(580)	(351)	(251)
	-	-	-
	-	-	-
	-	-	-
	1 595	**4 254**	**-**
	1 341	**111**	**-**
	-	**-**	**-**
	(329)	**(241)**	**-**
	-	**-**	**-**
	(400)	**1 266**	**-**
	-	**-**	**-**
	2 207	**5 390**	**-**

27 FAIR VALUE MEASUREMENTS continued

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

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

The table below presents the total gains or losses relating to the remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments designated at FVTPL and FVOCI debt instruments, all gains or losses are recognised in NIR.

	2022		2021	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**117**	**-**	782	-
Advances*	**1 339**	**-**	595	-
Investment securities	**384**	**-**	123	(300)
Total	**1 840**	**-**	1 500	(300)
Liabilities				
Derivative financial instruments	**(1 268)**	**-**	(288)	-
Deposits	**(122)**	**-**	68	-
Total	**(1 390)**	**-**	(220)	-

* *Amount is mainly accrued interest on fair value advances and movements in interest rates and foreign currency that has been economically hedged. These advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Inputs relating to interest rates and foreign currencies are regarded as observable.*

27 FAIR VALUE MEASUREMENTS continued

27.3.3 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.

	2022	
Asset/ liability	Unobservable input to which reasonable possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit migration matrix	The probability of default is adjusted either upwards or downwards in relation to the base case.
Investment securities	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Investment properties	Escalation rates applied to rentals and discount rates	Expected rentals are adjusted for comparable rentals. A range of capitalisation rates were used to assess reasonability of the rate(s) used.
Deposits	Credit inputs, correlation and devaluation parameters	The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.

27 FAIR VALUE MEASUREMENTS continued

27.3.4 Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

	2022			2021		
	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	**646**	**703**	**589**	1 205	1 344	1 067
Advances	**42 602**	**42 631**	**42 564**	31 487	31 643	31 333
Investment securities	**1 186**	**1 268**	**1 119**	1 721	1 780	1 567
Investment properties	**249**	**280**	**186**	249	274	225
Total financial assets measured at fair value in level 3	**44 683**	**44 882**	**44 458**	34 662	35 041	34 192
Liabilities						
Derivative financial instruments	**2 207**	**2 114**	**2 305**	1 595	1 508	1 680
Deposits	**5 390**	**5 365**	**5 416**	4 254	4 226	4 282
Total financial measured at fair value in level 3	**7 597**	**7 479**	**7 721**	5 849	5 734	5 962

27 FAIR VALUE MEASUREMENTS continued

27.4 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.

	2022				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**852 912**	**861 762**	**-**	**148 344**	**713 418**
Investment securities	**123 494**	**118 109**	**89 428**	**28 681**	**-**
Total assets at amortised cost	**976 406**	**979 871**	**89 428**	**177 025**	**713 418**
Liabilities					
Deposits	**1 173 712**	**1 175 089**	**-**	**1 175 043**	**46**
Other liabilities	**2 868**	**2 864**	**-**	**2 864**	**-**
Tier 2 liabilities	**20 433**	**20 607**	**-**	**20 607**	**-**
Total liabilities at amortised cost	**1 197 013**	**1 198 560**	**-**	**1 198 514**	**46**
	2021				
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

27 FAIR VALUE MEASUREMENTS continued

27.5 Day 1 profit or loss

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2022**	2021
Opening balance	**109**	198
Day 1 profits or losses initially not recognised on financial instruments recognised in the current year	**368**	281
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(134)**	(370)
Closing balance	**343**	109

27.6 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.

27 FAIR VALUE MEASUREMENTS continued

27.6.1 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. Losses are indicated in brackets.

	2022			
			Change in fair value due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**10 451**	**1 080**	**(87)**	**236**
Total	**10 451**	**1 080**	**(87)**	**236**
	2021			
Advances*	9 031	(449)	(110)	(257)
Investment securities	7	-	-	-
Total	9 038	(449)	(110)	(257)

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

27.6.2 Financial liabilities designated at fair value through profit or loss

	2022		2021	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**8 728**	**8 355**	10 086	9 726
Other liabilities	**873**	**873**	669	669
Total	**9 601**	**9 228**	10 755	10 395

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

R million	**2022**	2021
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue*	**2 432**	3 637
Fair value of credit of advances included in the impairment of advances	**(511)**	(168)

* *Refer to note 2.3.*

28 SEGMENT INFORMATION

28.1 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 reflect 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-sized 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 broader Africa	Comprises a support division acting as strategic enabler, facilitator and coordinator for FNB's broader Africa businesses.
	Products and services
WesBank	WesBank represents the bank's activities in instalment credit, fleet management and related services in the retail, commercial and corporate segments of South Africa.

28 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 results are also reported as part of RMB.
CENTRE (INCLUDING GROUP TREASURY)	
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, and is included in Centre.

28.2 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.

28 SEGMENT INFORMATION continued

Normalised adjustments	
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 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.
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.

28 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 remaining share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.

28 SEGMENT INFORMATION continued

28.3 Reportable segments

	2022			
R million	FNB	FNB Africa	WesBank	
Net interest income before impairment of advances	34 366	(10)	4 540	
Impairment and fair value of credit of advances	(4 769)	-	(1 382)	
Net interest income after impairment of advances	29 597	(10)	3 158	
Non-interest revenue	25 977	1 112	2 762	
Net income from operations	55 574	1 102	5 920	
Operating expenses	(30 814)	(1 434)	(4 703)	
Income before indirect tax	24 760	(332)	1 217	
Indirect tax	(548)	-	(37)	
Profit before income tax	24 212	(332)	1 180	
Income tax expense	(6 778)	93	(331)	
Profit for the year	17 434	(239)	849	
The income statement includes				
Depreciation	(2 340)	(2)	(820)	
Amortisation	(17)	-	(15)	
Net impairment charges	(46)	-	(28)	
Non-interest revenue includes the following external revenue from contracts with customers*:				
Banking fees and commissions	27 102	(9)	649	
Non-banking fees and commissions	696	-	12	
Insurance income (excluding risk-related income)	357	-	82	
Management, trust and fiduciary fees	580	-	537	
Other non-interest revenue from customers	704	-	298	
The statement of financial position includes				
Total assets	439 261	228	135 894	
Total liabilities**	419 807	560	135 968	

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

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

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

	2022					
	Retail and commercial	RMB	Centre (including Group Treasury)	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	38 896	7 144	3 990	50 030	(1 068)	48 962
	(6 151)	346	(86)	(5 891)	-	(5 891)
	32 745	7 490	3 904	44 139	(1 068)	43 071
	29 851	9 393	(1 459)	37 785	797	38 582
	62 596	16 883	2 445	81 924	(271)	81 653
	(36 951)	(9 368)	(1 325)	(47 644)	486	(47 158)
	25 645	7 515	1 120	34 280	215	34 495
	(585)	(173)	(47)	(805)	-	(805)
	25 060	7 342	1 073	33 475	215	33 690
	(7 016)	(2 056)	932	(8 140)	(73)	(8 213)
	18 044	5 286	2 005	25 335	142	25 477
	(3 162)	(117)	(1)	(3 280)	-	(3 280)
	(32)	(149)	-	(181)	-	(181)
	(74)	-	-	(74)	(131)	(205)
	27 742	3 417	(23)	31 136	-	31 136
	708	7	19	734	-	734
	439	-	-	439	-	439
	1 117	247	-	1 364	-	1 364
	1 002	(593)	734	1 143	121	1 264
	575 383	560 327	371 637	1 507 347	-	1 507 347
	556 335	554 357	282 975	1 393 667	-	1 393 667

28 SEGMENT INFORMATION continued

28.3 Reportable segments continued

	2021			
R million	FNB#,†	FNB Africa	WesBank#,†	
Net interest income before impairment of advances	33 409	(10)	4 746	
Impairment and fair value of credit of advances	(8 084)	28	(2 141)	
Net interest income after impairment of advances	25 325	18	2 605	
Non-interest revenue	24 842	942	2 611	
Net income from operations	50 167	960	5 216	
Operating expenses	(29 183)	(1 291)	(4 469)	
Income before indirect tax	20 984	(331)	747	
Indirect tax	(705)	(2)	(67)	
Profit before income tax	20 279	(333)	680	
Income tax expense	(5 681)	93	(191)	
Profit for the year	14 598	(240)	489	
The income statement includes				
Depreciation	(2 606)	(1)	(866)	
Amortisation	(38)	-	(19)	
Net impairment charges	(3)	-	(14)	
Non-interest revenue includes the following external revenue from contracts with customers*:				
Banking fees and commissions	25 458	(5)	491	
Non-banking fees and commissions	699	-	14	
Insurance income (excluding risk-related income)	373	-	95	
Management, trust and fiduciary fees	629	-	526	
Other non-interest revenue from customers	711	-	262	
The statement of financial position includes				
Total assets	406 199	183	129 200	
Total liabilities**	390 786	518	129 792	

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

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

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

\# *Restated following internal restructures to better facilitate the execution of group strategy. Disclosure has been updated for the allocation of AT1 costs and investment management activities to the relevant segment.*

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

	2021					
	Retail and commercial	Corporate and institutional RMB#	Centre (including Group Treasury)#	FirstRand Bank – normalised	Normalised adjustments	FirstRand Bank – IFRS
	38 145	7 187	2 483	47 815	(811)	47 004
	(10 197)	(852)	(66)	(11 115)	-	(11 115)
	27 948	6 335	2 417	36 700	(811)	35 889
	28 395	8 888	(1 734)	35 549	1 136	36 685
	56 343	15 223	683	72 249	325	72 574
	(34 943)	(8 645)	(1 402)	(44 990)	36	(44 954)
	21 400	6 578	(719)	27 259	361	27 620
	(774)	(173)	(61)	(1 008)	-	(1 008)
	20 626	6 405	(780)	26 251	361	26 612
	(5 779)	(1 793)	878	(6 694)	(98)	(6 792)
	14 847	4 612	98	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
	521 096	531 342	250 212	1 302 650	-	1 302 650

28 SEGMENT INFORMATION continued

Geographical segments

R million	South Africa	United Kingdom	Asia	Total
	2022			
Net interest income after impairment of advances	**42 629**	**416**	**26**	**43 071**
Non-interest revenue:	**38 009**	**534**	**39**	**38 582**
- Non-interest revenue from contracts with customers	**33 356**	**1 428**	**33**	**34 817**
- Other non-interest revenue	**4 653**	**(894)**	**6**	**3 765**
Non-current assets*	**17 067**	**27**	**-**	**17 094**
	2021			
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

* *Exclude financial instruments, other assets, deferred income tax assets, current tax assets and post-employment benefit assets.*

29 RELATED PARTIES

29.1 Balances with related parties

R million	2022	2021
Advances		
Fellow subsidiaries – bank accounts	**604**	671
Associates	**14 442**	13 633
Joint ventures	**5 124**	3 159
Key management personnel	**50**	11
Other assets		
Associates	**583**	424
Joint ventures	**18 886**	22 076
Amounts due by holding company and fellow subsidiaries		
Parent	**8**	-
Fellow subsidiaries	**70 745**	67 108
Derivative assets		
- Fair value	**2**	-
Investment securities		
Associates*	**163**	102
Investments under co-investment scheme		
Key management personnel	**-**	67
Deposits		
Fellow subsidiaries – bank accounts	**3 663**	3 811
Associates	**1 423**	713
Joint ventures	**5 450**	1 741
Key management personnel	**120**	105
Accounts payable		
Associates	**4**	3
Joint ventures	**-**	1
Amounts due to holding company and fellow subsidiaries		
Parent	**198**	593
Fellow subsidiaries	**32 702**	26 621
Derivative liabilities		
Fair value		
Joint ventures	**370**	35
Commitments		
Associates	**1 807**	3 007
Joint ventures**	**4 711**	6 670

**The comparative information has been restated to include Toyota Financial Services listed bonds that the bank holds*
***The comparative figure has been updated to correctly reflect commitments with joint ventures. R5 million was incorrectly reflected in the prior year.*

Refer to the remuneration disclosures on page C194 for details of the compensation payable to key management personnel. All associates and joint ventures relate 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. Market-related rates and terms and conditions apply to transactions with related parties, including key management personnel.

29 RELATED PARTIES continued

29.2 Transactions with related parties

R million	2022	2021
Interest received		
Fellow subsidiaries	**1 673**	1 634
Associates	**864**	643
Joint ventures	**937**	757
Key management personnel	**2**	3
Interest paid		
Fellow subsidiaries*	**(465)**	(284)
Associates	**(43)**	(49)
Joint ventures	**(92)**	(86)
Key management personnel	**(7)**	(1)
Non-interest revenue		
Fellow subsidiaries	**4 672**	3 235
Associates	**1 058**	1 101
Joint ventures	**1 479**	2 985
Key management personnel	**2**	-
Operating expenses		
Fellow subsidiaries	**(896)**	(817)
Associates	**(805)**	(965)
Joint ventures	**-**	(5)
Dividends (paid)		
Parent	**(20 640)**	(6 270)
Dividends received		
Joint ventures**	**1 903**	596
Net interest return credited in respect of investments under the co-investment scheme		
Key management personnel	**-**	10
Salaries and other employee benefits		
Key management personnel	**83**	98
- Salaries and other short-term benefits	**53**	46
- Share-based payments	**30**	52

* *Interest paid on bank accounts with fellow subsidiaries amounted to R119 million (2021: R113 million).*

** *The comparative information has been restated to include dividends received from joint ventures.*

All associates and joint ventures are those in relation to FirstRand Limited.

Deferred compensation of R17 million (2021: R14 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 were entered into which directors or officers of the company had an interest in or which significantly affected the business of the bank.

29 RELATED PARTIES continued

29.3 Post-retirement benefit fund

Details of transactions between the bank and the bank's post-retirement benefit plan are listed below

R million	**2022**	2021
Dividend income	**22**	7
Fee expense	**(12)**	(1)
Deposits and current accounts held with the bank	**478**	770
Interest income	**32**	41

Refer to note 21 for details of the closing balance of the bank's post-employment benefit plan.

30 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.

30.1 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.

Sponsorships of unconsolidated structured entities

The bank has provided support in the form of liquidity and credit enhancement facilities to an SPV. The bankruptcy remote SPV is consolidated by the bank's fellow subsidiary, FRIHL. During the current year, assets to the value of R3 369 million were transferred by the bank to this entity. Assets to the value of R5 488 million were transferred in the prior year.

The bank purchased R4 225 million of assets originated by the SPV in the current year. Assets to the value of R2 109 million were purchased in the prior year.

30 INTERESTS IN OTHER ENTITIES continued

30.2 Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the bank.

R million	Transaction type	2022	2021
Own transaction		**2 541**	4 301
iVuzi	Asset-backed commercial paper programme	**2 541**	4 301
Total facilities provided		**2 541**	4 301

All liquidity facilities granted listed 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.

31 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 operational tactical and strategic decision-making.

Effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, approving risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's risk management framework describes the group's risk governance structures and approach to risk management. Effective risk management requires three lines of control or safeguards that should consistently be applied at various levels throughout the organisation.

The primary board committee overseeing risk matters across the group and bank is the FirstRand RCC committee. It has delegated responsibility for a number of specialist risk types to various subcommittees. Additional risk, audit and compliance committees exist in the bank's businesses and segments, whose governance structures align closely with that of the group.

A detailed overview of the group's risk governance process is provided in the group's unaudited Pillar 3 disclosure on the FirstRand website at http://www.firstrand.co.za/investors/basel-pillar-3-disclosure.

31 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:
➢ credit assets and concentration risk (31.1.1);
➢ information about the quality of credit assets (31.1.2 and 31.1.3); and
➢ credit risk mitigation and collateral held (31.1.4).</td></tr>
</table>

31 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 (31.2.1);
➢ discounted cash flow analysis of total assets and liabilities (31.2.2);
➢ collateral pledged (31.2.3); and
➢ concentration analysis of deposits (31.2.4).</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 (31.3.1) 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 (31.4.1) 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 (31.4.2) 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>

31 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 instrument.</td></tr>
<tr><td>Equity investment risk (31.5) arises primarily from equity exposures from private equity and corporate and investment banking activities in RMB, and strategic investments held by WesBank, FNB and Centre.</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 rowspan="2">Tax risk</td><td colspan="2">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.</td></tr>
<tr><td colspan="2">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 for safeguarding operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity, and a sustainable dividend policy.</td></tr>
</table>

31 FINANCIAL RISKS continued

31.1 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.

31 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. The bank currently only uses mapping to S&P rating scales.*

31.1.1 Credit assets and concentration risk

The assets and off-balance sheet amounts included in the table below 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.

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.

31 FINANCIAL RISKS continued

31.1.1 Credit assets and concentration risk continued

The following tables provide a breakdown of credit exposure across geographical areas.

Geographic concentration of significant credit asset exposure

	2022							
R million	South Africa	Broader Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	**62 462**	**21**	**13 819**	**7 938**	**10 160**	**297**	**506**	**95 203**
Total advances	**901 313**	**29 026**	**20 771**	**17 182**	**3 981**	**6**	**7 157**	**979 436**
Stage 3 advances	**37 890**	**129**	**666**	**4**	**-**	**1**	**4**	**38 694**
Derivatives	**38 721**	**154**	**18 108**	**4 163**	**494**	**-**	**34**	**61 674**
Debt investment securities (excluding non-recourse investments)*	**222 658**	**4 404**	**12 228**	**12 303**	**23 033**	**-**	**-**	**274 626**
Other assets*	**3 490**	**31**	**351**	**8**	**161**	**1**	**14**	**4 056**
Off-balance sheet exposures								
Guarantees, acceptances and letters of credit**	**39 960**	**14 757**	**399**	**1 273**	**23**	**10**	**2 965**	**59 387**
Irrevocable commitments**	**143 525**	**5 764**	**3 217**	**656**	**1 702**	**-**	**279**	**155 143**

**In the prior year debt investments and other assets were reflected net of ECL. In addition, other assets included both financial and non-financial items. The comparative information has been amended to reflect debt investment and other financial assets gross of impairments. The table on the next page reflects what was previously reported.*

***The prior year amount has been restated. Refer to Note 26 Contingencies and commitments for details.*

2021							
South Africa	**Broader Africa**	**United Kingdom**	**Other Europe**	**North and South America**	**Austra-lasia**	**Asia**	**Total**
70 323	15	11 245	4 258	4 404	358	474	91 077
818 048	19 132	42 058	7 559	2 171	4	7 452	896 424
46 239	154	291	4	1	-	85	46 774
42 340	305	26 222	1 815	45	2	45	70 774
204 808	6 225	14 891	9 689	25 885	-	5 860	267 358
2 992	36	35	3	366	-	26	3 458
32 587	12 505	1 386	687	15	8	2 184	49 372
129 711	6 168	220	3 154	37	71	499	139 860

South Africa	**Broader Africa**	**United Kingdom**	**Other Europe**	**North and South America**	**Austra-lasia**	**Asia**	**Total**
Irrevocable commitments							
140 954	6 168	220	3 154	37	71	499	151 103
Debt investment securities							
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

31 FINANCIAL RISKS continued

R million	2022	2021
Breakdown of advances per class		
Gross advances	**979 436**	896 424
Retail secured	**335 971**	316 182
- Residential mortgages	**242 757**	225 666
- WesBank VAF*	**93 214**	90 516
Retail unsecured	**87 351**	86 647
- FNB card	**32 821**	31 249
- Personal loans	**40 173**	39 686
- Other retail	**14 357**	15 712
Corporate and commercial	**504 133**	455 238
- FNB commercial	**107 823**	97 092
- WesBank corporate	**45 128**	41 015
- RMB corporate and investment banking	**351 182**	317 131
Centre (including Group Treasury)	**51 981**	38 357

* *Includes public sector.*

31 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.

	2022			
		Stage 3		
R million	Total advances	Advances	Security held and expected recoveries	Impairment
Sector analysis				
Agriculture	**48 017**	**2 239**	**1 099**	**1 140**
Banks	**47 679**	**-**	**-**	**-**
Financial institutions	**143 757**	**215**	**58**	**157**
Building and property development	**58 934**	**934**	**355**	**579**
Government, Land Bank and public authorities	**28 119**	**190**	**78**	**112**
Individuals	**408 991**	**29 164**	**14 923**	**14 241**
Manufacturing and commerce	**131 705**	**2 361**	**1 075**	**1 286**
Mining	**6 490**	**95**	**23**	**72**
Transport and communication	**31 749**	**769**	**445**	**324**
Other services	**73 995**	**2 727**	**969**	**1 758**
Temporary stress scenario	**-**	**-**	**-**	**-**
Total advances	**979 436**	**38 694**	**19 025**	**19 669**
	2021			
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

31.1.2 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.

31 FINANCIAL RISKS continued

R million	2022					
	FR1-25		FR26-90		FR91-100	
	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
Retail secured						
Residential mortgages						
Stage 1	**100 495**	**46 274**	**110 507**	**4 010**	**304**	**25**
Stage 2	**71**	**42**	**12 950**	**81**	**6 628**	**10**
Stage 3	**-**	**-**	**-**	**-**	**11 802**	**9**
Total residential mortgages	**100 566**	**46 316**	**123 457**	**4 091**	**18 734**	**44**
WesBank VAF						
Stage 1	**-**	**-**	**76 586**	**-**	**180**	**-**
Stage 2	**-**	**-**	**7 905**	**-**	**2 558**	**-**
Stage 3	**-**	**-**	**-**	**-**	**5 985**	**-**
Total WesBank VAF	**-**	**-**	**84 491**	**-**	**8 723**	**-**
Retail unsecured						
FNB card						
Stage 1	**361**	**-**	**26 403**	**-**	**150**	**-**
Stage 2	**1**	**-**	**1 604**	**-**	**624**	**-**
Stage 3	**-**	**-**	**-**	**-**	**3 678**	**-**
Total FNB card	**362**	**-**	**28 007**	**-**	**4 452**	**-**
Personal loans						
Stage 1	**115**	**-**	**25 788**	**-**	**1 439**	**-**
Stage 2	**90**	**-**	**1 699**	**-**	**4 768**	**-**
Stage 3	**-**	**-**	**-**	**-**	**6 274**	**-**
Total personal loans	**205**	**-**	**27 487**	**-**	**12 481**	**-**
Other retail unsecured						
Stage 1	**488**	**141**	**10 584**	**304**	**141**	**177**
Stage 2	**1**	**-**	**137**	**-**	**1 040**	**-**
Stage 3	**4**	**-**	**-**	**-**	**1 962**	**-**
Total other retail unsecured	**493**	**141**	**10 721**	**304**	**3 143**	**177**
Temporary stress scenario						
Stage 1	**-**	**-**	**(2 817)**	**-**	**-**	**-**
Stage 2	**-**	**-**	**2 817**	**-**	**-**	**-**
Stage 3	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**
Corporate and commercial						
FNB commercial						
Stage 1	**424**	**827**	**95 051**	**19 568**	**293**	**90**
Stage 2	**-**	**-**	**5 700**	**296**	**1 728**	**122**
Stage 3	**-**	**-**	**95**	**-**	**4 532**	**228**
Total FNB commercial	**424**	**827**	**100 846**	**19 864**	**6 553**	**440**

31 FINANCIAL RISKS continued

	2022					
	FR1-25		FR26-90		FR91-100	
R million	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet	On-balance sheet	Off-balance sheet
WesBank corporate						
Stage 1	**10 467**	**1 807**	**28 579**	**-**	**371**	**-**
Stage 2	**13**	**-**	**4 307**	**-**	**488**	**-**
Stage 3	**-**	**-**	**-**	**-**	**903**	**-**
Total WesBank corporate	**10 480**	**1 807**	**32 886**	**-**	**1 762**	**-**
RMB corporate and investment banking						
Stage 1	**125 024**	**63 715**	**203 660**	**56 260**	**68**	**98**
Stage 2	**-**	**-**	**18 832**	**1 403**	**803**	**1 444**
Stage 3	**-**	**-**	**-**	**45**	**1 980**	**117**
Purchased or originated credit impaired	**-**	**-**	**663**	**28**	**152**	**-**
Total RMB corporate and investment banking	**125 024**	**63 715**	**223 155**	**57 736**	**3 003**	**1 659**
Centre (including Group Treasury)						
Stage 1	**4 244**	**-**	**46 761**	**1 416**	**-**	**-**
Stage 2	**-**	**-**	**312**	**-**	**-**	**-**
Stage 3	**-**	**-**	**664**	**-**	**-**	**-**
Total Centre (including Group Treasury)	**4 244**	**-**	**47 737**	**1 416**	**-**	**-**
Stage 1	**241 618**	**112 764**	**621 102**	**81 558**	**2 946**	**390**
Stage 2	**176**	**42**	**56 263**	**1 780**	**18 637**	**1 576**
Stage 3	**4**	**-**	**759**	**45**	**37 116**	**354**
Purchased or originated credit impaired	**-**	**-**	**663**	**28**	**152**	**-**
Total advances	**241 798**	**112 806**	**678 787**	**83 411**	**58 851**	**2 320**

31 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	82 615	17 293	308	39
Stage 2	5	-	5 207	199	2 951	541
Stage 3	-	-	103	6	5 695	151
Total FNB commercial	213	507	87 925	17 498	8 954	731

31 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
WesBank corporate						
Stage 1	9 429	3 007	25 393	-	739	-
Stage 2	27	-	3 153	-	880	-
Stage 3	-	-	-	-	1 394	-
Purchased or originated credit impaired	-	-	-	-	-	-
Total WesBank corporate	9 456	3 007	28 546	-	3 013	-
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
Centre (including Group Treasury)						
Stage 1	32 964	-	4 947	2 444	-	-
Stage 2	-	-	157	-	-	-
Stage 3	-	-	289	-	-	-
Purchased or originated credit impaired	-	-	-	-	-	-
Total Centre (including Group Treasury)	32 964	-	5 393	2 444	-	-
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

31 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.

	2022		
R million	Total	Security held and expected recoveries	Stage 3 impairment
Stage 3			
Total retail secured	17 787	12 098	5 689
- Residential mortgages	11 802	9 266	2 536
- WesBank VAF	5 985	2 832	3 153
Total retail unsecured	11 918	3 365	8 553
- FNB card	3 678	1 067	2 611
- Personal loans	6 274	1 795	4 479
- Retail other	1 966	503	1 463
Temporary stress scenario	-	-	-
Total retail secured and unsecured	29 705	15 463	14 242
Total corporate and commercial	8 325	3 610	4 715
- FNB commercial	4 627	1 482	3 145
- WesBank corporate	903	487	416
- RMB corporate and investment banking	2 795	1 641	1 154
Centre (including Group Treasury)	664	(48)	712
Total stage 3	38 694	19 025	19 669
Stage 3 by category			
Overdrafts and cash management accounts	3 652	786	2 866
Term loans	1 148	605	543
Card loans	4 180	1 096	3 084
Instalment sales and hire purchase agreements	7 488	3 245	4 243
Lease payments receivable	74	16	58
Property finance	12 711	9 818	2 893
- Home loans	11 732	9 225	2 507
- Commercial property finance	979	593	386
Personal loans	7 015	2 109	4 906
Investment bank term loans	1 193	976	217
Other	1 233	374	859
Total stage 3	38 694	19 025	19 669

	2021		
	Total	Security held and expected recoveries	Stage 3 impairment
	22 827	16 128	6 699
	13 356	10 539	2 817
	9 471	5 589	3 882
	14 072	3 781	10 291
	4 034	866	3 168
	7 546	2 249	5 297
	2 492	666	1 826
	-	(44)	44
	36 899	19 865	17 034
	9 586	5 177	4 409
	6 378	2 773	3 605
	814	489	325
	2 394	1 915	479
	289	51	238
	46 774	25 093	21 681
	4 384	1 140	3 244
	1 366	763	603
	4 458	898	3 560
	11 050	6 422	4 628
	120	72	48
	14 821	11 558	3 263
	13 233	10 465	2 768
	1 588	1 093	495
	8 590	2 674	5 916
	1 585	1 449	136
	400	117	283
	46 774	25 093	21 681

31 FINANCIAL RISKS continued

31.1.3 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.

	2022		
R million	AAA to BBB	BB+ to B-	CCC
Investment securities at amortised cost			
Stage 1	**9 904**	**113 733**	**-**
Stage 2	**-**	**-**	**-**
Investment securities at fair value through comprehensive income			
Stage 1	**-**	**11 216**	**-**
Investment securities at fair value through profit or loss	**39 665**	**100 108**	**-**
Total investment securities	**49 569**	**225 057**	**-**
Other financial assets			
Stage 2	**712**	**3 192**	**51**
Stage 3	**-**	**47**	**54**
Total other financial assets	**712**	**3 239**	**105**
Cash and cash equivalents			
Stage 1	**39 353**	**55 850**	**-**
Total cash and cash equivalents	**39 353**	**55 850**	**-**
Derivative assets	**27 943**	**33 726**	**5**
	2021		
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	-
Investment securities at fair value through profit or loss	40 079	113 215	-
Total investment securities*	57 793	209 565	-
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

**Total investment securities has been represented to include investment securities at fair value through profit and loss.*

31 FINANCIAL RISKS continued

31.1.4 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 its 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, life insurance as well as insurance against disability and retrenchment are 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 the Offsetting table within note 31.1.4.
- Working capital facilities in RMB corporate and investment banking are secured and unsecured. Security is usually taken in the form of financial or other collateral, including guarantees and assets.

The 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. 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.

31 FINANCIAL RISKS continued

31.1.4 Credit risk mitigation and collateral held continued

The table below represents an analysis of the maximum exposure to credit risk for financial assets at 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.

	2022				
R million	**Gross carrying amount**	**Off-balance sheet exposure**	**Loss allowance**	**Maximum exposure to credit risk**	
Residential mortgages	**242 757**	**50 451**	**(4 084)**	**289 124**	
WesBank VAF	**93 214**	**-**	**(5 221)**	**87 993**	
FNB card	**32 821**	**-**	**(4 361)**	**28 460**	
Personal loans	**40 173**	**-**	**(7 808)**	**32 365**	
Other retail	**14 357**	**622**	**(2 458)**	**12 521**	
Temporary stress scenario – retail	**-**	**-**	**(315)**	**(315)**	
FNB commercial	**107 823**	**21 131**	**(5 236)**	**123 718**	
Temporary stress scenario – commercial	**-**	**-**	**(55)**	**(55)**	
WesBank corporate	**45 128**	**1 807**	**(795)**	**46 140**	
RMB corporate and investment banking	**351 182**	**123 110**	**(4 125)**	**470 167**	
Centre (including Group Treasury)	**51 981**	**1 416**	**(891)**	**52 506**	
Total advances	**979 436**	**198 537**	**(35 349)**	**1 142 624**	
Investment securities#	**274 626**	**-**	**(143)**	**274 483**	
Cash and cash equivalents	**95 203**	**-**	**-**	**95 203**	
Other assets	**4 056**	**-**	**(296)**	**3 760**	
Derivatives	**61 674**	**-**	**-**	**61 674**	
	2021				
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	97 092	18 736	(5 761)	110 067	
Temporary stress scenario – commercial**	-	-	(148)	(148)	
WesBank corporate	41 015	3 007	(956)	43 066	
RMB corporate and investment banking	317 131	105 671	(4 517)	418 285	
Centre (including Group Treasury)	38 357	2 444	(390)	40 411	
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	3 456	-	(191)	3 265	
Derivatives	70 774	-	-	70 774	

* *Secured represents balances which have non-financial collateral attached to the financial asset.*

** *Represented. In the prior year this amount was unallocated and is now included under unsecured to reflect the associated credit risk.*

\# *Include debt instruments measured at fair value but exclude equity.*

	2022		
	Netting and financial collateral	Unsecured	Secured*
	3 817	**1 352**	**283 955**
	-	**45**	**87 948**
	-	**28 460**	**-**
	-	**32 365**	**-**
	-	**10 301**	**2 220**
	-	**(129)**	**(186)**
	5 303	**17 243**	**101 172**
	-	**(55)**	**-**
	-	**-**	**46 140**
	1 911	**99 822**	**368 434**
	-	**38 987**	**13 519**
	11 031	**228 391**	**903 202**
	31 809	**240 805**	**1 869**
	29 927	**65 276**	**-**
	-	**3 750**	**9**
	-	**61 674**	**-**
	2021		
	2 186	689	275 310
	-	-	84 887
	-	26 566	-
	-	31 056	-
	-	11 301	2 014
	-	(264)	(68)
	6 069	15 443	88 557
	-	(148)	-
	-	-	43 064
	2 844	80 287	335 154
	-	27 752	12 659
	11 099	192 682	841 577
	27 966	237 104	2 149
	26 339	64 738	-
	-	2 575	499
	-	70 774	-

31 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	**2022**	2021
Cash collateral held	**13 298**	10 128

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

	2022		2021	
R million	**Fair value**	**Fair value of collateral sold or repledged in the absence of default**	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**14 821**	**-**	11 051	-
Investment securities and other investments – held under reverse repurchase agreements	**70 540**	**24 282**	65 058	25 100
Investment securities and other investments – other	**1 405**	**1 402**	993	655
Total collateral pledged	**86 766**	**25 684**	77 102	25 755

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

Collateral taken possession of

When the bank takes possession of collateral that is neither cash nor readily convertible into cash, the bank determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the bank is unable to obtain the pre-set sale amount at an auction, it will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained. Properties taken possession of amounted to R22 million (June 2021: R17 million).

31 FINANCIAL RISKS continued

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.

	Derivatives		Structured transactions		Intercompany	
R million	**2022**	2021	**2022**	2021	**2022**	2021
Assets						
Offsetting applied						
Gross amount	**73 378**	89 190	**70 946**	71 488	**29 483**	13 525
Amount offset*	**(15 827)**	(23 236)	**(14 003)**	(14 059)	**(8 716)**	(3 022)
Net amount reported on the statement of financial position	**57 551**	65 954	**56 943**	57 429	**20 767**	10 503
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(46 507)**	(55 304)	**(585)**	(897)	**(10 965)**	(8 216)
Financial collateral	**(3 073)**	(4 745)	**(56 358)**	(56 532)	**-**	-
Net amount	**7 971**	5 905	**-**	-	**9 802**	2 287
Financial instruments not subject to offset or MNAs	**4 123**	4 820	**13 597**	7 629	**49 986**	56 605
Total as per statement of financial position	**61 674**	70 774	**70 540**	65 058	**70 753**	67 108
Liabilities						
Offsetting applied						
Gross amount	**82 387**	89 054	**26 713**	31 551	**19 771**	13 587
Amount offset*	**(15 827)**	(23 236)	**(14 003)**	(14 059)	**(8 716)**	(3 022)
Net amount reported on the statement of financial position	**66 560**	65 818	**12 710**	17 492	**11 055**	10 565
Offsetting not applied						
Financial instruments subject to MNAs and similar agreements	**(46 507)**	(55 304)	**(585)**	(897)	**(10 965)**	(8 216)
Financial collateral	**(15 655)**	(2 806)	**(12 125)**	(16 595)	**-**	-
Net amount	**4 398**	7 708	**-**	-	**90**	2 349
Financial instruments not subject to offset or MNAs	**3 724**	4 904	**3 446**	6 762	**21 845**	16 649
Total as per statement of financial position	**70 284**	70 722	**16 156**	24 254	**32 900**	27 214

* *Amounts offset under derivatives are contracts that are set off under netting agreements, such as the ISDA Master Agreement or derivative clearing counterparty agreements, whereby all outstanding transactions with the same counterparty can be offset and close-out netting is applied across all outstanding transactions covered by these agreements.*

31 FINANCIAL RISKS continued

31.2 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 to 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.

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.

31 FINANCIAL RISKS continued

31.2.1 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.

R million	Undiscounted carrying amount	Term to maturity: Call to 3 months	Term to maturity: 4 – 12 months	Term to maturity: >12 months and non-contractual
	2022			
On-balance sheet amounts				
Deposits and current accounts	**1 300 874**	**955 134**	**106 287**	**239 453**
Short trading positions	**14 183**	**14 183**	**-**	**-**
Derivative financial instruments	**71 359**	**62 034**	**477**	**8 848**
Creditors, accruals and provisions	**19 547**	**13 968**	**535**	**5 044**
Tier 2 liabilities	**23 949**	**2 788**	**10 023**	**11 138**
Other liabilities	**3 844**	**226**	**2 849**	**769**
Lease liabilities	**1 666**	**205**	**490**	**971**
Amounts due to holding company and fellow subsidiaries	**32 984**	**23 321**	**3 549**	**6 114**
Off-balance sheet amounts				
Financial and other guarantees	**48 671**	**46 430**	**884**	**1 357**
Other contingencies and commitments	**5 074**	**2 649**	**2 120**	**305**
Irrevocable facilities	**155 143**	**155 143**	**-**	**-**
	2021			
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*	40 558	38 280	1 352	926
Other contingencies and commitments*	4 438	2 312	1 741	385
Irrevocable facilities*	139 860	139 860	-	-

** The prior year amount has been restated. Refer to Note 26 Contingencies and commitments for details.*

For the affected balances, the following amounts were disclosed in the prior year:

R million	Undiscounted carrying amount	Term to maturity: Call to 3 months	Term to maturity: 4 – 12 months
Off-balance sheet amounts			
Financial and other guarantees*	37 231	34 953	1 352
Other contingencies and commitments*	3 330	916	2 241
Irrevocable facilities*	151 103	151 103	-

31 FINANCIAL RISKS continued

31.2.2 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

	2022			
	Discounted	Term to maturity		
R million	carrying amount	Call to 3 months	4 – 12 months	>12 months
Total assets	**1 507 347**	**571 344**	**194 108**	**741 895**
Total equity and liabilities	**1 507 347**	**1 074 069**	**121 189**	**312 089**
Net liquidity gap	**-**	**(502 725)**	**72 919**	**429 806**
Cumulative liquidity gap	**-**	**(502 725)**	**(429 806)**	**-**
	2021			
Total assets*	1 415 029	554 594	146 542	713 893
Total equity and liabilities	1 415 029	1 007 130	104 754	303 145
Net liquidity gap	-	(452 536)	41 788	410 748
Cumulative liquidity gap	-	(452 536)	(410 748)	-

* *Comparative information relating to the split of total assets between call to 3 months and >12 months has been re-presented. In the prior year, R567 568 million was reflected as call to 3 months, R146 430 million was reflected as 4 – 12 months and R701 031 million was reflected as >12 months and non-contractual.*

31.2.3 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.

31 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	2022	2021
Cash and cash equivalents	**29 927**	26 339
Advances	**2 028**	2 014
Investment securities — held under repurchase agreements	**4 259**	17 663
Investment securities — other	**3 264**	414
Total assets pledged	**39 478**	46 430

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	2022	2021
Short trading positions	**14 183**	18 660
Total deposits	**16 288**	27 740
- Deposits under repurchase agreements	**14 630**	23 331
- Deposits in securities lending transactions*	**1 526**	923
- Other secured deposits	**132**	3 486
Derivative liabilities**	**30 776**	27 918
Total	**61 247**	74 318

* *Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

** *The description has been updated to appropriately reflect the nature of the liability. This line was previously: Other. The total amount reflected in the prior year has not changed.*

31 FINANCIAL RISKS continued

31.2.4 Concentration analysis of deposits

R million	2022	2021
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**79 032**	95 672
Public sector entities	**83 080**	79 230
Local authorities	**14 681**	15 466
Banks	**34 733**	26 702
Securities firms	**5 445**	5 666
Corporate customers	**657 444**	592 558
Retail customers	**344 408**	318 521
Other	**1 203**	1 770
Total deposits	**1 220 026**	1 135 585
Geographical analysis		
South Africa	**1 134 122**	1 082 324
Broader Africa	**17 450**	16 948
UK	**27 196**	21 091
Other	**41 258**	15 222
Total deposits	**1 220 026**	1 135 585

31 FINANCIAL RISKS continued

31.3 Market risk

31.3.1 Traded market risk

Objective

Traded market risk includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book, which is managed as part of the trading book.

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, (which is covered in the Interest rate risk in the banking book section). 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 FirstRand market and investment risk committee (MIRC). The RMB banking book interest rate risk exposure was R81 million on a 10-day expected tail loss (ETL) basis at 30 June 2022 (2021: R59 million). Interest rate risk in the remaining domestic banking book is discussed in the *Interest rate risk* section on page C226.

Global and local markets have continued to display volatility. After the market effect of the pandemic subsided, concerns around interest rates and high inflation created uncertainty, which was exacerbated by geopolitical conflict. The market risk measurement framework continued to perform well during the volatility. Market risk exposures remained within approved limits.

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.

31 FINANCIAL RISKS continued

31.3.2 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.

	2022*						
R million	Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
VaR (10-day 99%)							
Maximum value**	**86.5**	**329.7**	**121.4**	**71.3**	**33.1**		**277.7**
Average value	**15.7**	**196.7**	**43.0**	**35.8**	**16.2**		**188.3**
Minimum value**	**4.6**	**126.8**	**8.1**	**9.6**	**1.5**		**101.2**
Period end	**6.9**	**257.8**	**34.6**	**62.9**	**2.2**	**(175.0)**	**189.4**
sVaR (10-day 99%)							
Maximum value**	**103.1**	**446.8**	**166.3**	**86.9**	**40.9**		**439.2**
Average value	**23.7**	**324.4**	**64.7**	**48.2**	**16.4**		**187.7**
Minimum value**	**8.8**	**116.4**	**13.2**	**16.8**	**2.3**		**76.7**
Period end	**15.8**	**365.5**	**156.9**	**46.3**	**7.3**	**(152.6)**	**439.2**
VaR (1-day 99%)							
Maximum value**	**67.8**	**198.1**	**68.5**	**51.0**	**11.5**		**146.1**
Average value	**7.3**	**90.2**	**18.3**	**20.8**	**5.4**		**95.8**
Minimum value**	**3.0**	**60.2**	**0.3**	**4.5**	**1.0**		**54.6**
Period end	**4.5**	**100.6**	**7.1**	**20.3**	**1.1**	**(49.4)**	**84.2**

* *Excludes foreign branches, 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.

	2021*						
	Equities	Interest rates#	Foreign exchange	Com-modities	Traded credit	Diversi-fication effect	Diversified total
	162.3	554.2	80.9	65.8	47.2		374.4
	38.0	266.9	35.3	41.0	17.8		242.2
	3.2	110.7	5.9	16.4	4.9		140.2
	12.5	193.3	40.6	41.8	6.4	(92.4)	202.2
	91.8	415.9	131.1	60.7	80.4		218.9
	21.1	278.4	53.1	32.3	29.6		162.5
	1.8	137.3	10.5	15.8	7.9		108.6
	9.2	267.7	60.2	46.9	10.7	(259.0)	135.6
	39.3	332.3	45.5	28.7	16.8		181.0
	8.7	140.0	17.6	17.3	8.5		127.6
	2.2	35.5	1.8	8.5	4.0		31.9
	5.5	112.0	19.1	21.4	4.9	(50.0)	112.8

31 FINANCIAL RISKS continued

31.4 Non-traded market risk

31.4.1 Interest rate risk in the banking book

Assessment and management

FirstRand Bank (South Africa)

The measurement techniques used to monitor interest rate risk in the banking book include NII sensitivity/earnings risk and PV01/economic value of equity (EVE) sensitivity. A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed at 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 Centre 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 on a 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.

31 FINANCIAL RISKS continued

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 basis points 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 R330 billion for the year (2021: R307 billion).

Projected ZAR NII sensitivity to interest rate movements

	Change in projected 12-month NII	
R million	**2022**	2021
Downward 200 basis points	**(277)**	(1 621)
Upward 200 basis points	**102**	1 066

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 basis points decrease in interest rates would result in a reduction in projected 12-month NII of R277 million (2021: R1 621 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R102 million (2021: R1 066 million).

Effect of IBOR reform

The London Interbank Offered Rate (LIBOR) has been the reference interest rate that underpinned trillions of loans and derivative contracts worldwide. The reform of these reference interest rates and their replacement with ARRs is a priority for global regulators. The bank established a steering committee in the 2020 financial year consisting of key finance, risk, IT, treasury, legal and compliance personnel, as well as external advisors, to oversee the group's IBOR reform transition plan. This steering committee developed a transition project for affected contracts and potential future contracts, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses.

On 5 March 2021, LIBOR's administrator, ICE Benchmark Administration Limited (ICE), announced the cessation of several IBOR settings after 31 December 2021. The publication of EUR, CHF, JPY and GBP LIBOR for all tenors ceased on 31 December 2021. The one-week and two-month USD LIBOR were also discontinued on 31 December 2021. The announcement by ICE noted that the remaining USD LIBOR tenors would be discontinued after 30 June 2023.

The bank will continue to transition all other instruments exposed to other IBOR rates, as and when the related ARRs become available, and on the instruments' reset dates.

Although there is currently no indication as to when JIBAR will be replaced, several proposed ARRs and calculation methodologies have been released by the South African Reserve Bank (SARB).

The bank currently has a number of contracts, including derivatives which reference JIBAR and extend beyond 2022. The bank's established steering committee, that has previously overseen the group's IBOR related reforms and transition planning in respect of USD/GBP LIBOR, will apply the same transitioning policies to affected JIBAR contracts.

31 FINANCIAL RISKS continued

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 2022 and which will not have matured by the related IBOR cessation date. The LIBOR cessation occurred on 31 December 2022 for GBP, EUR, JPY, CHF and USD for the one-week and two-month tenors. It is expected to occur on 30 June 2023 for all other USD LIBOR tenors.

Refer to note 7 for information on the impact the IBOR reforms have on hedge accounting.

Financial assets subject to IBOR reform that have not yet transitioned to replacement rates at 30 June 2022:

	Amount				
R million	**USD LIBOR**	**GBP LIBOR**	**EUR LIBOR**	**AUD LIBOR**	**Other LIBOR**
Assets recognised on the balance sheet					
Derivative financial instruments (assets)*	**62 865**	**-**	**-**	**-**	**284**
Investment securities	**76**	**-**	**-**	**-**	**-**
Advances	**15 753**	**-**	**-**	**-**	**-**
Total assets recognised on the balance sheet subject to IBOR reform	**78 694**	**-**	**-**	**-**	**284**
Off-balance sheet items					
Irrevocable commitments	**3 476**	**-**	**-**	**-**	**339**
Total off-balance sheet exposures subject to IBOR reform	**3 476**	**-**	**-**	**-**	**339**
Total assets exposure subject to IBOR reform	**82 170**	**-**	**-**	**-**	**623**

** 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 as at 30 June 2022:

	Amount				
R million	**USD LIBOR**	**GBP LIBOR**	**EUR LIBOR**	**AUD LIBOR**	**Other LIBOR**
Derivative financial instruments (liabilities)*	**41 282**	**-**	**-**	**-**	**317**
Deposits	**20 926**	**-**	**-**	**-**	**-**
Total liabilities subject to IBOR reform	**62 208**	**-**	**-**	**-**	**317**

** These balances represent the notional amount directly impacted by the IBOR reform.*

Amount				
USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
57 245	21 402	16 095	9	2
-	-	-	-	-
14 590	1 111	532	-	-
71 835	22 513	16 627	9	2
5 486	207	562	-	-
5 486	207	562	-	-
77 321	22 720	17 189	9	2

Amount				
USD LIBOR	GBP LIBOR	EUR LIBOR	AUD LIBOR	Other LIBOR
45 505	27 429	7 645	16	2
15 583	-	-	-	-
61 088	27 429	7 645	16	2

31 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 basis points 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 basis points 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

%	**2022**	2021
Downward 200 basis points	**5.35**	4.55
Upward 200 basis points	**(4.77)**	(4.12)

31.4.2 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.

Group Treasury is responsible for oversight of structural foreign exchange risk and produces reports that go to group ALCCO, a subcommittee of the RCC committee. It is also responsible for reporting on and management of the group's foreign exchange exposure and macroprudential limit utilisation.

Assessment and management

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by 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).

31 FINANCIAL RISKS continued

31.4.2 Structural foreign exchange risk

Assessment and management continued

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

	2022		2021	
	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	**5 325**	**799**	4 260	639
Sterling	**103**	**16**	1 016	152
Indian rupee	**669**	**100**	643	96
Total	**6 097**	**915**	5 919	887

31.5 Equity investment risk

Assessment and management

The equity investment risk portfolio is managed through a rigorous evaluation and review process from the inception to exit of a transaction. All investments are subject to a comprehensive due diligence process, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed. For each transaction, an appropriate structure is put in place which aligns the interests of all parties involved through the use of incentives and constraints for management and other investors. Where appropriate, the 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 the 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

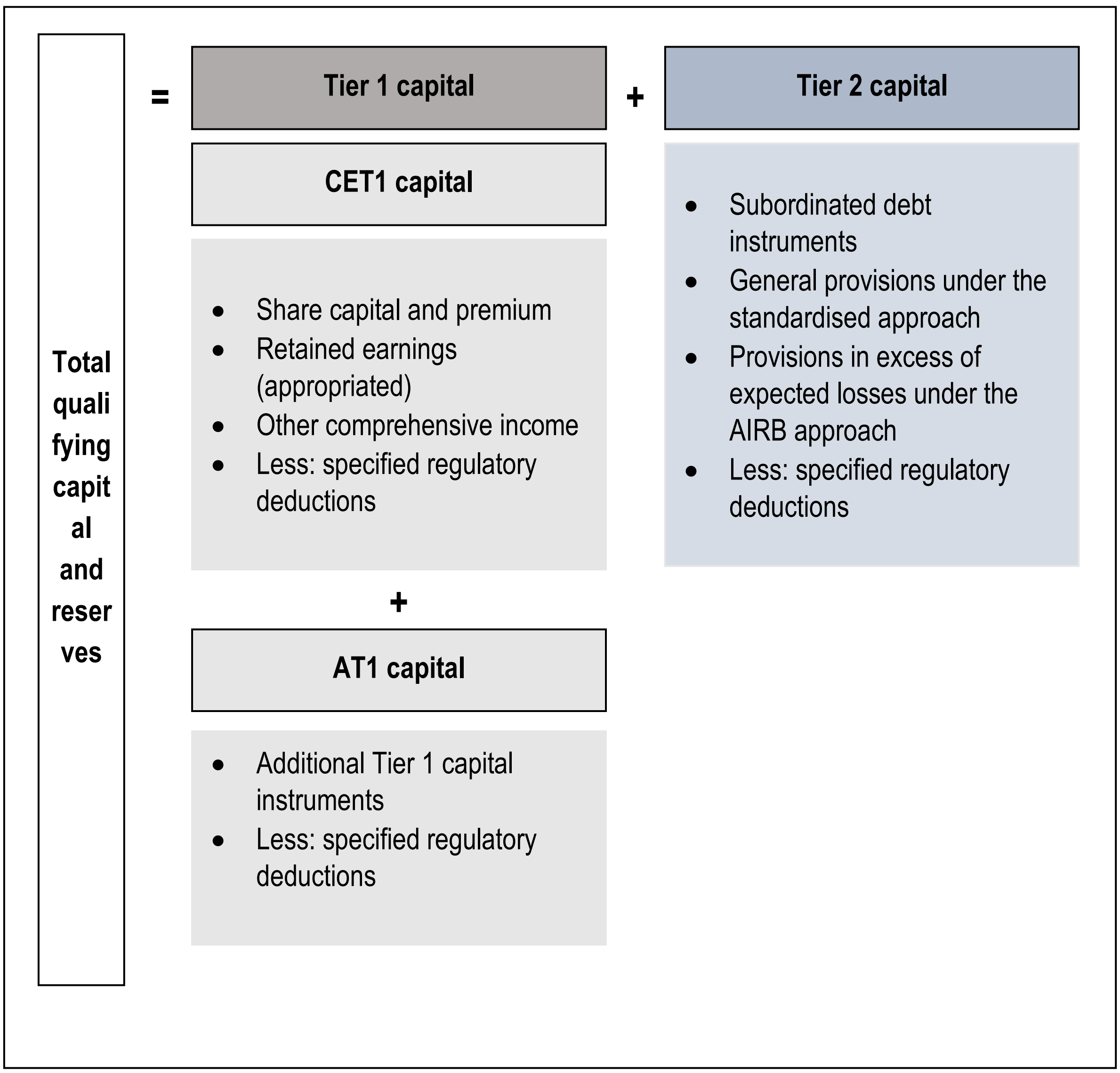
R million	**2022**	2021
Listed investment risk exposure included in the equity investment risk ETL	**4**	4
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**58**	97

31 FINANCIAL RISKS continued

31.6 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 the quality and mix of capital, as well as optimisation of the bank's RWA. The bank's capital ratios remain strong and above the regulatory minimums and internal targets. The board-approved capital targets are a CET1 of 11.0% – 12.0%, a Tier 1 of >12.0% and total capital of >14.25.

The following diagram defines the main components of qualifying capital and reserves.



31 FINANCIAL RISKS continued

Capital adequacy of the bank and its foreign branches

The bank's foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. The bank's approach is that all entities must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of in-country regulatory minimums.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet in-country regulatory and economic capital requirements. Capital generated by branches in excess of targeted levels is returned to the bank, usually in the form of a return of profits.

32 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES

Note 10 (Advances)

Voluntary changes to the classes previously reported at 30 June 2021

	Gross advances		
R million	As previously reported	Movement	Updated amount
Residential mortgages	225 666	-	225 666
WesBank VAF	90 516	-	90 516
Total retail secured	316 182	**-**	316 182
FNB card	31 249	-	31 249
Personal loans	39 686	-	39 686
Retail other	15 712	-	15 712
Total retail unsecured	86 647	**-**	86 647
Temporary stress scenario	-	**-**	-
Total retail secured and unsecured	402 829	**-**	402 829
FNB commercial*	111 121	(14 029)	97 092
- Amortised cost	111 030	(14 029)	97 001
- Fair value	91	-	91
- Temporary stress scenario	-	-	-
WesBank corporate*	26 986	14 029	41 015
RMB corporate and investment banking	317 131	-	317 131
Total corporate and commercial	455 238	-	455 238
Centre (including Group Treasury)	36 538	1 819	38 357
MotoNovo	1 819	(1 819)	-
Total advances	896 424	**-**	896 424

* *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 31 – Financial risk management.*

	Loss allowance		
	As previously reported	Movement	Updated amount
	4 304	-	4 304
	5 629	-	5 629
	9 933	-	9 933
	4 683	-	4 683
	8 630	-	8 630
	3 119	-	3 119
	16 432	-	16 432
	332	-	332
	26 697	-	26 697
	6 310	(401)	5 909
	6 162	(401)	5 761
	-	-	-
	148	-	148
	555	401	956
	4 517	-	4 517
	11 382	-	11 382
	134	256	390
	256	(256)	-
	38 469	-	38 469

32 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 11 (Impairments)

Reconciliation of the ECL on advances per class – amortised cost

	FNB commercial			WesBank corporate		
R million	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
Reported as at 1 July 2020	6 028	(322)	5 706	506	322	828
— Stage 1	1 394	(104)	1 290	114	104	218
— Stage 2	1 339	(48)	1 291	111	48	159
— Stage 3	3 295	(170)	3 125	281	170	451
Acquisition/(disposal) of advances	-	-	-	1	-	1
Transfers from/(to) other divisions	-	-	-	-	-	-
Transfers from/(to) non-current assets or disposal groups held for sale	-	-	-	-	-	-
Exchange rate differences	-	-	-	-	-	-
Bad debts written off	(1 686)	71	(1 615)	(84)	(71)	(155)
Current period provision created/ (released)	1 820	(150)	1 670	132	150	282
— Stage 1	(923)	20	(903)	(18)	(20)	(38)
— Stage 2	979	(42)	937	27	42	69
— Stage 3	1 764	(128)	1 636	123	128	251
Amount as at 30 June 2021	6 162	(401)	5 761	555	401	956
— Stage 1	1 033	(90)	943	108	90	198
— Stage 2	1 524	(85)	1 439	122	85	207
— Stage 3	3 605	(226)	3 379	325	226	551

Centre (including Group Treasury)			MotoNovo		
As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
135	365	500	365	(365)	-
19	45	64	45	(45)	-
-	70	70	70	(70)	-
116	250	366	250	(250)	-
-	-	-	-	-	-
(116)	-	(116)	-	-	-
-	-	-	-	-	-
(163)	(34)	(197)	(34)	34	-
(1 060)	(177)	(1 237)	(177)	177	-
4	102	106	102	(102)	-
4	(47)	(43)	(47)	47	-
-	(47)	(47)	(47)	47	-
-	196	196	196	(196)	-
23	256	279	256	(256)	-
23	4	27	4	(4)	-
-	14	14	14	(14)	-
-	238	238	238	(238)	-

32 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 10 (Advances)

Analysis of advances by classes (gross advances and loss allowances)

R million	Gross advances As previously reported	Gross advances Movement	Gross advances Presented in note 10	Loss allowances As previously reported	Loss allowances Movement	Loss allowances Presented in note 10
	Stage 1					
FNB commercial*	94 617	(11 387)	83 230	1 033	(90)	943
WesBank corporate	24 174	11 387	35 561	108	90	198
Centre (including Group Treasury)	36 488	1 423	37 911	126	4	130
MotoNovo	1 423	(1 423)	-	4	(4)	-
	Stage 2					
FNB commercial	10 126	(2 062)	8 064	1 524	(85)	1 439
WesBank corporate	1 998	2 062	4 060	122	85	207
Centre (including Group Treasury)	50	107	157	8	14	22
MotoNovo	107	(107)	-	14	(14)	-
	Stage 3					
FNB commercial	6 378	(580)	5 798	3 605	(226)	3 379
WesBank corporate	814	580	1 394	325	226	551
Centre (including Group Treasury)	-	289	289	-	238	238
MotoNovo	289	(289)	-	238	(238)	-

** The restated amount for stage 1 consists of amortised cost advances of R83 139 million and fair value advance of R91 million. It excludes the temporary stress scenario.*

32 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 31
On-balance sheet exposures			
Cash and short-term funds	91 077	-	91 077
- Money at call and short notice	54 993	-	54 993
- Balances with central banks	36 084	-	36 084
Gross advances	896 424	-	896 424
Retail secured	316 182	-	316 182
- Residential mortgages	225 666	-	225 666
- WesBank VAF	90 516	-	90 516
Retail unsecured	86 647	-	86 647
- FNB card	31 249	-	31 249
- Personal loans	39 686	-	39 686
- Other retail	15 712	-	15 712
Corporate and commercial	455 238	-	455 238
- FNB commercial	111 121	(14 029)	97 092
- WesBank corporate	26 986	14 029	41 015
- RMB corporate and investment banking	317 131	-	317 131
Centre (including Group Treasury)	36 538	1 819	38 357
MotoNovo	1 819	(1 819)	-
Derivatives	70 774	-	70 774
Debt investment securities	267 219	-	267 219
Financial accounts receivable included in other assets	3 265	-	3 265
Amounts due by holding company and fellow subsidiaries	67 108	-	67 108
Off-balance sheet exposure	202 878	-	202 878
- Total contingencies	46 045	-	46 045
- Guarantees	36 335	-	36 335
- Letters of credit	9 710	-	9 710
- Irrevocable commitments	151 103	-	151 103
- Credit derivatives	5 730	-	5 730
Total	1 598 745	-	1 598 745

32 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 32 (Financial risks continued)

Quality of credit assets

	FNB commercial					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
FR1-25						
On-balance sheet	208	-	208	5	-	5
Off-balance sheet	507	-	507	-	-	-
FR 26-90						
On-balance sheet	93 574	(10 959)	82 615	6 828	(1 621)	5 207
Off-balance sheet	17 293	-	17 293	199	-	199
FR91-100						
On-balance sheet	736	(428)	308	3 392	(441)	2 951
Off-balance sheet	39	-	39	541	-	541
	WesBank corporate					
FR1-25						
On-balance sheet	9 429	-	9 429	27	-	27
Off-balance sheet	3 007	-	3 007	-	-	-
FR26-90						
On-balance sheet	14 434	10 959	25 393	1 532	1 621	3 153
Off-balance sheet	-	-	-	-	-	-
FR91-100						
On-balance sheet	311	428	739	439	441	880
Off-balance sheet	-	-	-	-	-	-

	FNB commercial					
	Stage 3			Purchased or originated credit impaired		
	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
	- -	- -	- -	- -	- -	- -
	103 6	- -	103 6	- -	- -	- -
	6 275 151	(580) -	5 695 151	- -	- -	- -
	WesBank corporate					
	- -	- -	- -	- -	- -	- -
	- -	- -	- -	- -	- -	- -
	814 -	580 -	1 394 -	- -	- -	- -

32 IMPACT DUE TO MOVEMENTS IN THE CLASSES OF ADVANCES continued

Note 32 (Financial risks continued)

Quality of credit assets continued

	Centre (including Group Treasury)					
	Stage 1			Stage 2		
R million	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
FR1-25						
On-balance sheet	32 964	-	32 964	-	-	-
Off-balance sheet	-	-	-	-	-	-
FR 26-90						
On-balance sheet	3 524	1 423	4 947	50	107	157
Off-balance sheet	2 131	313	2 444	-	-	-
FR91-100						
On-balance sheet	-	-	-	-	-	-
Off-balance sheet	-	-	-	-	-	-
	MotoNovo					
FR1-25						
On-balance sheet	-	-	-	-	-	-
Off-balance sheet	-	-	-	-	-	-
FR26-90						
On-balance sheet	1 423	(1 423)	-	107	(107)	-
Off-balance sheet	313	(313)	-			-
FR91-100						
On-balance sheet	-	-	-	-	-	-
Off-balance sheet	-	-	-	-	-	-

Credit risk mitigation and collateral held

	FNB commercial			WesBank corporate		
Gross carrying amount	111 121	(14 029)	97 092	26 986	14 029	41 015
Off-balance sheet exposure	18 736	-	18 736	3 007	-	3 007
Loss allowance	(6 162)	401	(5 761)	(555)	(401)	(956)
Maximum exposure to credit risk	123 695	(13 628)	110 067	29 438	13 628	43 066
Supported as follows:						
Netting and financial collateral	6 069	-	6 069	-	-	-
Secured	102 183	(13 626)	88 557	29 438	13 626	43 064
Unsecured	15 443	-	15 443	-	-	-

	Centre (including Group Treasury)					
	Stage 3			Purchased or originated credit impaired		
	As previously reported	Movement	Presented in note 31	As previously reported	Movement	Presented in note 31
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	289	289	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	MotoNovo					
	-	-	-	-	-	-
	-	-	-	-	-	-
	289	(289)	-	-	-	-
			-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-

	Centre (including Group Treasury)			MotoNovo		
	36 538	1 819	38 357	1 819	(1 819)	-
	2 131	313	2 444	313	(313)	-
	(134)	(256)	(390)	(256)	256	-
	38 535	1 876	40 411	1 876	(1 876)	-
	-	-	-	-	-	-
	10 877	1 782	12 659	1 782	(1 782)	-
	27 658	94	27 752	94	(94)	-

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE

The bank has made voluntary changes to the presentation of the reconciliations within *Note 10 – Advances* and *Note 11 – Impairment on advances*. To allow the user to compare the restated comparatives provided in these notes with the information previously presented, the whole of note 10 and note 11 included in the 2021 annual financial statements have been included below.

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

33.1 Analysis of advances per class continued

	2021			
R million	Total	Amortised cost	Fair value through profit or loss	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)
Centre (including Group Treasury)	36 404	34 902	1 636	(134)
MotoNovo	1 563	1 819	-	(256)
Total advances	857 955	803 450	92 974	(38 469)

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

33.2 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 30 June 2018 (IAS 39)	-				
IFRS 9 adjustments	-				
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

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

33.3 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 in order 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. This portfolio contracted 8%, excluding the Covid-19 relief portfolio. It 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%, outpacing the more cautious origination approach against the backdrop of unemployment and income uncertainty.as consumer card spending recovered, while Retail other contracted due to lower overdrafts.

WesBank vehicle asset finance (VAF) was down 4% as the rate at which the book ran down (including higher levels of write-offs related to Covid-19 arrears) exceeded new business inflows.

FNB commercial advances grew 2%, excluding the government’s loan guaranteed scheme, which reflect strain in the economy and lower risk appetite. There was generally low demand for working capital and a switch to the SME government-guaranteed scheme, which grew R1.3 billion.

RMB’s corporate and investment banking advances declined 2% year-on-year. This reflects the stabilisation of clients’ liquidity needs during the current financial year following significant Covid-19-related support provided to clients after the first lockdown in March 2020. In addition, large settlements were received from various local and cross-border exposures during the year. The rand appreciated 18% against the dollar, contributing to the corporate and investment banking advances book declining. RMB continued its deliberately cautious approach to new origination, in part reflecting slow structural economic recovery from the pandemic, the ongoing pressure in sectors of the economy hardest hit by it 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% in rand terms during the current year, as the book is winding down.

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

33.4 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 11.2.3 The comparative period information has not been updated in line with the information presented below. As IFRS 9 is refined and embedded in the group's reporting process, changes and additional disclosure are included.

R million	Total change in GCA	% change in GCA	Total change in ECL	% change in ECL	GCA related to new business	ECL related to new business
Residential mortgages	1 262	1	(388)	10	31 889	(116)
WesBank VAF	(3 508)	(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)
Centre (including Group Treasury)	(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 are 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.

33 CHANGE IN PRESENTATION OF THE ADVANCES NOTE continued

33.5 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	111 120	94 518	10 225	6 378	-
- FNB commercial	111 120	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
Centre (including Group Treasury)	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	-
4 516	1 424	2 613	307	172
11 381	2 689	4 283	4 237	172
134	126	8	-	-
257	5	14	238	-
38 469	7 493	9 295	21 509	172

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.

Standard	Impact assessment	Effective date
IFRS 3	**Reference to the Conceptual Framework – Amendment to IFRS 3** The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the conceptual framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are intended to update a reference to the conceptual framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the conceptual framework in use. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IFRS 17	**Insurance contracts** IFRS 17 is the new standard that prescribes the accounting for insurance contracts and will replace the current insurance contracts standard, IFRS 4. IFRS 17 aims to provide more transparency and comparability between insurance companies and other industries by providing a prescriptive approach to determining policyholder liabilities, as well as the release of profits on these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS15. 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	Annual periods commencing on or after 1 January 2023

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses incurred but not yet paid). The bank continues its implementation project on IFRS 17, including the integration of purchased IFRS 17 specific software. As part of the transitional project to IFRS 17, the bank will use a mix of all transitional approaches allowed under IFRS 17. The impact of IFRS 17 on opening retained earnings will only be reliably determinable once the implementation project has progressed further.	
IAS 16	**Property, plant and equipment: Proceeds before intended use – amendment to IAS 16** The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 37	**Onerous contracts: Cost of fulfilling a contract – amendment to IAS 37** The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendment is not expected to have a significant impact on the annual financial statements.	Annual periods commencing on or after 1 January 2022
IAS 1	**Amendments to classification of liabilities as current or non-current** The IAS1 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	Annual periods commencing on or after 1 January 2023

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
	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.	
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 prepare useful accounting policy disclosures. The key amendments to IAS 1 include: ➢ requiring 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

34 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

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
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

There were no significant events that occurred between the end of the reporting period and the issue of the annual financial statements.

supplementary information

D

Company information

Directors

WR Jardine (chairman), AP Pullinger (chief executive officer), HS Kellan (financial director), M Vilakazi (chief operating officer), JP Burger, GG Gelink, RM Loubser, TS Mashego, PD Naidoo, Z Roscherr, SP Sibisi, LL von Zeuner, T Winterboer

Company secretary and registered office

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PO Box 650149, Benmore 2010
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
1 Merchant Place, Corner Fredman Drive and Rivonia Road
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Fax: +27 11 282 4184

Auditors

PricewaterhouseCoopers Inc.

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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	
				2022	2021
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**	1 400
Total AT1			**ZAR**	**7 126**	7 126
Tier 2					
FRB17	8/1/2027	8/1/2022	ZAR	**–**	601
FRB21	24/11/2026	24/11/2021	ZAR	**–**	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**	2 374
FRB30	19/4/2031	19/4/2026	ZAR	**698**	698
FRB31	24/11/2031	24/11/2026	ZAR	**2 500**	–
Reg S	23/4/2028	23/4/2023	USD	**500**	500
Total Tier 2*			**ZAR**	**20 401**	19 611

* *Dollar instruments translated at the closing rates at the respective reporting periods.*

Refer to https://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
Core lending advances	Total advances excluding assets under agreements to resell
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average core lending advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price at end of period divided by basic normalised earnings per share
Price-to-book (times)	Closing share price at end of period divided by normalised net asset value per share
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 qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ABF	Asset-based finance
ALM	Asset-liability management
APE	Annual premium equivalent
AT1	Additional Tier 1
AUM	Assets under management
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
Centre	FirstRand Corporate Centre
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CPI	Consumer price inflation
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COE	Cost of equity
Covid-19	Coronavirus disease
DM	Developed market
Directive 3	Covid-19 relief loans
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
ECL	Expected credit loss
Flac	First loss after capital
FLI	Forward-looking information
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
FSLA	Financial Sector Laws Amendment Act 23 of 2022
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
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange
LCH	London Clearing House

LCR	Liquidity coverage ratio
LDI	Liability-driven investment
LGD	Loss given default
LSE	London Stock Exchange
LTI	Long-term incentive
MVNO	Mobile virtual network operator
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
NOSIA	Notice of sums in arrears
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
P2P	Private-to-private
PA	Prudential Authority
PBT	Profit before tax
PHI	Permanent health insurance
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SA	South Africa
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium-sized enterprise
SPV	Special purpose vehicles
STI	Short-term incentive
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

International Financial Reporting Standards

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

International Accounting Standards

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS Interpretations Committee Interpretations

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

STUDIO ⑤

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