FirstRand Bank

ANALYSIS OF FINANCIAL RESULTS **2020**

for the year ended 30 June

about this report

This report covers the audited summary financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2020. Certain information relating to the statement of financial position as at 30 June and 1 July 2019 was restated following the adoption of new and revised standards.

The restatement information is provided on pages 121 to 132 of the analysis of financial results for the six months ended 31 December 2019, which is available on the group's website at www.firstrand.co.za/investors/financial-results/.

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.

Normalised results include a summary income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on page 113. Detailed reconciliations of normalised to IFRS results are provided on pages 123 and 124. Commentary is based on normalised results, unless indicated otherwise.

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

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

contents

OVERVIEW OF RESULTS

REVIEW OF OPERATIONS

INCOME STATEMENT ANALYSIS

BALANCE SHEET ANALYSIS AND FINANCIAL RESOURCE MANAGEMENT

IFRS INFORMATION

SUPPLEMENTARY INFORMATION

OVERVIEW OF RESULTS

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

FirstRand Bank Limited (FRB) – SA banking

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

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

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

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

100%	Aldermore Group plc
100%	MotoNovo Finance#
100%	RMB International Mauritius

FirstRand Insurance Holdings (Pty) Ltd – Insurance

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

FirstRand Investment Management Holdings Limited – Investment management

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

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

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

1. Division
2. Branch
3. Representative office
DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*
** *The merger of First National Bank Ghana and GHL Bank has been concluded. The merged entity is known as First National Bank Ghana.*
\# *Wholly-owned subsidiary of Aldermore Group plc.*
† *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Structure shows effective consolidated shareholding

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

FirstRand Bank

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

performance highlights

Normalised earnings
R13.8bn ↓ 35%
2019: R21.2bn

Normalised return on assets
1.02%
2019: 1.70%

Normalised return on equity
14.6%
2019: 23.7%

Advances
(net of impairments)
R868bn ↓ 3%
2019: R895bn

Credit loss ratio
2.00%
2019: 0.95%

Liquidity coverage ratio
124%
2019: 133%

Deposits
R1 089bn ↑ 3%
2019: R1 058bn

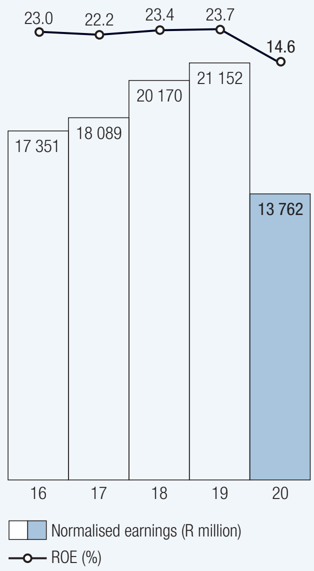
Net stable funding ratio
116%
2019: 117%

CET1 ratio
12.3%
2019: 13.4%

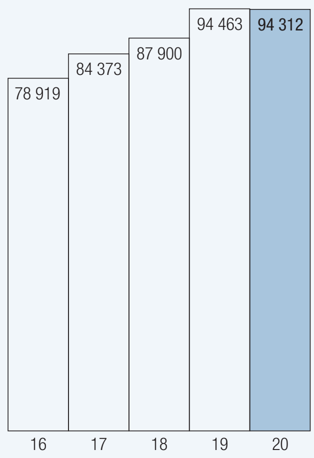
FNB RMB WesBank

Track record

NORMALISED EARNINGS *(R million)*
AND ROE *(%)*
CAGR (6%)



NORMALISED
NET ASSET VALUE *(R million)*
CAGR 5%



Note: 2016 to 2018 figures are based on IAS 39 and 2019 to 2020 figures on IFRS 9.

Key financial 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 123 and 124.

R million	2020	2019	% change
Earnings performance			
Normalised earnings	**13 762**	21 152	(35)
Headline earnings	**13 803**	21 169	(35)
Attributable earnings – IFRS (refer page 116)*	**13 739**	22 644	(39)
Normalised net asset value	**94 312**	94 463	–
Average normalised net asset value	**94 388**	89 290	6
Ratios and key statistics			
ROE (%)	**14.6**	23.7	
ROA (%)	**1.02**	1.70	
Diversity ratio (%)	**42.6**	42.3	
Credit impairment charge	**18 269**	8 460	>100
Stage 3/NPLs as % of advances	**5.22**	3.71	
Credit loss ratio (%)	**2.00**	0.95	
Total impairment coverage ratio (%)	**79.9**	79.8	
Specific coverage ratio (%)	**44.7**	45.8	
Performing book coverage ratio (%)	**1.94**	1.31	
Cost-to-income ratio (%)	**54.8**	53.4	
Effective tax rate (%)	**17.8**	24.4	
Number of employees	**40 174**	38 328	5
Balance sheet			
Normalised total assets	**1 414 712**	1 291 404	10
Advances (net of credit impairment)	**867 940**	894 543	(3)
Average gross loan-to-deposit ratio (%)	**85.1**	87.5	
Deposits	**1 088 952**	1 058 439	3
Capital adequacy – IFRS**			
Capital adequacy ratio (%)	**15.7**	16.8	
Tier 1 ratio (%)	**12.8**	14.0	
Common Equity Tier 1 ratio (%)	**12.3**	13.4	
Leverage – IFRS**			
Leverage ratio (%)	**6.7**	7.2	
Liquidity – IFRS#			
Liquidity coverage ratio (%)	**124**	133	
Net stable funding ratio (%)	**116**	117	

* *Prior period attributable earnings includes the after-tax profit on sale of c. R1.5 billion on the Discovery card transaction, which is excluded from headline and normalised earnings.*

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

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

Summary income statement – normalised

for the year ended 30 June

R million	2020	2019	% change
Net interest income before impairment of advances	**46 484**	46 935	(1)
Impairment charge	**(18 269)**	(8 460)	>100
Net interest income after impairment of advances	**28 215**	38 475	(27)
Non-interest revenue	**34 447**	34 441	–
– Fee and commission income	**25 110**	25 716*	(2)
– Insurance income	**449**	560	(20)
– Markets, client and other fair value income	**4 049**	3 917	3
– Investment income	**130**	105	24
– Other non-interest revenue	**4 709**	4 143	14
Income from operations	**62 662**	72 916	(14)
Operating expenses	**(44 343)**	(43 475)*	2
Income before indirect tax	**18 319**	29 441	(38)
Indirect tax	**(810)**	(829)	(2)
Profit before tax	**17 509**	28 612	(39)
Income tax expense	**(3 118)**	(6 977)*	(55)
Profit for the year	**14 391**	21 635	(33)
Other equity instrument holders	**(629)**	(483)*	30
Normalised earnings attributable to ordinary equityholders of the bank	**13 762**	21 152	(35)

* *Restated following the adoption of IAS 12 and reclassification of customer loyalty expenses from operating expenses to fee and commission expense. Refer to pages 125 and 126.*

Summary statement of other comprehensive income – normalised

for the year ended 30 June

R million	2020	2019	% change
Profit for the year	**14 391**	21 635*	(33)
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**1 219**	498	>100
Gains arising during the year	**657**	943	(30)
Reclassification adjustments for amounts included in profit or loss	**1 036**	(251)	(>100)
Deferred income tax	**(474)**	(194)	>100
FVOCI debt reserve	**(82)**	7	(>100)
(Losses)/gains arising during the year	**(115)**	11	(>100)
Reclassification adjustments for amounts included in profit or loss	**1**	(1)	(>100)
Deferred income tax	**32**	(3)	(>100)
Exchange differences on translating foreign operations	**1 246**	42	>100
Gains arising during the year	**1 207**	58	>100
Deferred income tax	**39**	(16)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(140)**	1	(>100)
(Losses)/gains arising during the year	**(180)**	1	(>100)
Deferred income tax	**40**	–	–
Remeasurements on defined benefit post-employment plans	**652**	(104)	(>100)
Gains/(losses) arising during the year	**906**	(144)	(>100)
Deferred income tax	**(254)**	40	(>100)
Other comprehensive income for the year	**2 895**	444	>100
Total comprehensive income for the year	**17 286**	22 079	(22)
Attributable to			
Ordinary equityholders	**16 657**	21 596	(23)
Other equity instrument holders	**629**	483*	30
Total comprehensive income for the year	**17 286**	22 079	(22)

* *Restated prior year following the adoption of IAS 12 amendments. Refer to pages 125 and 126.*

Summary statement of financial position – normalised

as at 30 June

R million	2020	2019
ASSETS		
Cash and cash equivalents	**99 781**	77 887
Derivative financial instruments	**120 511**	43 181
Commodities	**21 344**	21 176
Investment securities	**209 026**	176 942
Advances	**867 940**	894 543
– Advances to customers	**796 627**	831 097
– Marketable advances	**71 313**	63 446
Other assets*	**5 149**	4 963
Non-current assets and disposal groups held for sale	**1 558**	–
Amounts due by holding company and fellow subsidiaries	**67 309**	53 027
Investments in associates	**–**	66
Property and equipment**	**17 691**	15 352
Intangible assets	**692**	636
Deferred income tax asset	**3 711**	3 631
Total assets	**1 414 712**	1 291 404
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**4 786**	5 355
Derivative financial instruments	**134 488**	48 053
Creditors, accruals and provisions	**14 350**	16 035
Current tax liability	**368**	1 043
Deposits	**1 088 952**	1 058 439
Employee liabilities	**7 814**	11 517
Liabilities directly associated with disposal groups classified as held for sale	**85**	–
Other liabilities**	**5 255**	3 322
Amounts due to holding company and fellow subsidiaries	**36 254**	25 784
Tier 2 liabilities	**22 322**	22 428
Total liabilities	**1 314 674**	1 191 976
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**77 504**	77 655
Capital and reserves attributable to ordinary equityholders	**94 312**	94 463
Other equity instruments	**5 726**	4 965
Total equity	**100 038**	99 428
Total equities and liabilities	**1 414 712**	1 291 404

* *In the prior year these amounts were disclosed as accounts receivable. The description other assets is more appropriate based on the nature of the assets included in this line item and is in line with industry practice.*

** *The bank elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved, as comparative information has been prepared on an IAS 17 basis. Refer to pages 121 to 132 of the analysis of financial results for the six months ended 31 December 2019 for more details.*

Flow of funds analysis – normalised

R million	June 2020 vs June 2019 12-month movement	June 2019 vs 1 July 2018 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**610**	12 311
Working capital movement	**(9 681)**	9 232
Short trading positions and derivative financial instruments	**8 536**	(8 606)
Deposits and long-term liabilities	**30 407**	76 145
Total	**29 872**	89 082
Application of funds		
Advances	**26 603**	(56 660)
Investments	**(2 497)**	(7 979)
Cash and cash equivalents	**(21 894)**	(6 376)
Investment securities (e.g. liquid asset portfolio)	**(32 084)**	(18 067)
Total	**(29 872)**	(89 082)

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

FirstRand Bank's performance for the year to 30 June 2020 reflects the depth of the crisis. However, the bank believes that the actions it has taken to strengthen and protect its balance sheet, combined with the structure of its portfolio and its chosen strategies, will ensure ROE and earnings recovery once the current stress scenario normalises."

Alan Pullinger | CEO

GROUP STRATEGY

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

South Africa

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand Bank's large lending and transactional franchises, which have resulted in deep and loyal customer bases. Increased competition is targeting these traditional banking profit pools, particularly the transactional activities, and the bank remains focused on protecting this large and profitable revenue stream through:

- growing profitable market share;
- cross-sell and up-sell;
- disciplined allocation of financial resources; and
- leveraging the group's building blocks (i.e. customer bases, distribution channels and systems).

At the same time, FirstRand is working hard to find other sources of less capital-intensive revenues and is investing in building meaningful insurance, and wealth and investment management businesses.

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

The group's strategy to broaden its financial offering also benefits the bank as it further entrenches the bank's relationships with its core transactional customers.

Rest of Africa

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

In the rest of Africa, the bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities. The group's subsidiaries in the rest of Africa form part of FREMA (refer to the simplified group structure on page 03, which outlines the group's various legal entities, including FRB) and thus fall outside the bank.

The group recently established RMB Mauritius (a subsidiary of FRI) as a hard-currency platform for its rest of Africa dollar exposures. The bank sold most of its US dollar lending exposures to RMB Mauritius in the second half of the previous financial year.

UK

In the UK, the group aims to build further franchise value through scaling, digitisation and disruption.

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group as part of the process to integrate the two businesses.

All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as leveraging capital market securitisations and warehouse transactions with international banks. 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

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

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

South Africa's already extremely weak domestic position was further worsened by the COVID-19 crisis and resultant lockdown, with limited fiscal space to support the economy. The SARB provided monetary policy support, implementing 275 bps of rate cuts since the start of the crisis, however, the real-economy impact of COVID-19 remains deep given the loss of economic activity, tax revenue, and household and corporate income.

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

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

FINANCIAL PERFORMANCE

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2020**	**% composition**	2019	% composition	% change
FNB	**10 208**	**74**	15 043	71	(32)
RMB	**4 502**	**33**	5 241	25	(14)
WesBank	**305**	**2**	901	4	(66)
MotoNovo (back book)	**(244)**	**(1)**	216	1	(>100)
FCC (includes Group Treasury) and other*	**(380)**	**(3)**	234	1	(>100)
Other equity instrument holders	**(629)**	**(5)**	(483)	(2)	30
Normalised earnings	**13 762**	**100**	21 152	100	(35)

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

FirstRand Bank's results for the year to 30 June 2020 reflect the extremely difficult operating environment, with normalised earnings decreasing 35% to R13.8 billion compared to 30 June 2019. ROE declined to 14.6%. Most of this decline was due to the much higher than expected credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9. In addition, post the beginning of lockdown in March 2020, underlying customer income and affordability in all segments deteriorated sharply, as evidenced by lower levels of underlying transactional and credit turnover and in the amount of debt relief requested by customers, resulting in increased arrears and non-performing loans (NPLs).

The bank's capital position remained strong, with a Common Equity Tier 1 (CET1) capital adequacy ratio of 12.3%.

Pre-provision operating profit showed a decrease of 3%, which points to a resilient operating performance, despite margin pressure, subdued non-interest revenue growth due to lower absolute volumes during the lockdown period, and depressed new business origination.

PRE-PROVISION OPERATING PROFIT

	Year ended 30 June		
R million	**2020**	2019	% change
FNB	**27 129**	26 772	1
RMB	**8 328**	7 330	14
WesBank	**3 372**	3 167	6
MotoNovo	**(161)**	821	(>100)
FCC/Group Treasury	**(2 890)**	(1 018)	>100
Total bank pre-provision operating profit	**35 778**	37 072	(3)

- FNB demonstrated operational resilience, supporting its retail, small- and medium-sized enterprise (SME) and commercial customers through a range of debt relief propositions and multi-channel transactional solutions. As South Africa's leading digital bank, FNB was able to fulfil origination, account service and liability gathering digitally throughout the lockdown, with particularly strong growth in deposits.
- RMB delivered solid annuity income growth, underpinned by disciplined balance sheet deployment, with good growth in core advances and deposits. RMB's performance was further boosted by a recovery in the flow activities following increased market activity on the back of COVID-19.
- WesBank's pre-provision operating profit increased 6% due to higher fixed maintenance lease (FML) rental income in line with an increase in fleet size and focused cost containment measures across the business.
- MotoNovo's pre-provision profit reflects the wind-down of the book and lower securitisation-related income (which eliminates at a consolidated FirstRand group level).

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

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

Eligibility for relief followed a risk-based approach and was assessed at an overall customer level.

For retail customers industry guidance set by the Banking Association of South Africa (BASA) was followed. Corporate and commercial portfolios were assessed against the respective sector's sensitivity to the impact of COVID-19.

DEBT RELIEF

	Number of customers (thousands)	**Number of accounts (thousands)**	**Underlying gross advances for which relief was provided (R million)**	**Total portfolio* (gross advances) (R million)**	**% of portfolio for which relief was provided**
Retail	188.4	653.7	63 529	407 244	16%
Commercial	16.7	31.0	30 832	135 028	23%
Corporate	n/a	n/a	53 098	322 114	16%
MotoNovo	22.5	22.5	423	3 782	11%
Total bank	235.1	715.1	147 882	905 712	16%

* *Total bank portfolio includes FCC advances.*

REVENUE AND COST OVERVIEW

Total net interest income (NII) decreased 1% following a decline in advances and margin compression given the endowment impact from interest rate cuts, exacerbated by the negative impact of securitisation income (which is eliminated on consolidation). Net interest margin (NIM) declined 33 bps to 464 bps, reflecting a higher proportional increase in liquid assets due to strong growth in deposits whilst advances reduced. Advances decreased 2% and deposits grew 3%, unpacked by operating business below.

	Growth in advances %	Growth in deposits %
FNB	3	17
– Retail	4	16
– Commercial	3	19
RMB	(1)	–
WesBank	(1)	24
MotoNovo	(84)	–

Advances growth in FNB occurred mainly in the premium and commercial segments, with the consumer segment sharply down, reflecting the lack of capacity in lower-income households to take on credit. Overall retail advances grew 4%, significantly impacted by the lockdown, reflecting depressed demand and cautious credit origination. At WesBank, the decline in advances reflects the material drop in applications during the first two months of lockdown.

Advances growth to the corporate and commercial sectors was muted due to weak macroeconomic conditions and low levels of business confidence. This was further compounded by the impact of COVID-19. RMB's decline in advances also reflects the further sale of certain US dollar-denominated advances to RMB Mauritius and a sharp decline in the repo book.

MotoNovo's advances decline reflects c. £750 million (R19 billion in rand terms) advances securitised and derecognised during the year and the ongoing wind-down of the book as all new origination from May 2019 is outside the bank.

Deposit growth benefited from strong momentum in savings and investment products and retail customer balances increasing pre- and during lockdown. Commercial customers maintained liquidity to support cash flow demands given the prevailing uncertainty, and large corporate deposit growth was underpinned by clients holding higher current account balances.

Non-interest revenue (NIR) was flat, reflecting a reduction in fee and commission income, offset by a 23% increase in revenue from markets' trading activities and a 14% increase in other NIR, reflecting higher rental and intergroup income.

FNB's NIR declined 1% due to the significant decrease in volumes during lockdown. FNB assisted customers by waiving SASwitch fees, rental relief on speedpoints and other devices, and data charges. In addition, as part of its annual pricing review (pre-pandemic), FNB had already reduced certain fee categories. These factors collectively impacted NIR by approximately R529 million.

Markets' trading activities reflect the recovery of the domestic flow activities in the second half of the year following increased market activity on the back of COVID-19. The credit trading portfolio continued to deliver good growth.

Growth in operating expenses was contained at 2%, reflecting the focus on cost management and lower variable staff expenditure given current year performance, and was achieved despite continued investment in platforms to extract further efficiencies.

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

Despite the level of cost containment, given the degree of pressure on the topline, the bank's cost-to-income ratio increased to 54.8% (2019: 53.4%).

CREDIT PERFORMANCE

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

This, together with arrears, resulted in performing provisions increasing R5.0 billion, mainly driven by conservative coverage ratios. NPLs increased 38% to 5.22% of advances (2019: 3.71%). This required further provision of R5.4 billion, with coverage largely maintained.

All of this combined resulted in a R10.5 billion (38%) increase in provisions (2019: R4.2 billion increase) held against loans and advances across all stages, products and portfolios. The following table unpacks these movements and operational credit losses, and explains the bank's materially higher credit impairment charge of R18.3 billion, and the credit loss ratio increase to 200 bps (2019: 95 bps).

ANALYSIS OF IMPAIRMENT CHARGE

R million	2020	2019	% change
Performing book provisions	5 023	(171)	
NPL provision	5 446	4 396	
Credit provision increase	10 469	4 225	>100
Modification	758	625	21
Write-off and other	9 127	6 026	51
Post write-off recoveries	(2 085)	(2 416)	(14)
Total impairment charge	**18 269**	8 460	>100

All provisions raised reflect the bank's best estimates against available data and scenario analysis (see pages 139 to 141 for detailed macro forecasts) and are considered appropriately prudent given the prevailing risk in the system. In addition, the bank has conservatively provided for a sharp increase in credit life retrenchment claims, taking account of the latest economic outlook.

Retail NPLs as a percentage of advances increased to 8.54% from 6.45% in the comparative period, driven by:

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

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

Commercial NPLs as a percentage of advances increased to 5.85% from 3.82% in the prior year, also driven by COVID-19, the residual impact of the drought in previous years in the agriculture portfolio, and strong book growth in prior years, especially in overdraft advances.

RMB corporate and investment banking (CIB) NPLs as a percentage of advances increased to 1.20% from 0.85% due to clients in distressed industries migrating, higher interest in suspense and the currency impact.

The table below unpacks all movements in NPLs.

	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	10 863	49	31
Loans under COVID-19 relief	1 907	–	6
Restructured debt review	234	6	1
Definition of rehabilitation (technical cures)	(601)	(14)	(2)
Lengthening of write-off period	696	19	2
NPLs (excluding MotoNovo)	13 099	39	38
MotoNovo	(51)	(8)	–
Total NPLs	13 048	38	38

FINANCIAL RESOURCE MANAGEMENT

Strategy

The management of the group's financial resources (FRM), which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite.

Crisis response framework

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

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

These FRM principles include:

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

Balance sheet strength

Capital position

Capital ratios as at June are summarised below.

%	Internal targets	As at 30 June 2020	2019
Capital*			
CET1	11.0 – 12.0	**12.3**	13.4
Tier 1	>12.0	**12.8**	14.0
Total	>14.25	**15.7**	16.8

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

In response to the COVID-19 pandemic, the PA implemented temporary measures to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. These measures temporarily reduced the Pillar 2A capital requirement from 1% to 0% and the allowance to draw down against the capital conservation buffer as the PA considers this to be a period of financial stress.

Bank internal targets have not been adjusted for the COVID-19 temporary relief measures as they are aligned to the minimum requirements, including a fully phased-in Pillar 2A requirement.

The bank's CET1 ratio remained strong at 12.3% (2019: 13.4%), which is above its internal target range of 11.0% to 12.0%. The year-on-year decrease in the CET1 ratio was largely a function of:

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

The overall decrease was partly offset by successful financial resource optimisation strategies.

FirstRand Bank continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 instruments with the bank's internal targets. The AT1 instruments, together with Tier 2 instruments, are considered to be funding, and are not used to support risk in the bank. It remains the bank's intention to continue optimising its regulatory capital composition by issuing AT1 and Tier 2 capital instruments in the domestic and/or international markets. This will ensure sustainable support for ongoing growth initiatives and redemption of existing capital instruments.

Liquidity position

Due to the liquidity risk introduced by its business activities, the bank optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The bank entered the COVID-19 crisis in a strong liquidity position and remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%. The pandemic continues to impact the South African economy negatively, and key risk metrics and early warning indicators are closely monitored. The bank regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FRB continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

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

FirstRand Bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The portfolio of high-quality liquid assets is continuously assessed and actively managed to ensure optimal composition, cost and quantum.

Key prudential liquidity ratios, LCR and the net stable funding ratio (NSFR), are summarised below.

	As at 30 June	
%	**2020**	2019
LCR*		
Regulatory minimum	**80**	100
Actual**	**124**	133
Average available HQLA (R billion)	**249**	222
NSFR*		
Regulatory minimum	**100**	100
Actual**	**116**	117

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

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

PROSPECTS

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

The UK is likely to recover faster, as households and business activity rebound following the easing of lockdown conditions and the government's significant stimulus measures. This rebound will, however, face the added complexity of Brexit uncertainty during the latter part of 2020, which may constrain growth.

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

The bank anticipates an upward trajectory in earnings in the second-half six months to June 2021, although the absolute level of earnings on a year-on-year basis is unlikely to revert back to June 2020 levels.

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

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.

SIGNIFICANT JUDGEMENTS AND ESTIMATES USED BY MANAGEMENT

Management determines the critical judgemental items that require specific attention annually. In the current year these related to:

- impairment of advances – specific additional disclosure is provided on pages 127 to 144; and
- the valuation of complex financial instruments – specific additional disclosure is provided on pages 145 to 160.

Further, additional disclosure has been included in the unaudited section of this booklet on pages 40 to 53, and 63 to 94, relating to the impairment of advances.

Should further information be required, the full annual financial statements, including the audit opinion, are available for inspection at the group's registered office and will be published on FirstRand's website during early October 2020.

BOARD CHANGES

Changes to the directorate are outlined below.

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

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

9 September 2020

REVIEW OF OPERATIONS

FNB

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

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**10 208**	15 043	(32)
Normalised profit before tax	**14 179**	20 893	(32)
– South Africa	**14 640**	21 255	(31)
– Rest of Africa*	**(461)**	(362)	27
Total assets	**419 251**	411 966	2
Total liabilities	**409 835**	395 889	4
Stage 3/NPLs as a % of advances	**7.60**	5.71	
Credit loss ratio (%)	**3.12**	1.51	
Cost-to-income ratio (%)	**51.7**	50.9	
Advances margin (%)	**4.29**	4.39	

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

FNB's results were materially affected by the COVID-19 pandemic and the resultant lockdown in South Africa. Total FNB normalised earnings declined 32%.

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

FNB also experienced the negative endowment impact and related margin pressure from interest rate cuts, subdued NIR growth due to lower absolute volumes during the lockdown period and fee concessions.

Growth in operating expenses was well contained at 4% despite the continued investment in digitisation, platform, and wealth and investment management (WIM) strategies. Given the pressure on revenue, operating jaws were negative, and the cost-to-income ratio increased to 51.7% compared to 50.9% in the prior year.

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

CHANNEL VOLUMES

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

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**16**	**39 451**	**4**	**10 664**
– Consumer	**9**	**7 941**	**(26)**	**(10 775)**
– Premium	**19**	**31 510**	**9**	**21 317**
– DirectAxis	**–**	**–**	**1**	**122**
Commercial	**19**	**45 224**	**3**	**2 786**
Total FNB	**17**	**84 675**	**3**	**13 450**

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

Customer numbers remained stable year-on-year, as shown in the table below.

CUSTOMERS

	Number of customers at 30 June		
Millions	**2020**	2019	% change
Retail	**7.20**	7.22	–
– Consumer	**5.74**	5.88	(2)
– Premium	**1.46**	1.34	9
Commercial	**1.03**	0.97	6
Total SA customer base	**8.23**	8.19	–
eWallet transacting base*	**3.27**	2.35	39

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

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

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**3 813**	629	
NPL provision	**3 625**	3 949	
Credit provision increase	**7 438**	4 578	62
Modification	**759**	484	57
Write-off and other	**6 424**	2 779	>100
Post write-off recoveries	**(1 671)**	(1 962)	(15)
Total impairment charge	**12 950**	5 879	>100

FNB's credit impairment charge increased to R13.0 billion, with the credit loss ratio increasing to 312 bps (2019: 151 bps). This was driven primarily by the increased impact of IFRS 9 forward-looking information (FLI) adjustments, following the sharp downward revisions to the group's macroeconomic assumptions, as well as increased impairments to cater for the embedded credit strain of FNB's debt relief portfolios. These resulted in credit provisions increasing by R7.4 billion with performing coverage (stage 1 and 2) increasing to 2.74% (2019: 1.78%).

FNB's NPLs increased 37% year-on-year, driven primarily by:

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

RMB

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

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**4 502**	5 241	(14)
Normalised profit before tax	**6 251**	7 279	(14)
Total assets	**572 592**	467 704	22
Total liabilities	**568 013**	462 181	23
Credit loss ratio (%)	**0.64**	0.02	
Cost-to-income ratio (%)	**46.8**	51.3	

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**1 470**	(708)	(>100)
NPL provision	**218**	259	(16)
Credit provision increase	**1 688**	(449)	(>100)
Modification	**–**	–	–
Write-off and other	**395**	508	(22)
Post write-off recoveries	**(6)**	(8)	(25)
Total impairment charge	**2 077**	51	>100

RMB's performance reflects the current macro environment, with pre-tax profits decreasing 14% to R6.3 billion, significantly impacted by additional COVID-19 credit impairments amounting to R1.7 billion.

The business continues to be conservatively provisioned with the performing book (stage 1 and 2) core coverage ratio increasing from 65 bps to 112 bps. RMB incurred a credit loss ratio of 64 bps for the financial year.

RMB benefited from solid annuity income growth underpinned by disciplined balance sheet deployment with core advances and deposits increasing by 6% (3% in constant currency terms) and 8%, respectively. The performance was further supported by solid flow-trading income following increased market activity on the back of COVID-19.

The cost reduction of 5% was due to lower variable costs linked to performance and deliberate fixed cost containment initiatives whilst maintaining investment in core platform modernisation. RMB continues to execute on its client-led strategy with an excess of R36 billion support provided to clients through the COVID-19 impacted operating environment.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
R million	**2020**	2019	% change
Investment banking and advisory	**4 104**	4 707	(13)
Corporate and transaction banking	**1 243**	1 490	(17)
Markets and structuring	**1 504**	1 419	6
Investing*	**(161)**	(132)	22
Other	**(439)**	(205)	>100
Total RMB	**6 251**	7 279	(14)

* *The majority of investing activities are in FRIHL, and thus fall outside the bank.*

Investment banking and advisory's performance declined 13%, set against the backdrop of a challenging economic environment, prolonged business cycle downswing and sovereign rating downgrades. These constraints, the impact of COVID-19, as well as the steep decline in the oil price manifested in R1 billion of additional credit impairments, whilst advisory activities remained muted given low levels of investor confidence. Overall results were supported by prior period balance sheet growth underpinning good annuity income, as well as solid fee generation from structuring, arranging and capital market mandates.

Corporate and transactional banking's performance declined 17%, reflecting the increased headwinds seen in the operating environment. The distress in the corporate lending sector necessitated additional COVID-19 credit impairment of R0.6 billion, whilst transactional volumes were under pressure given the sustained lockdown, further impacting earnings. Overall results, however, benefited from increased utilisation of working capital facilities and higher average deposit balances. In contrast, global foreign exchange business was dampened by a decline in volumes.

Markets and structuring delivered a solid performance, up 6% year-on-year. Flow activities have shown a recovery in the second half of the year following increased market activity on the back of COVID-19. The hard commodities business benefited from increased client volumes, rising commodity prices and a depreciating rand. The credit trading portfolio continued to deliver good growth.

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

WESBANK

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

FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings	**305**	901	(66)
Normalised profit before tax	**424**	1 251	(66)
Total assets	**119 441**	121 816	(2)
Total liabilities	**120 151**	121 690	(1)
Stage 3/NPLs as a % of advances	**8.82**	6.03	
Credit loss ratio (%)	**2.42**	1.54	
Cost-to-income ratio (%)	**53.6**	55.0	
Net interest margin (%)	**3.39**	3.23	

BREAKDOWN OF PROFIT CONTRIBUTION BY SEGMENT*

	Year ended 30 June		
R million	**2020**	2019	% change
Normalised PBT			
Retail VAF	**182**	820	(78)
Corporate and commercial	**242**	431	(44)
Total WesBank	**424**	1 251	(66)

* *Refer to additional segmental disclosure on page 32.*

WesBank's normalised profit before tax decreased 66% to R424 million. This performance reflects the impact of COVID-19 resulting in an increase of 54% in the impairment charge from R1 916 million to R2 948 million. Pre-pandemic, WesBank's NPLs were declining due to its focus on disciplined origination in low-risk buckets.

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

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

ANALYSIS OF IMPAIRMENT CHARGE

R million	**2020**	2019	% change
Performing book provisions	**36**	1	>100
NPL provision	**1 598**	234	>100
Credit provision increase	**1 634**	235	>100
Modification	**(1)**	132	(>100)
Write-off and other	**1 652**	1 907	(13)
Post write-off recoveries	**(337)**	(358)	(6)
Total impairment charge	**2 948**	1 916	54

The increase in impairments was due to significant migrations in arrears recorded in both retail VAF and corporate spanning across exposures to private individuals, self-employed clients and SMEs. All this culminated in an overall increase of 88 bps (R1 032 million) and an increase in the credit loss ratio from 1.54% to 2.42%.

The average monthly income statement impairment charge for the three months from April to June materially increased to R515 million from R197 million recorded in the preceding three-month period, and R135 million for the six months to December 2019. Stage 3 arrears were affected on two fronts: firstly a significant number of accounts rolled into stage 3, whilst at the other end there were delays in write-offs and debt-review inflow due to court closures during lockdown. Significant deteriorations were also noted in normal arrears where clients adopted a wait-and-see attitude as the COVID-19 economic impact unfolded. This included customers who qualified for relief, applied and were approved, but did not utilise the payment relief.

WesBank continues to control operational expenditure and invest in digital process improvements and its growing FML fleet, which contributed positively to NIR.

Cost to income ratio marginally improved despite topline revenue pressures, overall cost growth was contained at 2%.

MotoNovo

Effective May 2019, the operations of MotoNovo were sold to the Aldermore Group, a fellow subsidiary of the bank, as part of the process to integrate the two businesses. All business written by MotoNovo post integration is in Aldermore Group and not in the bank.

Loans originated prior to the integration (the back book) are still housed in FirstRand Bank London Branch, but managed by MotoNovo. MotoNovo's back book normalised earnings decreased due to the ongoing wind-down of the book, with lower credit impairments and costs, which is offset by significantly lower NII reflecting the wind-down and lower securitisation-related income.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2020**	**% composition**	2019	% composition	% change
Retail	**5 048**	**37**	9 189	43	(45)
– FNB*	**4 917**		8 598		(43)
– WesBank	**131**		591		(78)
Commercial	**5 465**	**39**	6 755	32	(19)
– FNB	**5 291**		6 445		(18)
– WesBank	**174**		310		(44)
Corporate and investment banking	**4 502**	**33**	5 241	25	(14)
– RMB	**4 502**		5 241		(14)
MotoNovo	**(244)**	**(2)**	216	1	(>100)
Other	**(1 009)**	**(7)**	(249)	(1)	>100
– FCC (including Group Treasury) and elimination adjustments	**(380)**		234		(>100)
– Other equity instruments	**(629)**		(483)		30
Normalised earnings	**13 762**	**100**	21 152	100	(35)

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

Segment report

for the year ended 30 June 2020

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 819	2 728	4 121	2 994	7 115	7 122	**21 784**	11 526
Impairment charge	(1 411)	(1 997)	(2 831)	(2 068)	(4 899)	(1 666)	**(9 973)**	(2 949)
Net interest income after impairment of advances	3 408	731	1 290	926	2 216	5 456	**11 811**	8 577
Non-interest revenue	355	2 055	793	464	1 257	10 715	**14 382**	8 666
Income from operations	3 763	2 786	2 083	1 390	3 473	16 171	**26 193**	17 243
Operating expenses	(1 896)	(2 248)	(1 275)	(1 429)	(2 704)	(11 591)	**(18 439)**	(9 851)
Income before indirect tax	1 867	538	808	(39)	769	4 580	**7 754**	7 392
Indirect tax	(16)	(33)	(16)	(34)	(50)	(364)	**(463)**	(43)
Profit before income tax	1 851	505	792	(73)	719	4 216	**7 291**	7 349
Income tax expense	(519)	(142)	(222)	21	(201)	(1 180)	**(2 042)**	(2 058)
Profit for the year	1 332	363	570	(52)	518	3 036	**5 249**	5 291
Attributable to								
Ordinary equityholders	1 332	363	570	(52)	518	3 036	**5 249**	5 291
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Profit for the year	1 332	363	570	(52)	518	3 036	**5 249**	5 291
Attributable earnings to ordinary shareholders	1 332	363	570	(52)	518	3 036	**5 249**	5 291
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 332	363	570	(52)	518	3 036	**5 249**	5 291
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Normalised earnings	1 332	363	570	(52)	518	3 036	**5 249**	5 291

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 32.*

\# *FCC represents group-wide functions.*

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	Investment banking	Corporate banking	Total RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
(43)	33 267	4 777	38 044	4 887	2 177	7 064	1 376	46 484	490	46 974
(28)	(12 950)	(2 948)	(15 898)	(1 454)	(623)	(2 077)	(294)	(18 269)	–	(18 269)
(71)	20 317	1 829	22 146	3 433	1 554	4 987	1 082	28 215	490	28 705
928	23 976	2 587	26 563	7 018	1 916	8 934	(1 050)	34 447	(880)	33 567
857	44 293	4 416	48 709	10 451	3 470	13 921	32	62 662	(390)	62 272
(1 315)	(29 605)	(3 946)	(33 551)	(5 275)	(2 219)	(7 494)	(3 298)	(44 343)	358	(43 985)
(458)	14 688	470	15 158	5 176	1 251	6 427	(3 266)	18 319	(32)	18 287
(3)	(509)	(46)	(555)	(168)	(8)	(176)	(79)	(810)	–	(810)
(461)	14 179	424	14 603	5 008	1 243	6 251	(3 345)	17 509	(32)	17 477
129	(3 971)	(119)	(4 090)	(1 401)	(348)	(1 749)	2 721	(3 118)	9	(3 109)
(332)	10 208	305	10 513	3 607	895	4 502	(624)	14 391	(23)	14 368
(332)	10 208	305	10 513	3 607	895	4 502	(1 253)	13 762	(23)	13 739
–	–	–	–	–	–	–	629	629	–	629
(332)	10 208	305	10 513	3 607	895	4 502	(624)	14 391	(23)	14 368
(332)	10 208	305	10 513	3 607	895	4 502	(1 253)	13 762	(23)	13 739
–	–	–	–	–	–	–	–	–	64	64
(332)	10 208	305	10 513	3 607	895	4 502	(1 253)	13 762	41	13 803
–	–	–	–	–	–	–	–	–	77	77
–	–	–	–	–	–	–	–	–	(118)	(118)
(332)	10 208	305	10 513	3 607	895	4 502	(1 253)	13 762	–	13 762

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	36.6	47.0	25.9	41.3	32.3	65.0	**51.0**	48.8
Diversity ratio (%)	6.9	43.0	16.1	13.4	15.0	60.1	**39.8**	42.9
Credit loss ratio (%)	0.64	6.85	11.53	12.87	12.06	9.62	**3.24**	2.77
Stage3/NPLs as a percentage of advances (%)	5.20	12.16	16.66	19.43	17.73	13.19	**7.97**	6.51
Income statement includes								
Depreciation	(7)	(5)	(3)	(60)	(63)	(2 171)	**(2 246)**	(162)
Amortisation	–	(15)	–	(18)	(18)	(16)	**(49)**	–
Impairment charges	–	–	–	–	–	6	**6**	(1)
Statement of financial position includes								
Advances (before impairments)	224 404	30 210	25 740	16 134	41 874	16 732	**313 220**	107 914
Stage 3/NPLs	11 662	3 675	4 289	3 135	7 424	2 207	**24 968**	7 030
Investment in associated companies	–	–	–	–	–	–	**–**	–
Total deposits	559	5 683	5	–	5	281 539	**287 786**	285 448
Total assets	220 550	26 062	20 737	12 905	33 642	34 219	**314 473**	104 498
Total liabilities†	220 693	26 807	21 359	14 295	35 654	24 119	**307 273**	101 821
Capital expenditure	7	22	2	44	46	2 307	**2 382**	208

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 32.*

FCC represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	Investment banking	Corporate banking	Total RMB	FCC (including Group Treasury) and other#	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	**51.7**	**53.6**	**51.9**	44.3	54.2	**46.8**	>100	**54.8**	–	**54.6**
>100	**41.9**	**35.1**	**41.1**	59.0	46.8	**55.8**	(>100)	**42.6**	–	**41.7**
–	**3.12**	**2.42**	**2.96**	0.56	0.99	**0.64**	0.54	**2.00**	–	**2.00**
–	**7.60**	**8.82**	**7.87**	1.19	1.25	**1.20**	1.68	**5.22**	–	**5.22**
(1)	**(2 409)**	**(852)**	**(3 261)**	(117)	(8)	**(125)**	(5)	**(3 391)**	–	**(3 391)**
–	**(49)**	**(21)**	**(70)**	(123)	–	**(123)**	–	**(193)**	–	**(193)**
–	**5**	**(15)**	**(10)**	(10)	–	**(10)**	(67)	**(87)**	(7)	**(94)**
–	**421 134**	**121 138**	**542 272**	253 669	68 445	**322 114**	41 326	**905 712**	–	**905 712**
–	**31 998**	**10 684**	**42 682**	3 023	853	**3 876**	695	**47 253**	–	**47 253**
–	**–**	**–**	**–**	–	–	**–**	–	**–**	–	**–**
–	**573 234**	**68**	**573 302**	72 125	137 463	**209 588**	306 062	**1 088 952**	–	**1 088 952**
280	**419 251**	**119 441**	**538 692**	503 463	69 129	**572 592**	303 428	**1 414 712**	–	**1 414 712**
741	**409 835**	**120 151**	**529 986**	499 020	68 993	**568 013**	216 675	**1 314 674**	–	**1 314 674**
(13)	**2 577**	**2 338**	**4 915**	245	1	**246**	–	**5 161**	–	**5 161**

Segment report continued

for the year ended 30 June 2019

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 487	2 347	3 677	3 085	6 762	7 260	**20 856**	10 774
Impairment charge	(232)	(937)	(1 296)	(1 379)	(2 675)	(1 285)	**(5 129)**	(750)
Net interest income after impairment of advances	4 255	1 410	2 381	1 706	4 087	5 975	**15 727**	10 024
Non-interest revenue	409	1 926	993	293	1 286	11 168	**14 789**	8 496
Income from operations	4 664	3 336	3 374	1 999	5 373	17 143	**30 516**	18 520
Operating expenses	(1 880)	(1 934)	(1 149)	(1 347)	(2 496)	(11 365)	**(17 675)**	(9 519)
Income before indirect tax	2 784	1 402	2 225	652	2 877	5 778	**12 841**	9 001
Indirect tax	(13)	(29)	(18)	(83)	(101)	(394)	**(537)**	(50)
Profit before income tax	2 771	1 373	2 207	569	2 776	5 384	**12 304**	8 951
Income tax expense	(776)	(384)	(618)	(159)	(777)	(1 509)	**(3 446)**	(2 506)
Profit for the year	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445
Attributable to								
Ordinary equityholders	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Profit for the year	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445
Attributable earnings to ordinary shareholders	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Normalised earnings	1 995	989	1 589	410	1 999	3 875	**8 858**	6 445

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 32.*

FCC represents group-wide functions.

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
(60)	**31 570**	4 641	**36 211**	4 999	2 025	**7 024**	3 700	**46 935**	535	**47 470**
–	**(5 879)**	(1 916)	**(7 795)**	(26)	(25)	**(51)**	(614)	**(8 460)**	–	**(8 460)**
(60)	**25 691**	2 725	**28 416**	4 973	2 000	**6 973**	3 086	**38 475**	535	**39 010**
862	**24 147**	2 413	**26 560**	6 504	1 829	**8 333**	(452)	**34 441**	1 371	**35 812**
802	**49 838**	5 138	**54 976**	11 477	3 829	**15 306**	2 634	**72 916**	1 906	**74 822**
(1 162)	**(28 356)**	(3 879)	**(32 235)**	(5 548)	(2 330)	**(7 878)**	(3 362)	**(43 475)**	16	**(43 459)**
(360)	**21 482**	1 259	**22 741**	5 929	1 499	**7 428**	(728)	**29 441**	1 922	**31 363**
(2)	**(589)**	(8)	**(597)**	(140)	(9)	**(149)**	(83)	**(829)**	–	**(829)**
(362)	**20 893**	1 251	**22 144**	5 789	1 490	**7 279**	(811)	**28 612**	1 922	**30 534**
102	**(5 850)**	(350)	**(6 200)**	(1 620)	(418)	**(2 038)**	1 261	**(6 977)**	(430)	**(7 407)**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	450	**21 635**	1 492	**23 127**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	1 492	**22 644**
–	**–**	–	**–**	–	–	**–**	483	**483**	–	**483**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	450	**21 635**	1 492	**23 127**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	1 492	**22 644**
–	**–**	–	**–**	–	–	**–**	–	**–**	(1 475)	**(1 475)**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	17	**21 169**
–	**–**	–	**–**	–	–	**–**	–	**–**	80	**80**
–	**–**	–	**–**	–	–	**–**	–	**–**	(97)	**(97)**
(260)	**15 043**	901	**15 944**	4 169	1 072	**5 241**	(33)	**21 152**	–	**21 152**

Segment report continued

for the year ended 30 June 2019

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	FNB loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	38.4	45.3	24.6	39.9	31.0	61.7	**49.6**	49.4
Diversity ratio (%)	8.4	45.1	21.3	8.7	16.0	60.6	**41.5**	44.1
Credit loss ratio (%)	0.11	3.68	6.39	8.93	7.49	7.60	**1.77**	0.75
Stage3/NPLs as a % of advances (%)	3.98	8.08	14.65	15.13	14.84	11.07	**6.19**	4.33
Income statement includes								
Depreciation	(6)	(4)	(2)	(6)	(8)	(1 612)	**(1 630)**	(50)
Amortisation	–	(13)	–	(22)	(22)	(29)	**(64)**	–
Impairment charges	–	–	–	–	–	(81)	**(81)**	–
Statement of financial position includes								
Advances (before impairments)	217 164	28 115	23 357	16 012	39 369	17 908	**302 556**	105 128
Stage 3/NPLs	8 638	2 272	3 421	2 422	5 843	1 982	**18 735**	4 556
Investment in associated companies	–	–	–	–	–	–	**–**	–
Total deposits	533	2 393	10	–	10	245 399	**248 335**	240 224
Total assets	214 679	25 548	19 308	13 434	32 742	33 934	**306 903**	104 469
Total liabilities†	214 061	25 476	18 733	14 278	33 011	21 886	**294 434**	100 500
Capital expenditure	15	21	5	62	67	1 892	**1 995**	69

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

* *FNB rest of Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 03) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 32.*

\# *FCC represents group-wide functions.*

† *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional						
				RMB						
FNB rest of Africa*	**Total FNB**	**WesBank****	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other#	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
>100	**50.9**	**55.0**	**51.4**	48.2	60.5	**51.3**	>100	**53.4**	–	**52.2**
>100	**43.3**	**34.2**	**42.3**	56.5	47.5	**54.3**	(13.9)	**42.3**	–	**43.0**
–	**1.51**	**1.54**	**1.52**	0.01	0.05	**0.02**	0.92	**0.95**	–	**0.95**
–	**5.71**	**6.03**	**5.79**	0.91	0.59	**0.85**	1.11	**3.71**	–	**3.71**
(2)	**(1 682)**	**(656)**	**(2 338)**	(93)	(9)	**(102)**	(59)	**(2 499)**	–	**(2 499)**
–	**(64)**	**(7)**	**(71)**	(46)	–	**(46)**	(18)	**(135)**	–	**(135)**
–	**(81)**	**2**	**(79)**	(6)	–	**(6)**	–	**(85)**	(83)	**(168)**
–	**407 684**	**122 696**	**530 380**	266 959	57 932	**324 891**	66 575	**921 846**	–	**921 846**
–	**23 291**	**7 398**	**30 689**	2 434	341	**2 775**	741	**34 205**	–	**34 205**
–	**–**	**–**	**–**	–	–	**–**	66	**66**	–	**66**
–	**488 559**	**55**	**488 614**	88 612	120 429	**209 041**	360 784	**1 058 439**	–	**1 058 439**
594	**411 966**	**121 816**	**533 782**	407 507	60 197	**467 704**	289 918	**1 291 404**	–	**1 291 404**
955	**395 889**	**121 690**	**517 579**	402 578	59 603	**462 181**	212 216	**1 191 976**	–	**1 191 976**
2	**2 066**	**1 365**	**3 431**	297	2	**299**	67	**3 797**	–	**3 797**

Additional segmental disclosure – WesBank

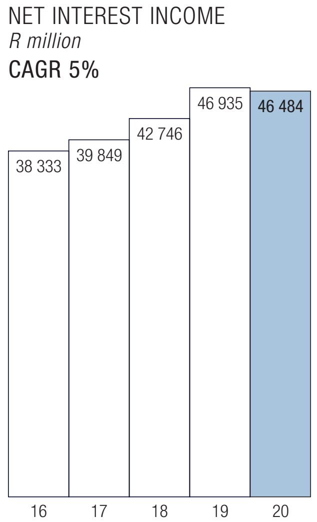
	Year ended 30 June 2020		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**4 191**	**586**	**4 777**
Impairment of advances	**(2 699)**	**(249)**	**(2 948)**
Normalised profit before tax	**182**	**242**	**424**
Normalised earnings	**131**	**174**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

	Year ended 30 June 2019		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 038	603	4 641
Impairment of advances	(1 834)	(82)	(1 916)
Normalised profit before tax	820	431	1 251
Normalised earnings	591	310	901
Advances	94 751	27 945	122 696
Stage 3/NPLs	6 874	524	7 398
Advances margin (%)	3.52	2.31	3.23
Stage 3/NPLs as a % of advances (%)	7.25	1.88	6.03
Credit loss ratio (%)	1.94	0.27	1.54

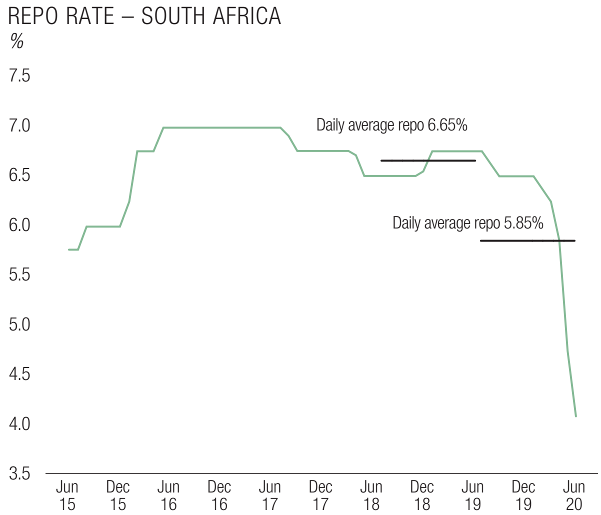
INCOME STATEMENT ANALYSIS

Net interest income (before impairment of advances)

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – DOWN 1%



Note: 2016 to 2018 figures are based on IAS 39 and 2019 to 2020 figures on IFRS 9.



Note: R272 billion = average endowment book for the year. Rates were 80 bps lower on average in the current year, which translate into a negative endowment impact of R2.1 billion for the year on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
2019 normalised margin	**4.97**
Capital and deposit endowment	**(0.09)**
– Volume	**0.11**
– Average rate	**(0.20)**
Interest-earning assets	**(0.22)**
– Change in balance sheet advances mix	**(0.02)**
– Asset pricing*	**(0.08)**
– Change in interest suspended under IFRS 9	**(0.12)**
Liabilities	**(0.02)**
– Change in deposit franchise composition	**0.07**
– Deposit pricing	**(0.09)**
Group Treasury and other movements	**0.01**
– Interest rate and FX management	**0.10**
– Carry cost on excess funding (including increase in HQLA)	**(0.09)**
2020 normalised margin	**4.65**

* *Includes the effects of the MotoNovo securitisation structures.*

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2020**	2019	% change
Net interest income			
Lending	**21 591**	22 385	(4)
Transactional*	**16 775**	15 893	6
Deposits	**3 453**	3 326	4
Capital endowment	**6 348**	6 058	5
Group Treasury	**(1 891)**	(1 124)	68
Other (negative endowment, e.g. fixed assets)	**208**	397	(48)
Total net interest income	**46 484**	46 935	(1)

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

KEY DRIVERS

- Overall bank NII declined 1% year-on-year reflecting the decrease in advances of 2% (driven by MotoNovo securitisation and RMB book sale to RMB Mauritius) and muted deposits growth of 3% (deposit franchise up 15%).
- Lending NII decreased 4% due to retail lending margins decreasing, resulting from mix change following slower growth in unsecured and the lengthening of the write-off period, the impact of securitisations by MotoNovo and the sale of advances by RMB (refer below). This was to some extent offset by higher margins in FNB commercial following repricing of overdraft facilities.
- FNB's advances product margin decreased by 10 bps driven by an increase in suspended interest, arising from the growth in NPLs.
- Retail VAF performance includes both WesBank and MotoNovo.
  - WesBank's operational retail VAF margins increased 25 bps due to reduced dealer incentive costs (DIC) and origination fees, arising from ongoing calibration of models aligning to behavioural term. This uplift was partly offset by lower margins due to competitive pricing, resulting in a net increase of 16 bps for WesBank overall.
  - MotoNovo back-book margins were negatively impacted by the timing of securitisation transactions negatively impacting margins by >R1.2 billion, together with elevated funding costs (due to an increase in UK base rates).
- The average repo rate decreased 80 bps year-on-year, resulting in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes.
- FNB's deposit margins decreased, impacted by negative endowment, mix change in favour of lower-margin deposit products and increased competitive pressures. Overall FNB NII increased 5%, benefiting from strong growth of 13% in average deposits and average advances growth of 7%. Deposit growth was driven by cash investment products in the premium segment, wealth and investment products and strong growth in Islamic banking.
- RMB achieved NII growth of 1% reflecting a contraction of the advances book as a result of significant settlements, disciplined origination in a constrained macroeconomic environment and the sale of >$700 million of advances to RMB Mauritius in the prior year.
- Group Treasury's margin was impacted by the following factors:
  - Pre-COVID-19 the bank had increased both local and foreign liquid asset holdings to strengthen liquidity buffers to cater for further macro deterioration.
  - During lockdown, liquidity further increased given lower advances growth and stronger growth in the deposit franchise.
  - These factors led to a 20% increase in liquid assets, resulting in a year-on-year increase in carry costs of >R700 million.

AVERAGE BALANCE SHEET

		June 2020			June 2019**		
R million	Notes	Average balance*	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**9.35**			10.15
Balances with central banks		**25 780**	**–**		24 671	–	
Cash and cash equivalents		**34 598**	**1 612**	**4.66**	32 593	1 692	5.19
Liquid assets portfolio		**165 742**	**11 622**	**7.01**	135 321	9 906	7.32
Loans and advances to customers	1	**773 381**	**77 441**	**10.01**	751 212	81 920	10.91
Interest-earning assets		**999 501**	**90 675**	**9.07**	943 797	93 518	9.91
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.51**			7.06
Deposits due to customers	2	**(661 864)**	**(29 387)**	**4.44**	(593 972)	(29 322)	4.94
Group Treasury funding		**(326 264)**	**(21 142)**	**6.48**	(364 976)	(24 636)	6.75
Interest-bearing liabilities		**(988 128)**	**(50 529)**	**5.11**	(958 948)	(53 958)	5.63
ENDOWMENT AND TRADING BOOK							
Other assets#		**228 418**			256 437		
Other liabilities†		**(135 804)**			(161 902)		
NCNR preference shareholders and AT1 noteholders		**(5 312)**			(2 939)		
Equity		**(98 675)**			(76 445)		
Endowment and trading book		**(11 373)**	**6 338**	**(55.73)**	15 151	7 375	48.68
Total interest-bearing liabilities, endowment and trading book		**(999 501)**	**(44 191)**	**4.42**	(943 797)	(46 583)	4.94
Net interest margin on average interest-earning assets		**999 501**	**46 484**	**4.65**	943 797	46 935	4.97

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

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

** *The June 2019 numbers have been restated due to refinements in the calculations.*

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 2020		June 2019	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**9.35**		10.05
Advances				
Retail – secured	**344 250**	**1.91**	338 361	2.45
Residential mortgages	**222 932**	**1.82**	210 206	1.79
VAF	**121 318**	**2.08**	128 155	3.54
Retail – unsecured	**93 917**	**11.08**	84 417	11.96
Card	**32 075**	**7.17**	29 764	7.69
Personal loans	**42 510**	**15.12**	37 535	16.34
– FNB	**26 117**	**13.92**	21 913	15.07
– DirectAxis	**16 393**	**17.02**	15 622	18.13
Retail other	**19 332**	**8.68**	17 118	9.80
Corporate and commercial	**335 214**	**2.52**	328 434	2.50
FNB commercial	**105 232**	**3.61**	96 618	3.61
– Mortgages	**27 885**	**2.27**	24 596	2.31
– Overdrafts	**39 401**	**5.04**	36 614	4.95
– Term loans	**37 946**	**3.11**	35 408	3.14
WesBank corporate	**28 756**	**2.15**	29 425	2.31
RMB investment banking*	**143 943**	**2.22**	149 738	2.19
RMB corporate banking	**57 283**	**1.45**	52 653	1.43
Total advances	**773 381**	**3.29**	751 212	3.54

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

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

Margin analysis on loans and advances to and deposits from customers is based on net interest income as a percentage of average advances or 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 group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of individual business units with the liquidity risk exposure this activity creates for the bank as a whole.

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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2020		June 2019*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**6.51**		7.06
Deposits				
Retail	**241 522**	**2.03**	216 787	2.35
Current and savings	**66 193**	**5.26**	60 197	6.14
Call	**91 624**	**0.88**	77 180	0.96
Term	**83 705**	**0.74**	79 410	0.82
Commercial	**262 990**	**2.39**	228 965	2.67
Current and savings	**98 565**	**4.80**	84 921	5.58
Call	**82 719**	**1.43**	75 405	1.45
Term	**81 706**	**0.47**	68 639	0.44
Corporate and investment banking	**157 352**	**0.94**	148 220	0.96
Current and savings	**80 969**	**1.35**	74 361	1.32
Call	**44 063**	**0.67**	41 664	0.77
Term	**32 320**	**0.30**	32 195	0.38
Total deposits	**661 864**	**1.92**	593 972	2.13

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

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

Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

		Year ended 30 June		
R million	Notes	**2020**	2019	% change
Total gross advances	1 on p. 64	**905 712**	921 846	(2)
– Stage 1		**782 667**	829 844	(6)
– Stage 2		**75 792**	57 797	31
– Stage 3/NPLs*	3 on p. 78	**47 253**	34 205	38
Stage 3/NPLs as a % of advances	3 on p. 78	**5.22**	3.71	
Impairment charge	6 on p. 86	**18 269**	8 460	>100
Credit loss ratio (%)	6 on p. 86	**2.00**	0.95	
Total impairments	5 on p. 84	**37 772**	27 303	38
Portfolio impairments	2 on p. 76	**16 645**	11 622	43
– Stage 1		**8 047**	5 959	35
– Stage 2		**8 598**	5 663	52
Stage 3 impairments		**21 127**	15 681	35
Specific coverage ratio (%)**	4 on p. 82	**44.7**	45.8	
Total impairment coverage ratio (%)#	5 on p. 84	**79.9**	79.8	
Performing book coverage ratio (%)†	2 on p. 76	**1.94**	1.31	

* *A detailed analysis of the growth in stage 3/NPLs is provided on page 44.*

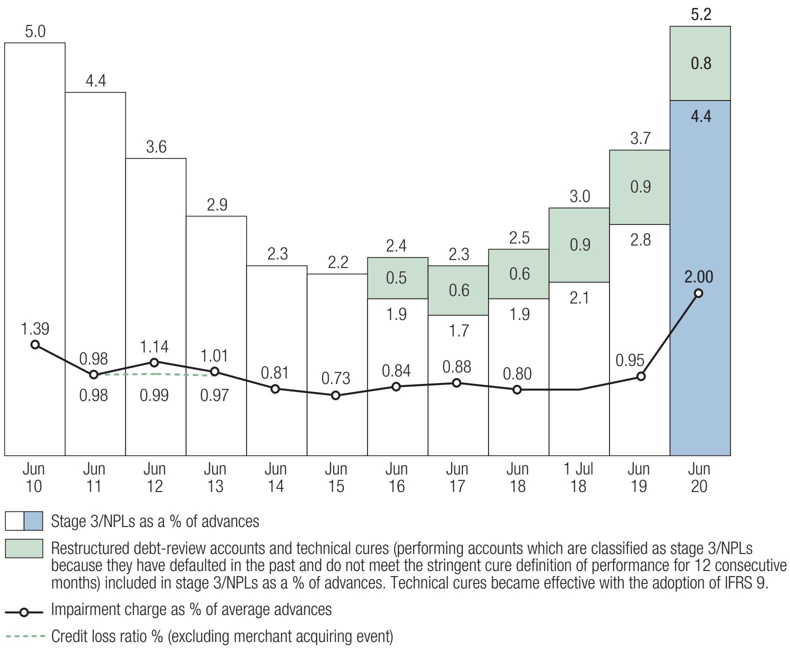
** *Specific impairments as % of stage 3/NPLs.*

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

† *Portfolio impairments as % of the performing book.*

NPL AND IMPAIRMENT HISTORY

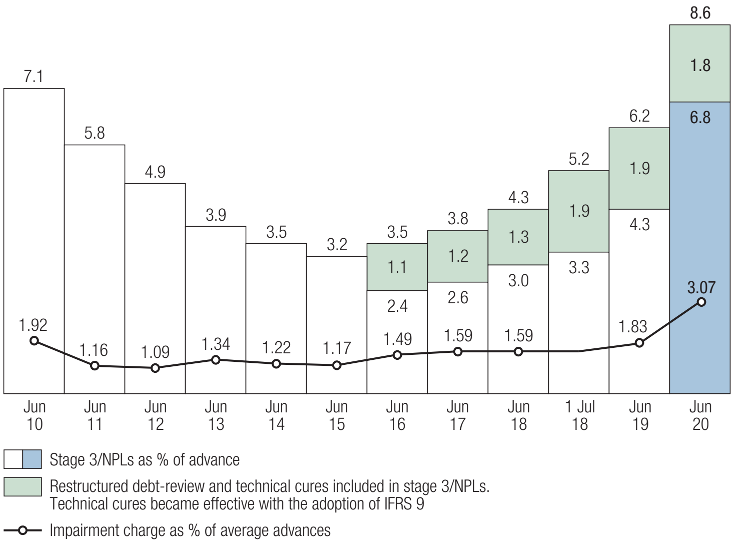
%



Note: 2010 to 2018 figures are based on IAS 39 and 2019 to 2020 on IFRS 9.

RETAIL NPLs AND IMPAIRMENTS*

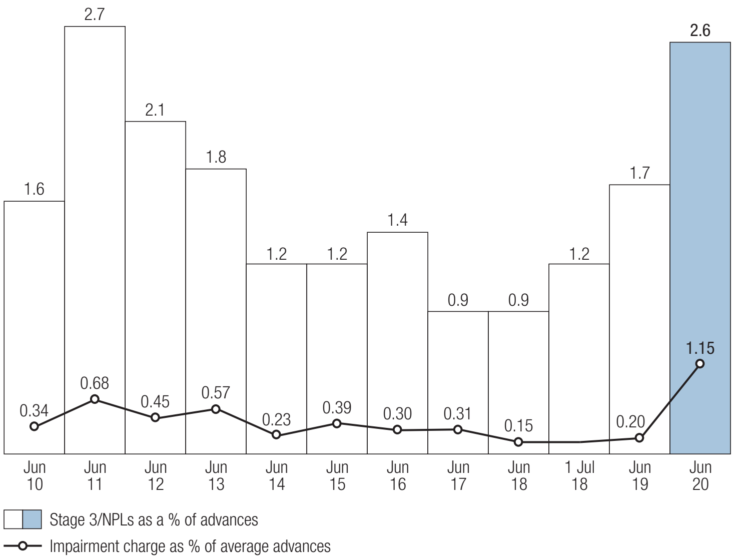
%



* *Include Discovery card and MotoNovo.*

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS

%



Note: 2010 to 2018 figures are based on IAS 39 and 2019 to 2020 on IFRS 9.

Credit highlights continued

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 14, the bank's credit performance should be viewed in the context of a worse-than-anticipated macroeconomic environment, particularly in the second half of the financial year, exacerbated by the COVID-19 pandemic and resultant lockdowns.

COVID-19 relief provided

The COVID-19 lockdown created significant economic distress and this required revisions to origination criteria and collection processes, and the establishment of payment relief initiatives. An overview of the relief options that were made available to customers is provided below.

- FNB offered retail customers emergency loans which provided them with liquidity and cash flow relief. The loans were at prime rate for all customers, with zero fees and a flexible repayment period of up to five years (with no early settlement penalties). Repayment will commence after the three-month relief period is over. The emergency loan covers monthly instalments for FNB customers (including WesBank products).
- Customers were also offered traditional payment holidays in FNB retail and WesBank.
- There was also an option to convert and extend balloon payments due to WesBank in the next 12 months.
- In corporate and commercial, relief was undertaken on a case-by-case basis. Corporate relief was provided in the form of additional liquidity facilities, payment holidays and covenant waivers. Commercial customers were offered payment holidays through term extensions and overdrafts with flexible repayment timeframes.
- Relief was also provided to SMEs through the South African government-guaranteed loan scheme whereby SMEs meeting specific requirements received relief funds at prime to cover operational costs for a period of up to six months. No fees were incurred by the customer, with flexible repayment terms of up to five years with no early settlement penalties. The bank will incur 6% of the credit losses on these loans, and the SARB guarantees losses above that.

Assessment of eligibility for relief followed a risk-based approach and was conducted at an overall customer level. For retail customers in South Africa, industry guidance was followed, with relief provided to bucket 1 and 2 customers.

Bucket 1	Bucket 2	Bucket 3	Bucket 4
Up to date – no assistance required, no financial distress	Up to date – COVID-19 short-term liquidity stress leading to financial distress	Up to three payments in arrears – already experiencing some financial distress, cannot manage COVID-19 financial stress, resulting in shortfall	Already experiencing financial distress and more than three payments in arrears and/or legal action has commenced

Corporate and commercial portfolios were assessed against sector vulnerabilities to lockdown and the pandemic.

	HIGH RISK *(intermediate impact)*	MEDIUM RISK *(protracted impact)*	LOW RISK *(neutral/positive impact)*
CORPORATE	Finance, government (parastatals), retail, oil and gas (upstream), transport and aviation, leisure and hotels, building materials, mining (diamonds), IT hardware, construction	Real estate, banks, diversified industries, mining (other mineral extractions and mines), food producers and processors, automobile and parts, oil and gas (downstream)	Telecommunication services, retail (food and drugs retailers), health, mining (gold)
COMMERCIAL	Construction, transport/logistics, travel/tourism/hospitality, entertainment, luxury goods, wants basket, labourers/self-employed, mining supply chain	Commercial property, retail property, shopping and fast food, labour broking/professional services, fuels, manufacturing	Pharmaceuticals and healthcare (adjusted service model), agriculture, online entertainment, e-commerce, business enablers/ IT services

The table below unpacks the number of customers who applied for, received and utilised some form of credit relief.

	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio
Retail	188.4	653.7	63 529	407 244	16%
Commercial	16.7	31.0	30 832	135 028	23%
Corporate	n/a	n/a	53 098	322 114	16%
MotoNovo	22.5	22.5	423	3 782	11%
Total bank	235.1	715.1	147 882	905 712	16%

* *Total bank portfolio includes FCC advances.*

Relief provided by RMB to investment and corporate banking clients was assessed and granted at an individual counterparty level and followed the normal credit approval process. The rand amount of relief granted, primarily in the form of short-term debt repayment moratoriums and new bridge finance advanced, amounted to R12.7 billion, representing a small percentage of underlying client facilities. The clients were primarily in sectors where short-term operating cash flows were immediately adversely impacted by the COVID-19 economic lockdown, e.g. private healthcare, real estate, hotels and leisure.

The aggregate gross exposure of these clients amounted to R53 billion, or 16% of total advances, and includes relief related to covenant waivers. The amount includes a number of well-rated clients (more than 51% of relief approved was for strongly rated clients) who approached the bank proactively for additional credit limits as a liquidity backstop, but subsequently elected not to draw down, or had no requirement for the bridge finance made available. The average utilisation relating to general banking facilities for clients who sought relief was 50% at 30 June 2020.

Whilst WesBank's FML business is not included in advances, payment holiday relief was provided to 25% of the customer base and 16% of value representing R42 million of deferred lease payments.

In addition to the on-balance sheet relief provided, the bank facilitated the distribution of other relief funds, such as the Oppenheimer COVID-19 relief fund.

Refer to pages 68 to 73 for more detail on advances where relief was provided.

Staging and coverage of COVID-19 relief

Retail exposures where relief has been offered were assessed to determine whether the requirement for relief is expected to be either temporary or permanent in nature. Where the requirement for relief is expected to be temporary in nature, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to increase coverage to allow for incremental credit risk and potential masking of normal arrears emergence through the application of COVID-19 scaling factors. Where the requirement for relief is not expected to be temporary in nature, the exposure has been treated as a distressed restructure, and staging and coverage have been adjusted in line with normal practice. Determining whether the relief is temporary or a distressed restructure is based on product-specific definitions incorporating various factors.

Where relief has been provided through the provision of an emergency facility and the requirement for relief is expected to be temporary in nature, the facility has been treated as a new exposure from a staging perspective and coverage has been calculated on the basis of historical behaviour in similar products and incorporating the COVID-19 scaling factors (i.e. increasing the coverage). Where the requirement for relief is not expected to be temporary, the staging of the facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied and coverage adjusted with appropriate COVID-19 scaling factors.

Credit highlights continued

Exposures where relief was offered in commercial were assessed depending on whether a client was in the scored or judgemental portfolio. A volume-based approach was followed for SME customers mainly in the scored portfolio. A value-based approach was followed for judgmental portfolios with underlying specialised product specifications and qualifying criteria to determine liquidity relief support. Normal credit mandates were applied for clients in good standing and expected to recover. Credit risk assessments were also made with reference to sector/industry risk classifications. The staging of exposures as at 29 February 2020 has been maintained and adjustments have been made to coverage to allow for incremental credit risk and masking of normal arrears emergence through the application of COVID-19 scaling factors. Where the requirement for relief was approved under high-risk or debt-restructuring mandates, the staging and coverage were adjusted in line with normal practice, also dependent on the arrear and staging status of the exposure as at 29 February 2020.

In RMB, dedicated COVID-19 credit risk committees and forums considered, through detailed portfolio, sector and counterparty assessments, the risk-rating implications of the lockdown, the COVID-19 short-term relief granted and the revised macroeconomic outlook.

In addition to the above, and applicable to all portfolios, the material change in economic outlook was incorporated within performing coverage through a combination of models, and portfolio and sector judgemental out-of-model adjustments.

NPLs

NPLs increased 38% to 5.22% of advances (2019: 3.71%). An analysis of the R13 048 million increase in total NPLs to R47 253 million is provided in the table below.

R million	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs	10 863	49	31
Loans under COVID-19 relief	1 907	–	6
Restructured debt review	234	6	1
Definition of rehabilitation (technical cures)	(601)	(14)	(2)
Lengthening of write-off period	696	19	2
NPLs (excluding MotoNovo)	13 099	39	38
MotoNovo	(51)	(8)	–
Total bank NPLs	13 048	38	38

Retail NPLs increased R9 169 million to R34 778 million, with NPLs as a percentage of advances increasing to 8.54% (2019: 6.45%), driven by the following factors:

- Growth in NPL balances across all retail portfolios, aggravated by COVID-19. This was most pronounced in residential mortgages as NPL build-up over recent years has been benign.
- Loans under COVID-19 relief meeting distressed-restructure requirements being classified as NPLs.
- New curing and write-off rules in terms of IFRS 9 (the write-off point for unsecured lending changed from six to 12 months, and using a 12 consecutive payments curing rule), resulting in an increase of R696 million in the absolute value of NPLs, reflecting additional write-offs of R1 050 million in loans due to a refinement in the write-off calculation to a recency basis. Restructured debt-review NPLs were positively impacted by ±R619 million due to the reinstatement of the curing rules.

Corporate and commercial NPLs increased 50% to 2.58% (2019: 1.72%), reflecting:

- the residual impact of the drought on the agriculture portfolio in previous years;
- specific high-value counters in commercial property and asset-based finance migrating to NPLs;
- higher levels of operational NPLs in the SME segment reflecting new business strain from previous strong book growth, and the weak macroeconomic environment; and
- an increase in CIB NPLs due to stress events leading to clients entering business rescue.

A detailed analysis of the product-level NPL drivers for specific retail products, and in total, is provided on pages 48 to 53.

Stage 2

Retail stage 2 advances increased 41%, due to the reinstatement of cure rules to performing debt-review clients (resulting in clients qualifying to cure migrating out of NPL status to stage 2), increased arrears and an upturn in significant increase in credit risk (SICR) triggers due to elevated behavioural risk scores.

Corporate and commercial stage 2 advances increased 29%, largely driven by RMB investment banking, which increased 57%. This reflects proactive migration of clients to stage 2 due to a combination of the expected adverse impact of COVID-19 on the profitability of some key industries (e.g. oil and gas, aviation, transportation, leisure, hotels and tourism and high-leverage commercial property finance). In addition, a small number of single name exposures migrated to stage 2 during the year.

Coverage

	30 June 2020		30 June 2019	
R million	**Provision**	**Coverage %**	Provision	Coverage %
Stage 1	**8 047**	**1.03**	5 959	0.72
Stage 2	**8 598**	**11.34**	5 663	9.80
Stage 3	**21 127**	**44.7**	15 681	45.8
Total	**37 772**	**79.9**	27 303	79.8

Portfolio (stage 1 and stage 2) impairments increased 43%. Stage 1 impairment provisions increased 35%, reflecting the impact of the increased COVID-19 coverage on relief provided, specific out-of-model overlays created given the increased uncertainty, and the significant impact of FLI.

Stage 2 impairment provisions increased 52%. Retail stage 2 coverage marginally decreased to 13.91% (2019: 13.98%) due to the change in mix in favour of secured advances, in particular higher residential mortgages. Overall stage 2 provisions grew due to increased downside risk in FLI, higher arrears and the reinstatement of cures on performing debt-review clients, which carry higher coverage. Corporate and commercial stage 2 coverage increased from 6.24% to 8.98% due to the impact of increased downside risk in FLI and the impact of increased COVID-19 coverage, as well as the migration of clients into stage 2 and the resultant move to lifetime expected credit losses.

The bank's total performing book (stage 1 and 2) coverage ratio increased to 1.94% (2019: 1.31%).

The total balance sheet impairment coverage ratio increased to 79.9% (2019: 79.8%), reflecting:

- substantial additional impairment provisions relating to the materially weaker existing and forward-looking macroeconomic environment; and
- the application of COVID-19 related scaling factors to advances on which relief was provided.

These increases were offset by:

- the impact of a high proportion of technically cured customers (customers who are fewer than three payments in arrears, but do not meet the group's stringent curing definition of 12 consecutive payments), which carry lower coverage ratios, specifically in the retail unsecured and VAF advances books;
- an increase in highly collateralised NPLs in commercial, e.g. agriculture and commercial property finance; and
- the restructure, positive credit migration and write-off of certain highly collateralised corporate exposures during the year, and new stage 3 migrations being highly collateralised and/or guaranteed.

Income statement impairment charge

The income statement credit impairment charge increased 2.2 times from R8.5 billion to R18.3 billion, resulting in a credit loss ratio of 200 bps (2019: 95 bps).

Retail impairments reflected an increase of 82% to 315 bps (2019: 181 bps). The corporate and commercial credit loss ratio increased to 115 bps (2019: 20 bps).

The impairment charge in all portfolios was significantly affected by the FLI impact, modification losses, increased arrears and SICR, given the tough macroeconomic environment. There was a significant change in the probabilities assigned to upside and downside economic scenarios compared to the prior year, with the upside scenario probability decreased to 12% (from 23%) and the downside scenario probability increased to 23% (from 18%). These were on top of all scenarios being significantly more negative in the current year. Refer to pages 139 to 141 for detailed macroeconomic information, including the specific factors included in the ECL calculation.

Post write-off recoveries decreased to R2 085 million (2019: R2 416 million) impacted by the later write-off point and the current worsening macro environment. Post write-off recoveries were driven by the retail unsecured and retail SA VAF portfolios, with continued focus on collections.

Credit highlights continued

The table below provides an analysis of the income statement impairment charge. The overall increase in balance sheet impairments (credit provisions) amount to R10.5 billion compared to R4.2 billion in the prior year. This increase is largely driven by the downward revisions to key economic variables, including a sharp contraction in real GDP of 8% and a significant increase in unemployment and weakness in property markets.

Below are the definitions of the key components of the increase in total balance sheet credit provisions.

- Change in stage 1 advances (volume) assuming the same coverage as in prior year (volume change in stage 1).
- Stage 1 coverage increase largely due to IFRS 9 requirements (change in stage 1 coverage).
- Change in stage 2 (volume) advances given the macro environment increasing the roll rates together with migration of sectors due to SICR as a consequence of COVID-19 (volume change in stage 2).
- Stage 2 coverage increase largely due to IFRS 9 requirements (change in stage 2 coverage).
- Stage 3 as a consequence of the 39% increase in NPL balances with coverage largely remaining similar to prior year.

	For the year ending 30 June 2020			
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
Retail				
– Secured	**(40)**	**365**	**438**	**(155)**
– Unsecured	**(294)**	**1 111**	**1 277**	**(143)**
Commercial	**(3)**	**686**	**(12)**	**619**
Corporate	**(42)**	**468**	**457**	**587**
Rest of Africa	**–**	**–**	**–**	**–**
MotoNovo	**(162)**	**10**	**(123)**	**28**
FCC	**(76)**	**65**	**(36)**	**(2)**
Total	**(617)**	**2 705**	**2 001**	**934**

	For the year ending 30 June 2019			
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail				
– Secured	23	34	(91)	283
– Unsecured	355	67	123	(89)
Commercial	54	(2)	123	(250)
Corporate	130	103	1 163	(2 104)
Rest of Africa	–	–	–	–
MotoNovo	(34)	(30)	(43)	10
FCC	(35)	34	3	2
Total	493	206	1 278	(2 148)

Write-offs and other charges increased 51% to R9.1 billion (2019: R6.0 billion) driven by expected collection outcomes in the current year following prior year NPL formation given new business strain from historical advances growth. The majority of this growth emanated from the unsecured portfolio resulting in R3.4 billion of additional write-offs.

Modification loss increased largely in the unsecured portfolio.

The decline in post write-off recoveries across all portfolio reflecting the tougher economic environment.

The table below provides an overview of the key drivers of the impairment charge for the year ending 30 June 2020.

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

	For the year ending 30 June 2019					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
	160	409	156	1 952	(451)	2 066
	3 588	4 044	467	2 165	(1 779)	4 897
	435	360	(7)	569	(90)	832
	259	(449)	–	508	(8)	51
	–	–	–	–	–	–
	(41)	(138)	–	659	–	521
	(5)	(1)	9	173	(88)	93
	4 396	4 225	625	6 026	(2 416)	8 460

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES
Retail	• Retail advances growth slowed to 3% as a result of reduced risk appetite and lower customer demand given COVID-19. • Retail secured advances growth of 2% reflects a 3% increase in residential mortgages, offset by a decrease of 1% in VAF. • Growth in retail unsecured slowed to 4%, driven by 7% growth in card and the take-up of COVID-19 emergency loan relief of R2.3 billion. Excluding the relief, retail unsecured growth was 1.3%. • Twenty per cent of retail unsecured growth was due to the extension of the write-off period, which resulted in NPL formation of R4 289 million (2019: R3 593 million).
Residential mortgages	• Total residential mortgage advances increased 3%, despite negative house price inflation of 4.5%, driven by growth of 9% in premium residential mortgages, benefiting from new customer acquisition, up-sell initiatives and strong demand in private bank mortgage lending through the digital NAV >> Home channel, which grew 7%. This was partly offset by a 36% decline in affordable housing on the back of lower demand and migration of customers from the consumer segment (affordable housing) to premium.
Card	• Advances growth of 7% reflects the reduced risk appetite given the risk cuts together with the significant lower spending in the last quarter due to the COVID-19 lockdown.

STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE

A further analysis of the R9 169 million increase in retail NPLs is provided below.

	Retail		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	6 882	48	27
Loans under COVID-19 relief	1 907	–	7
Debt review	282	8	1
Technical cures/curing rules	(598)	(14)	(2)
Write-off point extension	696	19	3
SA retail NPLs	**9 169**	**36**	**36**

The R696 million increase in NPLs due to the change in write-off point is largely driven by card and DirectAxis loans.

- The Retail credit loss ratio increased to 315 bps, driven by the FLI impact on all portfolios, COVID-19 scaling factors and the lingering impact of collection issues experienced in the first half of the year, offset by recoveries on credit life insurance.
- The impairment charge also reflects the decline in post write-off recoveries of R303 million.

- Residential mortgage NPLs increased 35%, reflecting historic book growth and the financial strain on customers, aggravated by COVID-19. NPLs in the affordable housing book increased 24% and premium mortgage lending reported a 51% NPL increase.

- The credit loss ratio increased to 64 bps (2019: 11 bps), reflecting the increase in NPLs and the FLI impact.
- Increased coverage through the application of COVID-19 scaling factors.

- The increase in operational NPLs reflects the strained macroeconomic environment and new business strain, given the seasoning of the book following strong advances growth over previous years. It also reflects the elevated risk in certain cohorts of advances written previously. The group received some relief in NPL formation due to the maturing of the write-off policy and curing definitions, and reinstatement of cures for debt-review accounts. Debt-review and technical cure NPLs comprise 14% of NPLs.
- The increase in NPLs since June 2019 is analysed below.

	Card		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	383	30	17
Loans under COVID-19 relief	270	–	12
Debt review	276	>100	12
Technical cures/curing rules	12	75	1
Write-off point extension	462	62	20
Total card NPLs	**1 403**	**62**	**62**

- Card reported a credit loss ratio of 6.85% (2019: 3.68%), reflecting the increase due to changes in the FLI assumptions.
- Increased coverage through the application of COVID-19 scaling factors.
- Further risk cuts have been implemented to mitigate increasing arrears and elevated vintages.

Credit highlights continued

PRODUCT	ADVANCES	
FNB personal loans	• After many years of strong growth, FNB personal loans remained flat, reflecting reduced risk appetite, the impact of the COVID-19 pandemic on the macroeconomic environment and customers opting to utilise COVID-19 relief.	
DirectAxis loans	• The 1% growth in advances reflects the slowdown in demand and lower risk appetite due to the weak and uncertain macroeconomic environment.	
Retail other	• The 7% decline reflects the lower usage of transactional banking accounts (primarily overdrafts), debt relief and the benefit of the shift to Fusion product spend.	

STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE

- The increase in operational NPLs reflects the weak macroeconomic environment and new business strain given the seasoning of the book following strong advances growth in previous years, as well as the impact of certain collection process inefficiencies in the first quarter of the financial year, which resulted in increased roll rates into stage 3 that are required to meet the stringent curing requirements.
- The methodology used to determine the write-off point was refined during the year to a recency approach. This resulted in the write-off of R1 050 million, which had an immaterial impact on the impairment charge, however, lowering coverage marginally.
- The increase in FNB personal loans NPLs since June 2019 is analysed below.

	FNB personal loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	364	34	9
Loans under COVID-19 relief	573	–	17
Debt review	(146)	(32)	(4)
Technical cures/curing rules	(80)	(35)	(2)
Write-off point extension	157	9	5
Total FNB personal loans NPLs	868	25	25

Impairment charge:

- FNB personal loans reported a credit loss ratio of 10.46% (2019: 6.39%), reflecting the FLI impact, higher operational NPLs, the lingering result of collection process inefficiencies in the first quarter of the financial year and slowing post write-off recoveries.
- Increased coverage through the application of COVID-19 scaling factors.

- DirectAxis NPLs increased 29% due to an increase in operational NPLs given the weak macroeconomic environment. This was offset by the reinstatement of cures on performing debt-review advances and the sale of a portion of the NPL book during the year.

	DirectAxis loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	670	70	27
Loans under COVID-19 relief	319	–	13
Debt review	(582)	(66)	(24)
Technical cures/curing rules	3	3	–
Write-off point extension	303	61	13
Total DirectAxis NPLs	713	29	29

Impairment charge:

- The DirectAxis credit loss ratio of 12.87% (2019: 8.93%) reflects the benefit of more risk cutbacks in credit origination and the impact of the NPL book sale during the year, offset by the impact of FLI.
- Increased coverage through the application of COVID-19 scaling factors added to the impairment charge.

Credit highlights continued

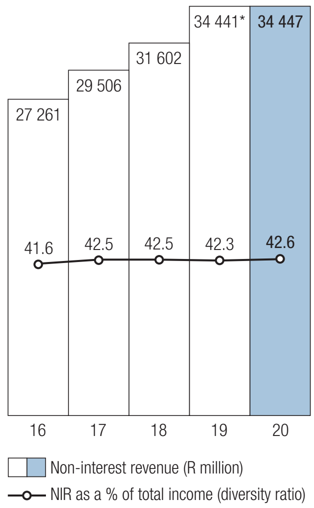
PRODUCT	ADVANCES	
FNB commercial	• Advances growth of 3% was driven by targeted new client acquisition in the business segment, resulting in growth of 4% in business core lending (i.e. SME transactional overdrafts), 3% in agriculture, 6% in commercial property finance and 8% in asset-based finance, offset by a 5% decline in specialised finance. • SME government-guaranteed loan scheme advances of R345 million added 12% to advances growth.	
RMB CIB*	• The CIB core advances book grew 6% year-on-year. The SA core advances book grew 2% due to higher working capital facility utilisation. The cross-border portfolio growth remained solid at 6% in dollar terms.	
WesBank VAF	• New business production in retail SA VAF contracted 12%, reflecting the impact of the lockdown levels 4 and 5, resulting in record-low production levels in April and May, in addition to the lengthening of vehicle replacement cycles, further risk cuts in origination, increased competitive pressures and the already challenging macroeconomic environment pre-COVID-19. • Corporate new business volumes increased 1%, benefiting from growth in FML. Asset-backed finance (ABF) contracted 16%, a reflection of the difficult macroeconomic environment, risk cuts in high-risk categories and industries, and the fact that a portion of business now reflects in FNB (own-banked clients). Overall corporate VAF new business advances (between WesBank and FNB) increased 2%.	
MotoNovo UK	• The 84% decline in MotoNovo reflects R19 billion (£750 million in rand terms) of advances that were securitised during the year and the ongoing wind-down of the book.	

* *Core advances.*

	STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE
	• NPLs grew 54%, reflecting the significant economic strain experienced by many SMEs and, in particular, highly impacted sectors such as transport, and hotels and leisure. NPL growth also reflects high NPL growth in business core lending (unsecured) NPLs, following strong advances growth over the last 12 months, in addition to increases in highly collateralised NPLs in agriculture and the migration of a number of highly collateralised commercial property counters during the year.	• FNB commercial's credit loss ratio increased to 2.77%, reflecting the increase due to changes in FLI assumptions. • Increased coverage through the application of COVID-19 scaling factors.
	• NPLs increased 40%, reflecting the migration of certain distressed clients into NPLs. A significant component of these NPLs are highly collateralised or guaranteed.	• The core lending portfolio incurred a 69 bps credit loss ratio (2019: 2 bps), due to distress in the portfolio following COVID-19.
	• WesBank retail VAF NPLs increased 43%, primarily due to a significant number of accounts rolling into stage 3 due to increased macroeconomic strain, together with the delays in write-offs due to court closures during South Africa's national lockdown.	• The retail VAF portfolio reported a credit loss ratio of 2.86% (2019: 1.94%), driven by the significant roll into stage 3 triggered by the lockdown and the FLI impact.
	• MotoNovo NPLs decreased 23% in pound terms (8% in rand terms) reflecting the securitisations and wind-down.	• The impairment charge also reflects the impact of securitisations and wind-down.

Non-interest revenue – flat

NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 6%



* *Restated following the reclassification of customer loyalty expenses. Refer to pages 125 and 126.*

Note: 2016 to 2018 figures are based on IAS 39 and 2019 to 2020 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	2020	2019	% change
Fee, commission and insurance income		**25 559**	26 276	(3)
– Fee and commission income	1	**25 110**	25 716*	(2)
– Insurance commission income	2	**449**	560	(20)
Markets, client and other fair value income	3	**4 049**	3 917	3
Investment income		**130**	105	24
Other non-interest revenue	4	**4 709**	4 143	14
Non-interest revenue		**34 447**	34 441	–

* *Reclassification of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty expense nature. Refer to pages 125 and 126.*

The notes referred to in the table above are detailed in the pages that follow.

NIR was significantly impacted by the pandemic, in the last quarter of the year, which affected almost all NIR items. Fee, commission and insurance income represents 74% (2019: 76%) of NIR.

NOTE 1 – FEE AND COMMISSION INCOME – DOWN 2%

R million	2020	2019	% change
Bank fee and commissions income	**27 249**	27 862	(2)
– Card commissions	**4 208**	4 432	(5)
– Cash deposit fees	**1 518**	1 702	(11)
– Commission on bills, drafts and cheques	**2 530**	2 571	(2)
– Bank charges	**18 993**	19 157	(1)
– Commitment fees	**1 274**	1 364	(7)
– Other bank charges*	**17 719**	17 793	–
Knowledge-based fees	**1 108**	1 167	(5)
Management and fiduciary fees	**1 426**	1 177	21
– Investment management fees	**629**	581	8
– Management fees from associates and joint ventures	**772**	574	34
– Other management and brokerage fee income	**25**	22	14
Other non-bank commissions	**759**	754	1
Gross fee and commission income	**30 542**	30 960	(1)
Fee and commission expenditure**	**(5 432)**	(5 244)	4
– Transaction related fees	**(1 231)**	(1 336)	(8)
– Commission paid	**(266)**	(292)	(9)
– Customer loyalty programmes**	**(2 056)**	(1 892)	9
– Cash sorting, handling and transporting charges	**(981)**	(860)	14
– Card and cheque book related	**(426)**	(477)	(11)
– Other	**(472)**	(387)	22
Total fee and commission income	**25 110**	25 716	(2)

* *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.*

** *Reclassification of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty expense nature. Refer to pages 125 and 126.*

Non-interest revenue continued

KEY DRIVERS

- FNB NIR declined 1%, reflecting the impact of the COVID-19 pandemic and lockdown, which resulted in a significant decrease in transaction volumes as well as lower customer growth exacerbated by strong fee and commission expenditure growth.
- FNB assisted customers by waiving SASwitch fees, granting rental relief on speedpoints and other devices and providing 1GB of free data to qualifying customers, which reduced NIR by R119 million. Pre-COVID-19, as part of the annual pricing review, FNB decreased certain fee categories as part of its ongoing pre-emptive strategies to improve its customer value proposition in the face of increasing competition. This, together with decreasing cash and ATM withdrawal penalty and other account fees, lowered NIR R410 million.
- FNB transaction volumes decreased 1%. Electronic volumes remained flat despite banking app volumes up 28%, and manual volumes decreased 9%. Branch and cash centre transaction volumes decreased 31% and 15%, respectively.

%	Increase in transaction volumes
ATM/ADT	(9)
Internet banking	(11)
Banking app	28
Mobile (excluding prepaid)	(2)
Point-of-sale merchants	1
Card swipes	(4)

- Absolute levels of knowledge-based fees remained satisfactory considering the tough operating environment. The decrease was driven by reduced advisory activities owing to low levels of investor and business confidence. This was partially offset by solid annuity, and capital raising and underwriting income given the conclusion of notable deals during the year.
- Management and fiduciary fee income was impacted by moderate growth in AUM, subdued market performance and a switch by customers to new-generation products with lower fees.
- Growth in fee and commission expenses reflected increased customer rewards and cash handling fees. Rewards are a core component of the customer value proposition and, over the year, reward costs have increased due to more customers earning eBucks, higher costs of airport SLOW lounges and increased discounts. In addition, free airtime rewards were introduced.

COVID-19 and fee concession impact on fee and commission income

The bank responded to the COVID-19 crisis by supporting its customers, not only through debt relief but also through fee waivers. The table below provides an overview of the COVID-19 relief and other fee concessions provided for the year ending 30 June 2020.

R million	Rental relief	Service fee relief	Other	Fee concessions	Total NIR reduction
Relief/concessions	60	30	29	410	529

NOTE 2 – INSURANCE INCOME

R million	2020	2019	% change
Insurance commission	**152**	278	(45)
Insurance brokerage	**297**	282	5
Total insurance commission income	**449**	560	(20)

KEY DRIVERS

- Insurance income declined 20% and reflects the run-down of the MotoNovo business in the bank.

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME

R million	2020	2019	% change
Client	**1 896**	1 720	10
Markets	**1 943**	1 585	23
Other	**210**	612	(66)
Total markets, client and other fair value income	**4 049**	3 917	3

KEY DRIVERS

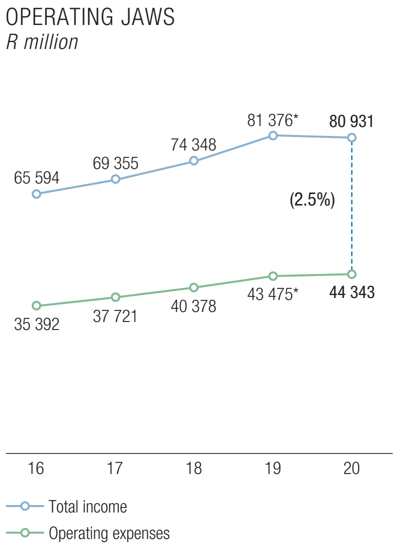
- Despite the tough operating environment, the markets and client activities delivered a strong performance.
  - Client revenues were strong as the bond market-making portfolio benefited from increased activity, however, partially offset by an illiquid equities market.
  - Domestic flow activities, although affected by the poorly performing economy, showed growth in the second half of the year following increased market activity on the back of COVID-19. Domestic foreign exchange (FX) benefited from higher volumes due to market volatility. The business took advantage of hard commodity market movements and there was a strong credit trading performance.
- The decline in other fair value income was due to mark-to-market movements on external and internal intercompany FX hedges, which will pull to par over the duration of the instrument and eliminate at a group level. The net total return swap (TRS) fair value income was negative year-on-year due to the decrease in the share price on the unhedged portion of the TRS.

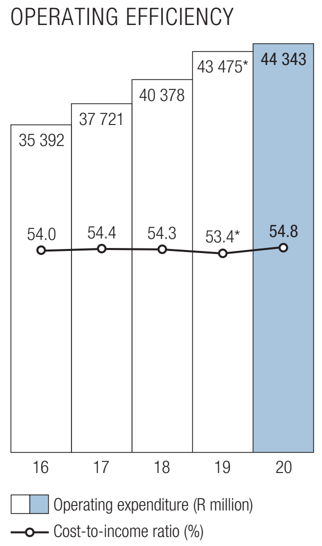
NOTE 4 – OTHER NON-INTEREST REVENUE – UP 14%

KEY DRIVERS

- A significant component other non-interest revenue items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank, in particular, showing strong growth in the FML book.
- The remaining other non-interest revenue item relates to various intercompany charges to other FirstRand group companies for the provision of services. These are relevant to the bank but eliminate at a group level.

Operating expenses – up 2%





* *Reclassification of R240 million relating to operating expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense. Refer to pages 125 and 126.*

Note: 2016 to 2018 figures are based on IAS 39 and 2019 to 2020 figures on IFRS 9. No restatements have been included in 2016 to 2018.

OPERATING EXPENSES

R million	**2020**	2019	% change
Staff expenditure	**25 809**	25 669	1
– Direct staff expenditure	**20 092**	18 366*	9
– Other staff-related expenditure	**5 717**	7 303*	(22)
Depreciation of property and equipment	**3 391**	2 499	36
Amortisation of intangible assets	**193**	135	43
Advertising and marketing	**1 505**	1 513	(1)
Insurance	**212**	251	(16)
Lease charges	**414**	1 044**	(60)
Professional fees	**1 798**	1 697	6
Audit fees	**362**	348	4
Computer expenses	**2 532**	2 363	7
Repairs and maintenance	**1 158**	1 246	(7)
Telecommunications	**388**	349	11
Cooperation agreements and joint ventures	**506**	638	(21)
Property	**857**	822	4
Business travel	**305**	401	(24)
Assets costing less than R7 000	**335**	332	1
Stationery and printing	**119**	154	(23)
Donations	**283**	259	9
Other expenditure	**4 176**	3 755	11
Total operating expenses	**44 343**	43 475	2

* *Certain staff expenses have been classified from other staff-related expenditure to direct staff expenditure, as it more accurately reflects the nature of the expenses. The comparative information has been restated.*

** *Reclassification of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty expense nature. Refer to pages 125 and 126.*

KEY DRIVERS

- Cost growth of 2% reflects lower variable staff expenditure and focused cost management with continued investment in new initiatives, technology and platforms.
- Staff costs, which comprise 58% (2019: 59%) of the bank's operating expenses, increased 1%.

	% CHANGE	REASONS
Direct staff costs	9	Impacted by unionised increases in South Africa in August 2019 at an average of 7.2% and a 5% increase in staff complement across the bank, predominantly from a transfer of staff from a group-related entity (DirectAxis).
Other staff-related expenditure	(22)	Variable costs reflect the decline in earnings and, the group's measure of economic profit, net income after cost of capital (NIACC). Normalised share-based payment expenses declined, given the decrease in the group's share price and the share incentive scheme not vesting in the current year.

- The 36% increase in depreciation was driven by the adoption of IFRS 16 (refer to pages 121 to 132 of the analysis of results for the six months ended 31 December 2019), which increased the depreciation charge for the year by c. R640 million. In addition, strong growth in WesBank's FML book, including a significant deal concluded during the year, increased the depreciation charge by c. R185 million.
- The reduced lease charges reflect the revised accounting treatment of operating lease costs following the adoption of IFRS 16 (refer above), which partly drove the growth in depreciation.
- The increase in professional fees of 6% follows on increased technology-related projects, which also drive the increase in computer expenses.
- The increase in audit fees reflects inflation, scope increases and special projects.
- Computer expenses grew 7% due to increased licence fees and continued spend on projects related to various electronic platforms, cybersecurity, networks and credit-related reporting upgrades.
- Cooperation agreements and joint venture costs decreased 21%, affected by the ongoing migration of Discovery cards and weaker performance in WesBank's underlying alliances.
- The 9% increase in donations reflects the bank's R25 million contribution to the FirstRand SA Pandemic Intervention and Relief Effort (SPIRE) initiative and various other corporate social investment related initiatives.
- The strong growth in legal fees is due to higher debt collection fees as a result of focused collection activities.
- Other expenses include various items, such as provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions and memberships.

COVID-19 costs

The COVID-19 pandemic required a number of specific operational responses, including:

- managing employee and customer safety and wellbeing on premises; and
- facilitating remote working solutions for the majority of employees.

These interventions resulted in additional costs of R119 million.

In addition, immediately after the commencement of lockdown, FirstRand established relief funds, which were funded partly by the FirstRand foundations (R75 million) and partly by the group (R25 million).

BALANCE SHEET ANALYSIS AND FINANCIAL RESOURCE MANAGEMENT

Economic view of the balance sheet

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

When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 68% of total assets. The composition of the gross advances portfolio consists of SA retail secured (35%), SA retail unsecured (10%), SA corporate and commercial (47%), UK retail and commercial (4%), and other (4%). At June 2020, the bank reported total NPLs of R47 253 million (5.22% as a percentage of advances) and a credit loss ratio of 200 bps.

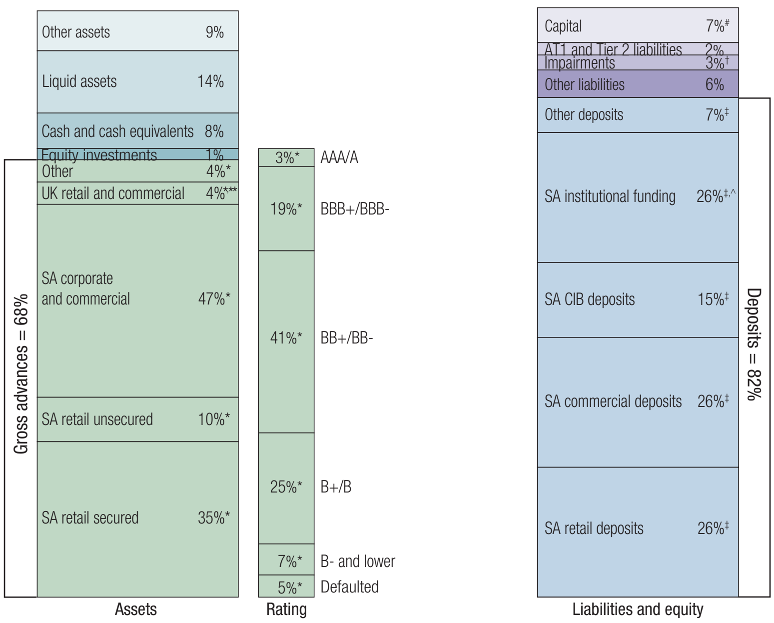
Cash and cash equivalents, and liquid assets represent 8% and 14%, respectively, of total assets. Risks relating to trading exposures represented 7% of bank RWA.

FRB's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The bank has, however, continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of domestic institutional funding was 37 months at June 2020 (2019: 36 months).

The bank remained appropriately capitalised with a CET1 ratio of 12.3%, Tier 1 ratio of 12.8% and total capital adequacy ratio of 15.7%.

Gearing increased to 14.3 times (2019: 14.0 times), driven by 9% growth in average total assets, reflecting a significant increase in derivative assets.

ECONOMIC VIEW OF THE BALANCE SHEET



* *As a proportion of gross advances.*

** *Based on advances originated in London Branch (including MotoNovo back book).*

\# *Ordinary equity.*

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

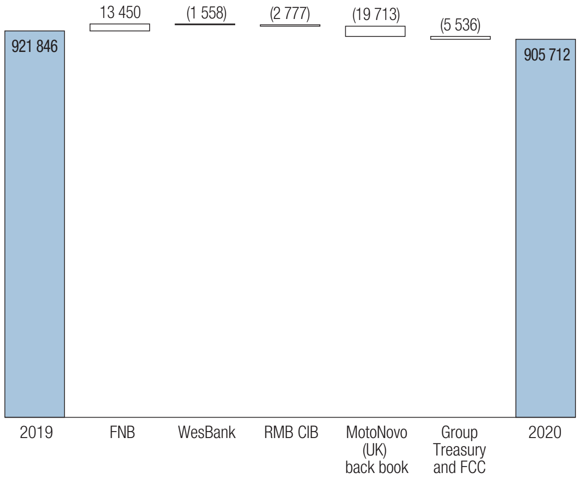
‡ *As a proportion of deposits.*

^ *Includes CIB institutional funding.*

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

Gross advances – down 2%

GROSS ADVANCES GROWTH BY BUSINESS
R million



ADVANCES

R million	2020	2019	% change
Gross advances	**905 712**	921 846	(2)
Impairment of advances	**(37 772)**	(27 303)	38
Net advances	**867 940**	894 543	(3)

Gross advances decreased 2%, with net advances decreasing 3%. The reduction is driven by the securitisation of the majority of the MotoNovo back book and the sale of $700 million cross-border advances by RMB to RMB Mauritius, as well as repo advances in RMB CIB decreasing 46%.

Credit

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances		
	As at 30 June		
R million	2020	2019	% change
Retail	**407 244**	397 307	3
Retail – secured	**318 428**	311 915	2
Residential mortgages	**224 404**	217 164	3
WesBank VAF	**94 024**	94 751	(1)
Retail – unsecured	**88 816**	85 392	4
FNB card	**30 210**	28 115	7
Personal loans	**41 874**	39 369	6
– FNB	**23 412**	23 357	–
– DirectAxis	**16 134**	16 012	1
– COVID-19 relief	**2 328**	–	–
Retail other	**16 732**	17 908	(7)
Corporate and commercial	**457 142**	457 964	–
FNB commercial	**107 914**	105 128	3
– FNB commercial	**107 569**	105 128	2
– SME guaranteed scheme	**345**	–	–
WesBank corporate	**27 114**	27 945	(3)
RMB investment banking*,**	**233 649**	249 804	(6)
– Lending	**233 310**	249 445	(6)
– Loans to private equity investee companies	**339**	359	(6)
RMB corporate banking*,**	**68 445**	57 932	18
HQLA corporate advances**,#	**20 020**	17 155	17
FCC (including Group Treasury)	**37 544**	43 080	(13)
Securitisation notes	**26 419**	27 854	(5)
Discovery card	**–**	4 328	(100)
Other	**11 125**	10 898	2
Total advances excluding MotoNovo	**901 930**	898 351	–
Total MotoNovo (UK) back book	**3 782**	23 495	(84)
– MotoNovo (UK) back book VAF	**3 474**	22 917	(85)
– MotoNovo (UK) back book loans	**308**	578	(47)
Total advances including MotoNovo†	**905 712**	921 846	(2)
Of which:			
Accrual book	**839 788**	844 850	(1)
Fair value book	**65 924**	76 996	(14)

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

** *Corporate and investment banking including HQLA advances total R322 114 million (2019: R324 891 million).*

Managed by the Group Treasurer.

† *Included in advances are repo advances of R26 618 million (2019: R44 263 million).*

	Advances						
	As at 30 June						% composition 2020
	2020			2019			
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
	336 846	35 620	34 778	346 397	25 301	25 609	45
	271 244	25 712	21 472	276 929	19 474	15 512	35
	197 845	14 897	11 662	198 373	10 153	8 638	25
	73 399	10 815	9 810	78 556	9 321	6 874	10
	65 602	9 908	13 306	69 468	5 827	10 097	10
	24 352	2 183	3 675	24 321	1 522	2 272	3
	28 371	6 079	7 424	30 244	3 282	5 843	5
	15 850	3 273	4 289	18 036	1 900	3 421	3
	10 193	2 806	3 135	12 208	1 382	2 422	2
	2 328	–	–	–	–	–	–
	12 879	1 646	2 207	14 903	1 023	1 982	2
	405 590	39 772	11 780	419 287	30 822	7 855	51
	92 639	8 245	7 030	92 089	8 483	4 556	12
	92 331	8 208	7 030	92 089	8 483	4 556	12
	308	37	–	–	–	–	–
	24 385	1 855	874	25 875	1 546	524	3
	208 699	21 927	3 023	233 411	13 959	2 434	26
	208 360	21 927	3 023	233 052	13 959	2 434	26
	339	–	–	359	–	–	–
	59 847	7 745	853	50 757	6 834	341	8
	20 020	–	–	17 155	–	–	2
	37 358	44	142	42 734	209	137	4
	26 419	–	–	27 854	–	–	3
	–	–	–	4 026	165	137	–
	10 939	44	142	10 854	44	–	1
	779 794	75 436	46 700	808 418	56 332	33 601	100
	2 873	356	553	21 426	1 465	604	–
	2 586	345	543	20 875	1 443	599	–
	287	11	10	551	22	5	–
	782 667	75 792	47 253	829 844	57 797	34 205	100
	720 723	71 990	47 075	753 825	56 998	34 027	93
	61 944	3 802	178	76 019	799	178	7

Credit continued

The table below shows assets under agreement to resell that are included in the RMB corporate and investment banking loan books and HQLA.

	Advances			
	As at 30 June			
R million	2020	2019	% change	% composition 2020
Corporate and investment banking advances*	**322 114**	324 891	(1)	**100**
Less: assets under agreement to resell	**(22 223)**	(41 117)	(46)	**(7)**
RMB advances net of assets under agreement to resell	**299 891**	283 774	6	**93**

* *Includes HQLA advances.*

RMB CORE ADVANCES

	Advances		
	As at 30 June		
R million	2020	2019	% change
RMB investment banking	**233 649**	249 804	(6)
Less: assets under agreements to resell	**(21 316)**	(40 464)	(47)
RMB investment banking core advances	**212 333**	209 340	1
RMB corporate banking	**68 445**	57 932	18
Less: assets under agreements to resell	**(907)**	(653)	39
RMB corporate banking core advances	**67 538**	57 279	18

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	2020	2019	% change	% composition 2020
RMB investment banking core advances	**212 333**	209 340	1	**70**
– South Africa	**187 795**	189 205	(1)	**62**
– Cross-border (rest of Africa)*	**24 538**	20 135	22	**8**
HQLA corporate advances**	**20 020**	17 155	17	**7**
RMB corporate banking core advances	**67 538**	57 279	18	**23**
– South Africa	**47 680**	43 357	10	**16**
– Cross-border (rest of Africa)	**19 858**	13 922	43	**7**
CIB total core advances	**299 891**	283 774	6	**100**
CIB total lending advances	**299 552**	283 415	6	**100**
CIB loans to private equity investee companies	**339**	359	(6)	**–**
CIB total core advances	**299 891**	283 774	6	**100**
CIB core advances – South Africa#	**255 495**	249 717	2	**85**
CIB core advances – rest of Africa*,†	**44 396**	34 057	30	**15**
CIB total core advances	**299 891**	283 774	6	**100**

* *The cross-border portfolio increased by 6% in dollar terms. The allocation between South Africa and cross-border was refined during the current year.*

** *Managed by the Group Treasurer.*

\# *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

† *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances and RMB CB cross-border core advances.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			
R million	**2020**	2019	% change	**% composition 2020**
Sector analysis				
Agriculture	**40 930**	39 002	5	**5**
Banks	**13 626**	20 068	(32)	**2**
Financial institutions	**145 528**	161 302	(10)	**16**
Building and property development	**55 268**	50 028	10	**6**
Government, Land Bank and public authorities	**20 491**	23 438	(13)	**2**
Individuals	**396 396**	409 307	(3)	**43**
Manufacturing and commerce	**110 855**	107 274	3	**12**
Mining	**21 694**	10 611	>100	**2**
Transport and communication	**22 895**	22 778	1	**3**
Other services	**78 029**	78 038	–	**9**
Total advances	**905 712**	921 846	(2)	**100**
Geographical analysis				
South Africa	**831 552**	837 764	(1)	**91**
Rest of Africa	**34 081**	30 476	12	**4**
UK	**13 895**	28 338	(51)	**2**
Other Europe	**11 528**	13 974	(18)	**1**
North America	**6 675**	1 945	>100	**1**
South America	**3**	178	(98)	**–**
Australasia	**3**	2	50	**–**
Asia	**7 975**	9 169	(13)	**1**
Total advances	**905 712**	921 846	(2)	**100**

Credit continued

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	343 715	280 798	30 044	32 873
Residential mortgages	192 624	169 413	11 838	11 373
WesBank VAF	78 969	60 023	9 260	9 686
FNB card	25 355	19 991	1 959	3 405
Personal loans	19 105	12 674	2 715	3 716
DirectAxis loans	14 032	8 481	2 735	2 816
Retail other	13 630	10 216	1 537	1 877

RETAIL ADVANCES THAT RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Retail	63 529	56 048	5 576	1 905
Residential mortgages	31 780	28 432	3 059	289
WesBank VAF	15 055	13 376	1 555	124
FNB card	4 855	4 361	224	270
Personal loans	4 307	3 176	558	573
Personal loans – COVID-19 relief*	2 328	2 328	–	–
DirectAxis loans	2 102	1 712	71	319
Retail other	3 102	2 663	109	330
Total retail advances	407 244	336 846	35 620	34 778

* *Coverage based on EAD.*

Balance sheet impairments		Coverage		
Performing	Stage 3	Performing coverage	Stage 3	Total coverage
7 500	15 005	2.41	45.6	68.5
1 190	2 395	0.66	21.1	31.5
1 433	3 817	2.07	39.4	54.2
1 140	2 620	5.19	76.9	110.4
1 284	2 592	8.34	69.8	104.3
1 216	2 093	10.84	74.3	117.5
1 237	1 488	10.52	79.3	145.2

Balance sheet impairments		Coverage			Liquidity facility	
Performing	Stage 3	Performing coverage	Stage 3	Total coverage	Utilised	Committed undrawn
2 243	852	3.64	44.7	162.5	2 328	1 502
318	13	1.01	4.5	114.5	425	252
375	22	2.51	17.7	320.2	267	165
339	102	7.39	37.8	163.3	543	382
379	369	10.15	64.4	130.5	395	243
384	–	16.49	–	–	–	–
202	178	11.33	55.8	119.1	112	67
246	168	8.87	50.9	125.5	586	393
9 743	15 857	2.62	45.6	73.6		

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance			Balance sheet impairments	
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs	Performing	Stage 3
FNB commercial	85 048	71 061	7 382	6 605	2 384	3 194
Overdrafts	19 187	13 703	3 285	2 199	1 459	1 823
Agriculture	31 406	27 710	1 684	2 012	230	469
Asset-based finance	8 821	7 790	575	456	99	169
Specialised finance	6 356	5 507	585	264	176	146
Commercial property finance	14 945	12 985	729	1 231	162	283
Other	4 333	3 366	524	443	258	304
WesBank corporate	19 148	16 480	1 794	874	167	281
Total commercial	104 196	87 541	9 176	7 479	2 551	3 475

COMMERCIAL ADVANCES THAT RECEIVED RELIEF

		Stage of underlying gross advance			Balance sheet impairments	
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs	Performing	Stage 3
FNB commercial	22 866	21 578	863	425	349	101
Overdrafts	1 583	1 538	21	24	70	13
Agriculture	1 606	1 573	17	16	31	4
Asset-based finance	3 985	3 946	39	–	53	–
Specialised finance	3 024	2 825	50	149	51	34
Commercial property finance	12 304	11 509	559	236	134	50
Other	364	187	177	–	10	–
WesBank corporate	7 966	7 905	61	–	58	–
Total commercial	30 832	29 483	924	425	407	101
Total	135 028	117 024	10 100	7 904	2 958	3 576

Coverage		
Performing	Stage 3	Total coverage
3.04	48.4	84.5
8.59	82.9	149.2
0.78	23.3	34.7
1.18	37.1	58.8
2.89	55.3	122.0
1.18	23.0	36.1
6.63	68.6	126.9
0.91	32.2	51.3
2.64	46.5	80.6

Coverage			SME guarantee scheme			
Performing	Stage 3	Total coverage	Drawn	Undrawn	Total balance sheet provisions	Total coverage
1.56	23.8	105.9	345	445	48	6.1
4.49	54.2	345.8	319	344	40	6.0
1.95	25.0	218.8	–	–	–	–
1.33	–	–	–	–	–	–
1.77	22.8	57.0	–	–	–	–
1.11	21.2	78.0	26	101	8	6.3
2.75	–	–	–	–	–	–
0.73	–	–	–	–	–	–
1.34	23.8	119.5	345	445	48	6.1

22.3	45.2	82.7

Credit continued

CIB ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
CIB	**269 016**	**245 823**	**21 290**	**1 903**
RMB investment banking	213 005	197 061	14 631	1 313
RMB corporate banking	56 011	48 762	6 659	590

CIB ADVANCES THAT RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
CIB	**53 098**	**42 743**	**8 382**	**1 973**
RMB investment banking	40 664	31 658	7 296	1 710
RMB corporate banking	12 434	11 085	1 086	263
Total CIB	**322 114**	**288 566**	**29 672**	**3 876**

MOTONOVO ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	3 359	2 653	238	468

MOTONOVO ADVANCES THAT RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	423	220	118	85
Total MotoNovo	**3 782**	**2 873**	**356**	**553**

	Balance sheet impairments		Coverage		
	Performing	Stage 3	Performing coverage	Stage 3	Total coverage
	2 588	1 328	0.97	69.8	205.8
	1 891	1 095	0.89	83.4	227.4
	697	233	1.26	39.5	157.6

	Balance sheet impairments		Coverage		
	Performing	Stage 3/ NPLs	Performing coverage	Stage 3/ NPLs	Total coverage
	977	–	1.91	–	49.5
	704	–	1.81	–	41.2
	273	–	2.24	–	103.8
	3 565	1 328	1.12	34.3	126.2

	Balance sheet impairments		Coverage		
	Performing	Stage 3	Performing coverage	Stage 3	Total coverage
	72	217	46.37	2.5	61.8

	Balance sheet impairments		Coverage		
	Performing	Stage 3/ NPLs	Performing coverage	Stage 3/ NPLs	Total coverage
	43	33	38.82	12.7	89.4
	115	250	3.56	45.2	66.0

The table below provides an overview of the restructured debt-review and operational stage 3/NPL balances, technical cures and the impact of the lengthening of the write-off point.

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs	Loans under COVID-19 relief in stage 3
30 June 2020					
Residential mortgages	**8 188**	**2 390**	**–**	**795**	**289**
FNB card	**1 680**	**28**	**1 207**	**490**	**270**
Personal loans	**1 438**	**149**	**1 817**	**312**	**573**
DirectAxis loans	**1 629**	**90**	**797**	**300**	**319**
Retail other	**893**	**52**	**468**	**464**	**330**
FNB retail NPLs	**13 828**	**2 709**	**4 289**	**2 361**	**1 781**
WesBank VAF	**7 255**	**886**	**–**	**1 543**	**126**
Total NPLs	**33 558**	**3 595**	**4 289**	**3 904**	**1 907**

R million	Operational stage 3/NPLs*	Technical cures	Write-offs	Paying restructured debt-review stage 3/NPLs	Loans under COVID-19 relief in stage 3
30 June 2019					
Residential mortgages	5 611	2 477	–	550	
FNB card	1 297	16	745	214	
Personal loans	1 074	229	1 660	458	
DirectAxis loans	959	87	494	882	
Retail other	952	53	694	283	
FNB retail NPLs	9 893	2 862	3 593	2 387	
WesBank VAF	4 308	1 331	–	1 235	
Discovery card	86	3	–	48	
Total NPLs	22 746	4 196	3 593	3 670	

* *Operational stage 3/NPLs include older debt-review accounts that migrated into stage3/NPLs prior to May 2016 as well as other types of restructured exposures and special arrangements, undertaken by the bank, that are non-performing.*

Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3/NPLs as a % of total stage 3/NPLs
11 662	35	46	20	–	7	2
3 675	62	30	1	33	13	7
4 289	25	34	3	42	7	13
3 135	29	70	3	25	10	10
2 207	11	(6)	2	21	21	15
24 968	33	40	11	17	9	7
9 810	43	68	9	–	16	1
47 253	38	48	8	9	8	4

Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Write-offs as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
8 638	9	8	29	–	6
2 272	>100	93	1	33	9
3 421	>100	33	7	49	13
2 422	29	(2)	4	20	36
1 982	89	24	3	35	14
18 735	40	17	15	19	13
6 874	3	4	19	–	18
137	(3)	(11)	2	–	35
34 205	32	24	12	11	11

Credit continued

NOTE 2: ANALYSIS OF BALANCE SHEET IMPAIRMENTS (STAGE 1 AND 2)

	Total portfolio impairments				
	As at 30 June				
				2020	
R million	**2020**	2019	% change	**Stage 1**	**Stage 2**
Portfolio impairments					
Retail	**9 743**	7 184	36	**4 788**	**4 955**
Retail – secured	**3 316**	2 708	22	**1 277**	**2 039**
Residential mortgages	**1 508**	870	73	**731**	**777**
WesBank VAF	**1 808**	1 838	(2)	**546**	**1 262**
Retail – unsecured	**6 427**	4 476	44	**3 511**	**2 916**
FNB card	**1 479**	902	64	**917**	**562**
Personal loans	**3 465**	2 386	45	**1 812**	**1 653**
– FNB	**1 663**	1 367	22	**791**	**872**
– DirectAxis	**1 418**	1 019	39	**637**	**781**
– COVID-19 relief	**384**	–	–	**384**	**–**
Retail other	**1 483**	1 188	25	**782**	**701**
Corporate and commercial	**6 523**	3 763	73	**2 950**	**3 573**
FNB commercial	**2 733**	1 509	81	**1 394**	**1 339**
– FNB commercial	**2 685**	1 509	78	**1 350**	**1 335**
– SME government-guaranteed scheme	**48**	–	–	**44**	**4**
WesBank corporate	**225**	159	42	**114**	**111**
RMB investment banking*	**2 595**	1 500	73	**1 119**	**1 476**
– Lending	**2 590**	1 497	73	**1 114**	**1 476**
– Loans to private equity investee companies	**5**	3	67	**5**	**–**
RMB corporate banking*	**970**	595	63	**323**	**647**
HQLA corporate advances	**–**	–	–	**–**	**–**
FCC (including Group Treasury)	**264**	313	(16)	**264**	**–**
Securitisation notes	**20**	22	(9)	**20**	**–**
Discovery card	**–**	112	(100)	**–**	**–**
Other	**244**	179	36	**244**	**–**
Total portfolio impairments excluding MotoNovo	**16 530**	11 260	47	**8 002**	**8 528**
Total MotoNovo	**115**	362	(68)	**45**	**70**
– MotoNovo VAF	**87**	329	(74)	**21**	**66**
– MotoNovo loans	**28**	33	(15)	**24**	**4**
Total portfolio impairments including MotoNovo	**16 645**	11 622	43	**8 047**	**8 598**

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

Total portfolio impairments							
As at 30 June		Performing book coverage ratios (% of performing advances)					
2019		As at 30 June					
Stage 1	Stage 2	**Stage 1**	**Stage 2**	**2020**	Stage 1	Stage 2	2019
3 646	3 538	**1.42**	**13.91**	**2.62**	1.05	13.98	1.93
952	1 756	**0.47**	**7.93**	**1.12**	0.34	9.02	0.91
360	510	**0.37**	**5.22**	**0.71**	0.18	5.02	0.42
592	1 246	**0.74**	**11.67**	**2.15**	0.75	13.37	2.09
2 694	1 782	**5.35**	**29.43**	**8.51**	3.88	30.58	5.94
555	347	**3.77**	**25.74**	**5.57**	2.28	22.80	3.49
1 415	971	**6.39**	**27.19**	**10.06**	4.68	29.59	7.12
857	510	**4.99**	**26.64**	**8.70**	4.75	26.84	6.86
558	461	**6.25**	**27.83**	**10.91**	4.57	33.36	7.50
–	–	**16.49**	**–**	**16.49**	–	–	–
724	464	**6.07**	**42.59**	**10.21**	4.86	45.36	7.46
1 841	1 922	**0.73**	**8.98**	**1.46**	0.44	6.24	0.84
733	776	**1.50**	**16.24**	**2.71**	0.80	9.15	1.50
733	776	**1.46**	**16.26**	**2.67**	0.80	9.15	1.50
–	–	**14.29**	**10.81**	**13.91**	–	–	–
92	67	**0.47**	**5.98**	**0.86**	0.36	4.33	0.58
785	715	**0.54**	**6.73**	**1.13**	0.34	5.12	0.61
782	715	**0.53**	**6.73**	**1.12**	0.34	5.12	0.61
3	–	**1.47**	**–**	**1.47**	0.84	–	0.84
231	364	**0.54**	**8.35**	**1.44**	0.46	5.33	1.03
–	–	**–**	**–**	**–**	–	–	–
275	38	**0.71**	**–**	**0.71**	0.64	18.18	0.73
22	–	**0.08**	**–**	**0.08**	0.08	–	0.08
76	36	**–**	**–**	**–**	1.89	21.82	2.67
177	2	**2.23**	**–**	**2.22**	1.63	4.55	1.64
5 762	5 498	**1.03**	**11.30**	**1.93**	0.71	9.76	1.30
197	165	**1.57**	**19.66**	**3.56**	0.92	11.26	1.58
172	157	**0.81**	**19.13**	**2.97**	0.82	10.88	1.47
25	8	**8.36**	**36.36**	**9.40**	4.54	36.36	5.76
5 959	5 663	**1.03**	**11.34**	**1.94**	0.72	9.80	1.31

Credit continued

NOTE 3: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs As at 30 June		
R million	2020	2019	% change
Retail	**34 778**	25 609	36
Retail – secured	**21 472**	15 512	38
Residential mortgages	**11 662**	8 638	35
WesBank VAF	**9 810**	6 874	43
Retail – unsecured	**13 306**	10 097	32
FNB card	**3 675**	2 272	62
Personal loans	**7 424**	5 843	27
– FNB	**4 289**	3 421	25
– DirectAxis	**3 135**	2 422	29
– COVID-19 relief	**–**	–	–
Retail other	**2 207**	1 982	11
Corporate and commercial	**11 780**	7 855	50
FNB commercial	**7 030**	4 556	54
– FNB commercial	**7 030**	4 556	54
– SME government-guaranteed scheme	**–**	–	–
WesBank corporate	**874**	524	67
RMB investment banking*	**3 023**	2 434	24
– Lending	**3 023**	2 434	24
– Loans to private equity investee companies	**–**	–	–
RMB corporate banking*	**853**	341	>100
HQLA corporate advances**	**–**	–	–
FCC (including Group Treasury)	**142**	137	4
Securitisation notes	**–**	–	–
Discovery card	**–**	137	(100)
Other	**142**	–	–
Total stage 3/NPLs excluding MotoNovo	**46 700**	33 601	39
Total MotoNovo	**553**	604	(8)
– MotoNovo VAF	**543**	599	(9)
– MotoNovo loans	**10**	5	100
Total stage 3/NPLs including MotoNovo	**47 253**	34 205	38
Of which:			
Accrual book	**47 075**	34 027	38
Fair value book	**178**	178	–

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

** *Managed by the Group Treasurer.*

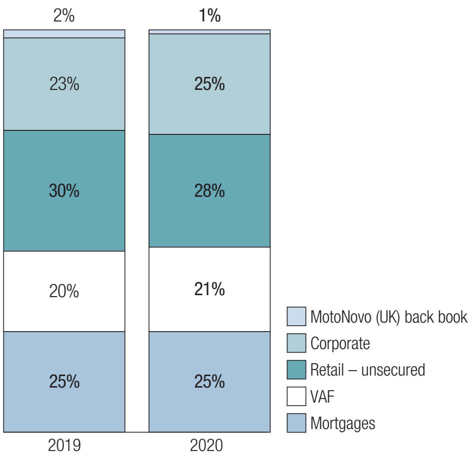
% composition	Stage 3/NPLs as a % of advances	
	As at 30 June	
2020	2020	2019
75	8.54	6.45
46	6.74	4.97
25	5.20	3.98
21	10.43	7.25
29	14.98	11.82
8	12.16	8.08
16	17.73	14.84
9	18.32	14.65
7	19.43	15.13
–	–	–
5	13.19	11.07
25	2.58	1.72
15	6.51	4.33
15	6.54	4.33
–	–	–
2	3.22	1.88
6	1.29	0.97
6	1.30	0.98
–	–	–
2	1.25	0.59
–	–	–
–	0.38	0.32
–	–	–
–	–	3.17
–	1.28	–
99	5.18	3.74
1	19	3.48
1	16	2.61
–	3	0.87
100	5.22	3.71
100	5.61	4.03
–	0.27	0.23

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs				Stage 3/NPLs as a % of advances	
	As at 30 June				As at 30 June	
R million	**2020**	2019	% change	**% composition 2020**	**2020**	2019
Sector analysis						
Agriculture	**2 253**	1 781	27	**5**	**5.50**	4.57
Financial institutions	**278**	224	24	**1**	**0.19**	0.14
Building and property development	**1 396**	1 154	21	**3**	**2.53**	2.31
Government, Land Bank and public authorities	**1 191**	79	>100	**3**	**5.81**	0.34
Individuals	**33 370**	25 162	33	**69**	**8.42**	6.15
Manufacturing and commerce	**2 909**	2 779	5	**6**	**2.62**	2.59
Mining	**887**	660	34	**2**	**4.09**	6.22
Transport and communication	**859**	337	>100	**2**	**3.75**	1.48
Other services	**4 110**	2 029	>100	**9**	**5.27**	2.60
Total stage 3/NPLs	**47 253**	34 205	38	**100**	**5.22**	3.71
Geographical analysis						
South Africa	**45 678**	32 702	40	**97**	**5.49**	3.90
Other Africa	**159**	268	(41)	**–**	**0.47**	0.88
UK	**553**	604	(8)	**1**	**3.98**	2.13
Other Europe	**1**	–	–	**–**	**0.01**	–
North America	**773**	566	37	**2**	**11.58**	29.10
Asia	**89**	65	37	**–**	**1.12**	0.71
Total stage 3/NPLs	**47 253**	34 205	38	**100**	**5.22**	3.71

NPL DISTRIBUTION



SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 30 June 2020			As at 30 June 2019		
R million	Stage3/NPLs	Security held and expected recoveries	Specific impairment	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
Retail	**34 778**	**18 921**	**15 857**	25 609	13 881	11 728
Retail – secured	**21 472**	**15 225**	**6 247**	15 512	11 498	4 014
Residential mortgages	**11 662**	**9 254**	**2 408**	8 638	6 967	1 671
WesBank VAF	**9 810**	**5 971**	**3 839**	6 874	4 531	2 343
Retail – unsecured	**13 306**	**3 696**	**9 610**	10 097	2 383	7 714
FNB card	**3 675**	**953**	**2 722**	2 272	524	1 748
Personal loans	**7 424**	**2 192**	**5 232**	5 843	1 414	4 429
– FNB	**4 289**	**1 328**	**2 961**	3 421	710	2 711
– DirectAxis	**3 135**	**864**	**2 271**	2 422	704	1 718
– COVID-19 relief	**–**	**–**	**–**	–	–	–
Retail other	**2 207**	**551**	**1 656**	1 982	445	1 537
Corporate and commercial	**11 780**	**6 876**	**4 904**	7 855	4 263	3 592
FNB commercial	**7 030**	**3 735**	**3 295**	4 556	2 253	2 303
– FNB commercial	**7 030**	**3 735**	**3 295**	4 556	2 253	2 303
– SME government-guaranteed scheme	**–**	**–**	**–**	–	–	–
WesBank corporate	**874**	**593**	**281**	524	345	179
RMB investment banking*	**3 023**	**1 928**	**1 095**	2 434	1 417	1 017
– Lending	**3 023**	**1 928**	**1 095**	2 434	1 417	1 017
– Loans to private equity investee companies	**–**	**–**	**–**	–	–	–
RMB corporate banking*	**853**	**620**	**233**	341	248	93
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
FCC (including Group Treasury)	**142**	**26**	**116**	137	16	121
Securitisation notes	**–**	**–**	**–**	–	–	–
Discovery card	**–**	**–**	**–**	137	16	121
Other	**142**	**26**	**116**	–	–	–
Total excluding MotoNovo	**46 700**	**25 823**	**20 877**	33 601	18 160	15 441
Total MotoNovo	**553**	**303**	**250**	604	364	240
– MotoNovo VAF	**543**	**303**	**240**	599	364	235
– MotoNovo loans	**10**	**–**	**10**	5	–	5
Total including MotoNovo	**47 253**	**26 126**	**21 127**	34 205	18 524	15 681

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

** *Managed by the Group Treasurer.*

Credit continued

NOTE 4: ANALYSIS OF BALANCE SHEET STAGE 3/SPECIFIC IMPAIRMENTS AND COVERAGE RATIOS

	Total stage 3/specific impairments		
	As at 30 June		
R million	**2020**	2019	% change
Specific impairments			
Retail	**15 857**	11 728	35
Retail – secured	**6 247**	4 014	56
Residential mortgages	**2 408**	1 671	44
WesBank VAF	**3 839**	2 343	64
Retail – unsecured	**9 610**	7 714	25
FNB card	**2 722**	1 748	56
Personal loans	**5 232**	4 429	18
– FNB	**2 961**	2 711	9
– DirectAxis	**2 271**	1 718	32
– COVID-19 relief	**–**	–	–
Retail other	**1 656**	1 537	8
Corporate and commercial	**4 904**	3 592	37
FNB commercial	**3 295**	2 303	43
– FNB commercial	**3 295**	2 303	43
– SME government-guaranteed scheme	**–**	–	–
WesBank corporate	**281**	179	57
RMB investment banking*	**1 095**	1 017	8
– Lending	**1 095**	1 017	8
– Loans to private equity investee companies	**–**	–	–
RMB corporate banking*	**233**	93	>100
HQLA corporate advances**	**–**	–	–
FCC (including Group Treasury)	**116**	121	(4)
Securitisation notes	**–**	–	–
Discovery card	**–**	121	(100)
Other	**116**	–	–
Total stage 3/specific impairments/implied loss given default excluding MotoNovo	**20 877**	15 441	35
Total MotoNovo	**250**	240	4
– MotoNovo VAF	**240**	235	2
– MotoNovo loans	**10**	5	100
Total stage 3/specific impairments/implied loss given default including MotoNovo	**21 127**	15 681	35

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

** *Managed by the Group Treasurer.*

Total stage 3/specific impairments	
Coverage ratios (% of stage 3/NPLs)	
As at 30 June	
2020	2019
45.6	45.8
29.1	25.9
20.6	19.3
39.1	34.1
72.2	76.4
74.1	76.9
70.5	75.8
69.0	79.2
72.4	70.9
–	–
75.0	77.5
41.6	45.7
46.9	50.5
46.9	50.5
–	–
32.2	34.2
36.2	41.8
36.2	41.8
–	–
27.3	27.3
–	–
81.7	88.3
–	–
–	88.3
81.7	–
44.7	46.0
45.2	39.7
44.2	39.2
100.0	100.0
44.7	45.8

Credit continued

NOTE 5: ANALYSIS OF BALANCE SHEET TOTAL IMPAIRMENTS AND COVERAGE RATIOS

	Balance sheet impairments		
	As at 30 June		
R million	**2020**	2019	% change
Total impairments			
Retail	**25 600**	18 912	35
Retail – secured	**9 563**	6 722	42
Residential mortgages	**3 916**	2 541	54
WesBank VAF	**5 647**	4 181	35
Retail – unsecured	**16 037**	12 190	32
FNB card	**4 201**	2 650	59
Personal loans	**8 697**	6 815	28
– FNB	**4 624**	4 078	13
– DirectAxis	**3 689**	2 737	35
– COVID-19 relief	**384**	–	–
Retail other	**3 139**	2 725	15
Corporate and commercial	**11 427**	7 355	55
FNB commercial	**6 028**	3 812	58
– FNB commercial	**5 980**	3 812	57
– SME government-guaranteed scheme	**48**	–	–
WesBank corporate	**506**	338	50
RMB investment banking*	**3 690**	2 517	47
– Lending	**3 685**	2 514	47
– Loans to private equity investee companies	**5**	3	67
RMB corporate banking*	**1 203**	688	75
HQLA corporate advances**	**–**	–	–
FCC (including Group Treasury)	**380**	434	(12)
Securitisation notes	**20**	22	(9)
Discovery card	**–**	233	(100)
Other	**360**	179	>100
Total impairments excluding MotoNovo	**37 407**	26 701	40
Total MotoNovo (UK) back book	**365**	602	(39)
– MotoNovo (UK) back book VAF	**327**	564	(42)
– MotoNovo (UK) back book loans	**38**	38	–
Total impairments including MotoNovo	**37 772**	27 303	38

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

** *Managed by the Group Treasurer.*

Balance sheet impairments							
As at 30 June						Coverage ratios (% of stage 3/NPLs)	
2020			2019			As at 30 June	
Stage 1	**Stage 2**	**Stage3**	Stage 1	Stage 2	Stage 3	**2020**	2019
4 788	**4 955**	**15 857**	3 646	3 538	11 728	**73.6**	73.8
1 277	**2 039**	**6 247**	952	1 756	4 014	**44.5**	43.3
731	**777**	**2 408**	360	510	1 671	**33.6**	29.4
546	**1 262**	**3 839**	592	1 246	2 343	**57.6**	60.8
3 511	**2 916**	**9 610**	2 694	1 782	7 714	**120.5**	120.7
917	**562**	**2 722**	555	347	1 748	**114.3**	116.6
1 812	**1 653**	**5 232**	1 415	971	4 429	**117.1**	116.6
791	**872**	**2 961**	857	510	2 711	**107.8**	119.2
637	**781**	**2 271**	558	461	1 718	**117.7**	113.0
384	**–**	**–**	–	–	–	**–**	–
782	**701**	**1 656**	724	464	1 537	**142.2**	137.5
2 950	**3 573**	**4 904**	1 841	1 922	3 592	**97.0**	93.6
1 394	**1 339**	**3 295**	733	776	2 303	**85.7**	83.7
1 350	**1 335**	**3 295**	733	776	2 303	**85.1**	83.7
44	**4**	**–**	–	–	–	**–**	–
114	**111**	**281**	92	67	179	**57.9**	64.5
1 119	**1 476**	**1 095**	785	715	1 017	**122.1**	103.4
1 114	**1 476**	**1 095**	782	715	1 017	**121.9**	103.3
5	**–**	**–**	3	–	–	**–**	–
323	**647**	**233**	231	364	93	**141.0**	201.8
–	**–**	**–**	–	–	–	**–**	–
264	**–**	**116**	275	38	121	**267.6**	316.8
20	**–**	**–**	22	–	–	**–**	–
–	**–**	**–**	76	36	121	**–**	170.1
244	**–**	**116**	177	2	–	**253.5**	–
8 002	**8 528**	**20 877**	5 762	5 498	15 441	**80.1**	79.5
45	**70**	**250**	197	165	240	**66.0**	99.7
21	**66**	**240**	172	157	235	**60.2**	94.2
24	**4**	**10**	25	8	5	**380.0**	760.0
8 047	**8 598**	**21 127**	5 959	5 663	15 681	**79.9**	79.8

Credit continued

NOTE 6: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge		
	Year ended 30 June		
R million	**2020**	2019	% change
Retail	**12 672**	6 963	82
Retail – secured	**4 110**	2 066	99
Residential mortgages	**1 411**	232	>100
WesBank VAF	**2 699**	1 834	47
Retail – unsecured	**8 562**	4 897	75
FNB card	**1 997**	937	>100
Personal loans	**4 899**	2 675	83
– FNB	**2 447**	1 296	89
– DirectAxis	**2 068**	1 379	50
– COVID-19 relief	**384**	–	–
Retail other	**1 666**	1 285	30
Corporate and commercial	**5 275**	883	>100
FNB commercial	**2 949**	750	>100
– FNB commercial	**2 901**	750	>100
– SME government-guaranteed scheme	**48**	–	–
WesBank corporate	**249**	82	>100
RMB investment banking*	**1 454**	26	>100
– Lending	**1 452**	26	>100
– Loans to private equity investee companies	**2**	–	–
RMB corporate banking*	**623**	25	>100
HQLA corporate advances**	**–**	–	–
FNB Africa	**28**	–	–
FCC (including Group Treasury)	**116**	93	25
Securitisation notes	**(2)**	(3)	(33)
Discovery card	**–**	90	(100)
Other	**118**	6	>100
Total impairment charge excluding MotoNovo	**18 091**	7 939	>100
Total MotoNovo	**178**	521	(66)
– MotoNovo VAF	**162**	544	(70)
– MotoNovo loans	**16**	(23)	(>100)
Total impairment charge including MotoNovo	**18 269**	8 460	>100
Portfolio impairments charge	**6 872**	1 764	>100
Specific impairments charge	**11 397**	6 696	70

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

** *Managed by the Group Treasurer.*

As a % of average advances	
Year ended 30 June	
2020	2019
3.15	1.81
1.30	0.68
0.64	0.11
2.86	1.94
9.83	6.27
6.85	3.68
12.06	7.49
10.46	6.39
12.87	8.93
32.99	–
9.62	7.60
1.15	0.20
2.77	0.75
2.73	1.43
27.83	–
0.90	0.27
0.60	0.01
0.60	0.01
0.57	–
0.99	0.05
–	–
–	–
0.29	0.22
(0.01)	(0.01)
–	2.07
1.07	0.05
2.01	0.92
1.31	2.13
1.23	2.30
3.61	(2.85)
2.00	0.95
0.75	0.20
1.25	0.75

Credit continued

RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet amortised cost impairments and fair value credit adjustments.

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book		Fair value book		Total book	
	As at 30 June		As at 30 June		As at 30 June	
R million	**2020**	2019	**2020**	2019	**2020**	2019
Non-performing book	**21 007**	15 681	**120**	–	**21 127**	15 681
Performing book	**16 035**	11 307	**610**	315	**16 645**	11 622
Total balance sheet impairments	**37 042**	26 988	**730**	315	**37 772**	27 303

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 30 June		
R million	**2020**	2019	% change
Opening balance	**27 303**	23 078	18
Transfers to non-current assets held for sale	**(42)**	–	–
(Disposals)/acquisitions	**(247)**	(155)	59
Exchange rate difference	**334**	3	>100
Bad debts written off	**(12 023)***	(7 388)	63
Net new impairments created	**19 596**	10 251	91
Net interest recognised on stage 3 advances	**2 851**	1 514	88
Closing balance	**37 772**	27 303	38

* *During the reporting period the impact of the extension of the bank's write-off point from six to 12 months started to mature, leading to a significant increase in bad debts written off in the retail portfolios.*

The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

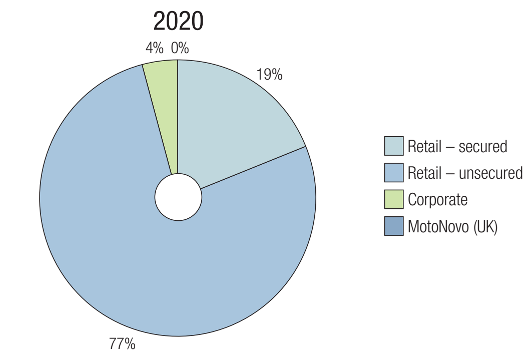
INCOME STATEMENT IMPAIRMENTS

	Year ended 30 June		
R million	**2020**	2019	% change
Specific impairment charge	**12 790**	8 515	50
– Specific impairment charge – amortised cost	**12 670**	8 515	49
– Credit fair value adjustments – non-performing book	**120**	–	–
Portfolio impairment charge	**6 806**	1 736	>100
– Portfolio impairment charge – amortised cost	**6 528**	1 701	>100
– Credit fair value adjustments – performing book	**278**	35	>100
Total impairments before recoveries and modifications	**19 596**	10 251	91
Modification losses	**758**	625	21
– COVID-19 relief	**–**	–	–
– Debt review and other	**758**	625	21
Recoveries of bad debts written off	**(2 085)**	(2 416)	(14)
Total impairments	**18 269**	8 460	>100

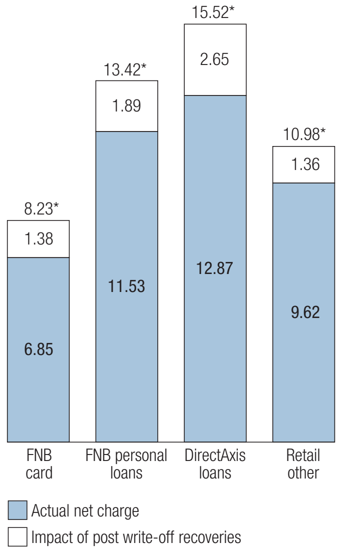
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R2 085 million (June 2019: R2 416 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES
%



* *Gross of recoveries (%).*

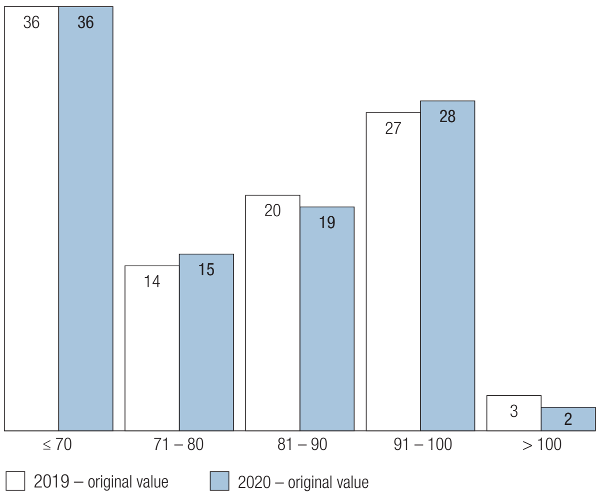
Credit continued

RISK ANALYSIS

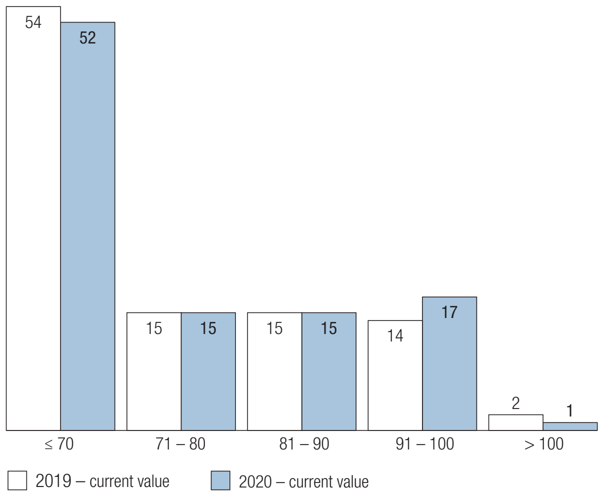
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

Loan-to-value (LTV) ratios for new business are an important consideration in the credit origination process. The group, however, places more emphasis on counterparty creditworthiness as opposed to relying only on the underlying security. LTVs have increased due to increased loan extension to main-banked clients, with higher LTVs offered to better-rated existing clients.

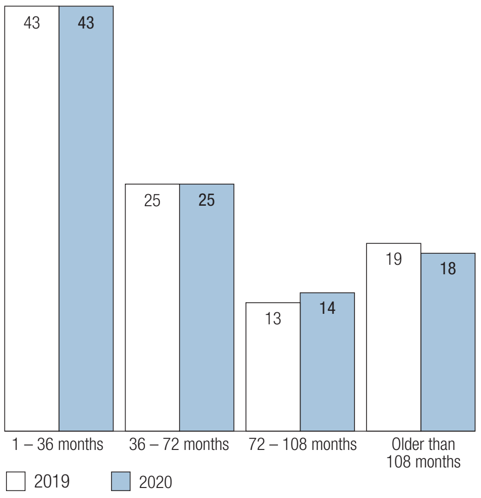
RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



RESIDENTIAL MORTGAGES
AGE DISTRIBUTION TOTAL
%



Note: The above loan balance-to-value ratios and age distributions have been restated to only include performing accounts.

The overall vintage performance across portfolios deteriorated in the last quarter of the financial year given the impact of the pandemic and resultant lockdowns. A considerable number of risk mitigation actions were implemented across the retail portfolios. New payouts decreased in the fourth quarter compared to the same period in 2019 due to strengthened underwriting criteria, reduced demand and the partial closure of deeds offices over this period. As such, credit growth remained weak compared to prior years.

Vintage performance metrics were also affected by relief measures provided to customers who suffered income loss during the lockdown period. Specifically, agreements under relief did not roll into default. For the calculation of vintage performance, exposures that were subject to COVID-19 relief are excluded from the point of relief.

Vintages have been adjusted to allow for the reduced period that these accounts would have been at risk of default. To provide an indication of the extent to which different charts observed 12-month vintage performance, the vintage graph includes a breakdown of exposures originated per month and which subsequently took COVID-19 relief within the first year. As COVID-19 relief was offered from March 2020, this breakdown reflects new business charts from April 2019.

FNB residential mortgages

The following graph shows arrears in the residential mortgage portfolio. It includes accounts with at least one payment in arrears, expressed as a percentage of total advances. Early arrears increased considerably during lockdown but started to show recovery in June 2020 as lockdown eased.

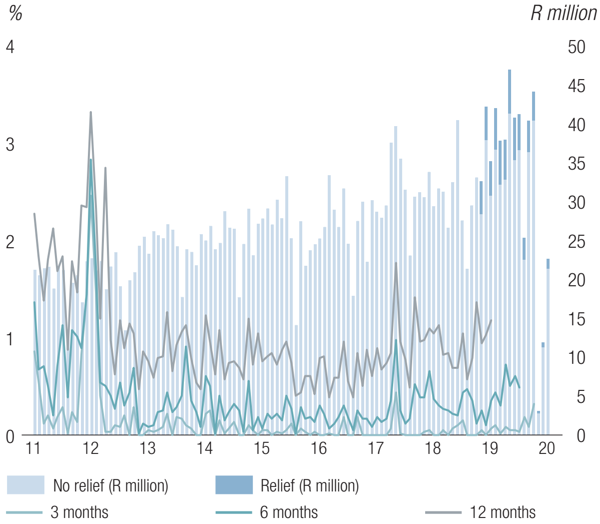
FNB RESIDENTIAL MORTGAGE ARREARS

FNB continues to pursue a risk-adjusted approach to residential mortgage origination, which has yielded positive results in managing the risk-return profile. New vintages remain stable and within risk triggers, however, an increase has been noted in the six- and 12-month vintages for origination since May 2019, impacted by lockdown measures.

The vintage metrics were partially affected by payment relief offered, with c.12% of business originated since May 2019 opting for payment relief within a year of origination.

This will be closely monitored for post-relief payment experience. Underwriting criteria have been tightened for new business originated from April 2020 onwards.

FNB RESIDENTIAL MORTGAGE VINTAGE ANALYSIS



Credit continued

FNB card

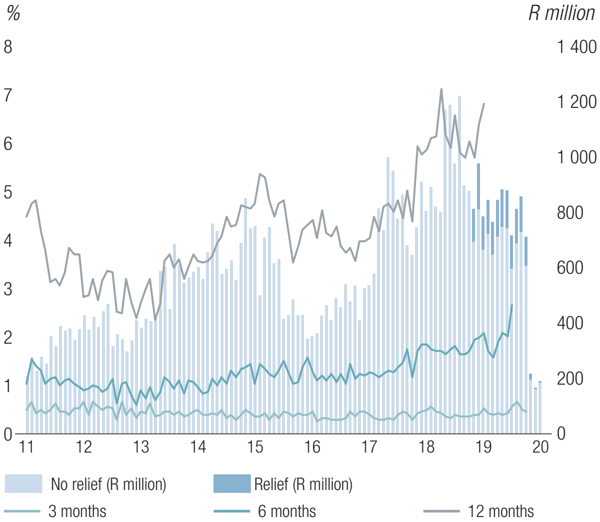
The vintage analysis below includes new credit card sales and credit limit increases granted.

Vintages show that the previously reducing trend has reverted to an increasing trend, with increases in the six- and 12-month vintages for originations since May 2019, showing the effects of lockdown.

The vintages were partially affected by payment relief offered, with c.16% of business originated since May 2019 opting for payment relief within the first year of origination.

Post-relief payment experience will be closely monitored. Risk criteria were tightened for new business originated from April 2020.

FNB CARD VINTAGE ANALYSIS



Note: Credit card vintages have been restated to include new credit card sales as well as any credit limit increases. Vintages were previously based on new credit card sales only.

FNB personal loans

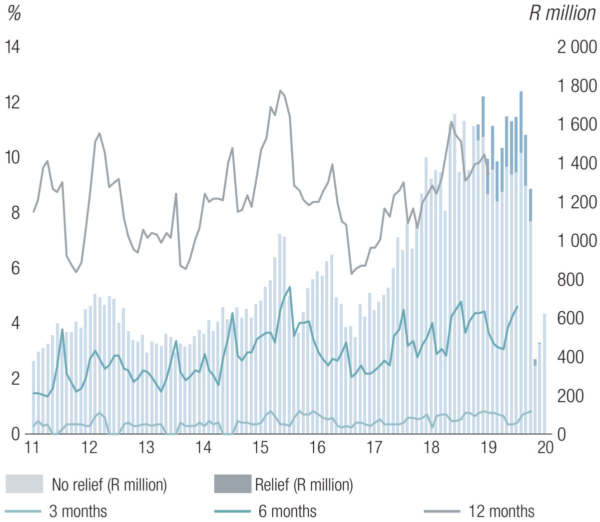
New vintages remain within risk triggers, however, an increase in the three- and six-month vintages was noted for origination since September 2019, and further showing the effects of lockdown measures.

These vintage metrics were partially impacted by payment relief offered, with c.15% of business originated since September 2019 opting for payment relief within the first year of origination.

Post-relief payment experience will be closely monitored. Underwriting criteria were tightened for new business originated from April 2020.

Despite the current challenging macro conditions, overall performance remains within thresholds.

FNB PERSONAL LOANS VINTAGE ANALYSIS



Note: Personal loans vintages have been restated to normalise for "take a break" (i.e. where customers do not need to make a payment in January). The vintage points were therefore restated to accommodate fewer payments due when the period includes a "take a break" month.

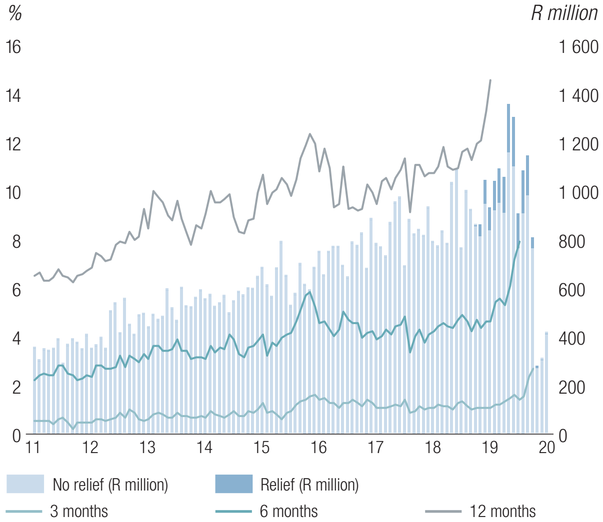
DirectAxis loans

New vintages in DirectAxis exceeded 12-month risk triggers for origination since May 2019, with default rates accelerating during lockdown. Corresponding increases in the three- and six-month vintages are evident for origination since October 2019 and February 2020, respectively. Strong risk mitigation actions were implemented in April 2019.

The vintage metrics are partially affected by payment relief offered, with c.13% of business originated since September 2019 opting for payment relief within the first year of origination.

Post-relief payment experience will be closely monitored. Underwriting criteria were tightened for new business originated since April 2020.

DIRECTAXIS LOANS VINTAGE ANALYSIS

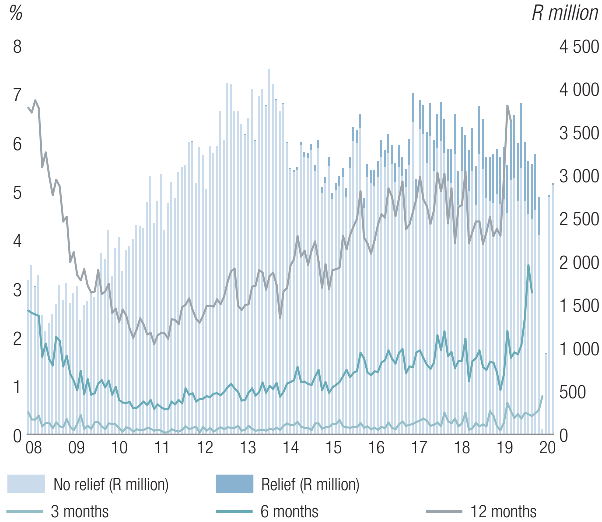


Note: The DirectAxis debt review accounts are reflected as default (12-month vintage), aligned to FNB personal loans since July 2018. Prior to this date, debt review was reflected in their respective stages.

WesBank retail VAF

As anticipated, default rates in WesBank VAF retail show increased strain due to lockdown. This is despite the credit risk tightening changes made in 2019 and WesBank's focus on origination in low-risk buckets. Prior to COVID-19, the improving trend in vintages was evident. The majority of payment relief accounts have been on the books longer than 12 months.

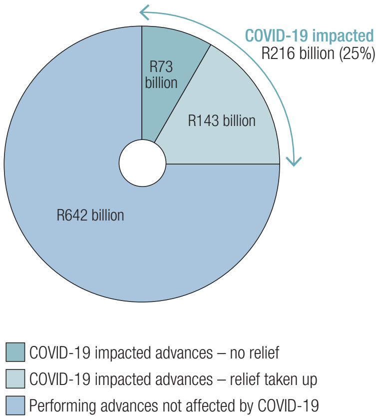
WESBANK RETAIL VAF VINTAGE ANALYSIS



Credit continued

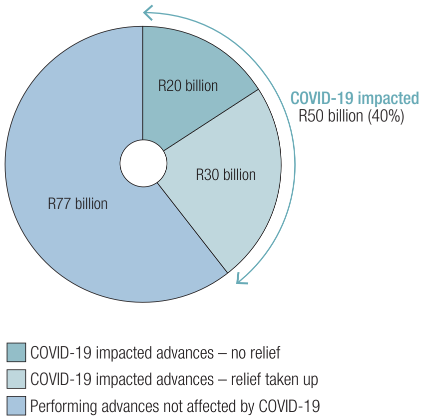
The graphs below provide additional information on the sectors most significantly impacted by COVID-19.

TOTAL BANK (PERFORMING BOOK)*

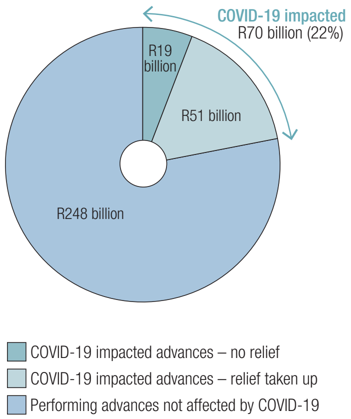


* *Includes FCC and MotoNovo.*

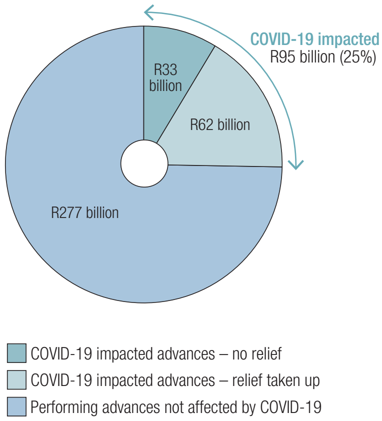
COMMERCIAL (PERFORMING BOOK)



CORPORATE (PERFORMING BOOK)

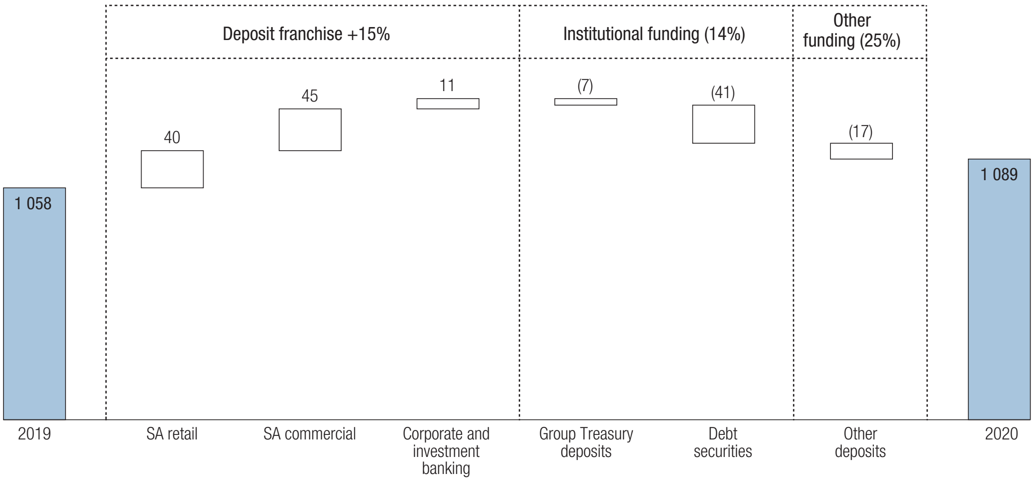


RETAIL (PERFORMING BOOK)



Deposits – up 3%

FUNDING GROWTH BY SEGMENT*
R billion



** Includes debt securities and securitisations.*

KEY DRIVERS

- FNB's deposits increased 17%.
  - Retail deposits grew 16% supported by ongoing new customer acquisition and money management engagements with customers to simplify savings outcomes. Reduced spending and lower withdrawals from notice products during COVID-19 contributed to growth in the second half of the financial year. At June 2020, FNB ranked first in household deposits*.
  - Commercial deposits increased 19%, driven by proactive client engagement, digitisation, and innovative deposit solutions. The COVID-19 crisis also led to growth during the second half of the financial year as clients sought safety in bank deposit products.
- Growth in RMB CIB's deposit base was driven by increased liquidity positions of clients through COVID-19 interventions which were placed back with RMB, specifically in the corporate bank.
- The decline in institutional funding is a result of continued optimisation of the bank's funding profile as well as the impact of the COVID-19 crisis as:
  - demand for fixed deposits and negotiable certificates of deposit (NCDs) from institutional investors decreased;
  - there was reduced issuance of debt securities and floating rate notes (FRNs); and
  - the bank redeemed a US dollar senior bond and other short-dated loans.
- The overall reduction in other deposits was due to reduced client demand for repurchase agreements and a decrease in cash collateral received.

** Source: BA900, 30 June 2020.*

Funding and liquidity

The group aims to fund its activities in an efficient and flexible manner, from diverse and sustainable funding pools, whilst operating within prudential limits and incorporating rating agency requirements. The group's objective is to maintain and enhance its deposit market share by appropriately rewarding depositors, and targets a funding profile with natural liquidity risk offsets. Due to the liquidity risk introduced by its business activities, the group optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner.

Compliance with prudential liquidity ratios influences the group's funding strategy, particularly as it seeks to price appropriately for liquidity on a risk-adjusted basis. The group continues to offer innovative and competitive products to further grow its deposit franchise whilst also optimising its institutional funding profile. These initiatives continue to improve the group's funding and liquidity profile.

The bank entered the COVID-19 crisis in a strong liquidity position and remains well funded, with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA issued *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period,* which temporarily reduced the prudential LCR requirement from 100% to 80%, effective 1 April 2020. The pandemic continues to impact the South African economy negatively, and key risk metrics and early warning indicators are closely monitored. The bank regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FirstRand continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

FUNDING MANAGEMENT

South Africa is characterised by a low discretionary savings rate and a higher degree of contractual savings captured by institutions (pension funds, life insurers and asset managers). A portion of these contractual savings translate into banks' institutional funding, which is riskier from a liquidity perspective than funding raised through banks' deposit franchises. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. This risk is, however, to some extent mitigated by the following market dynamics:

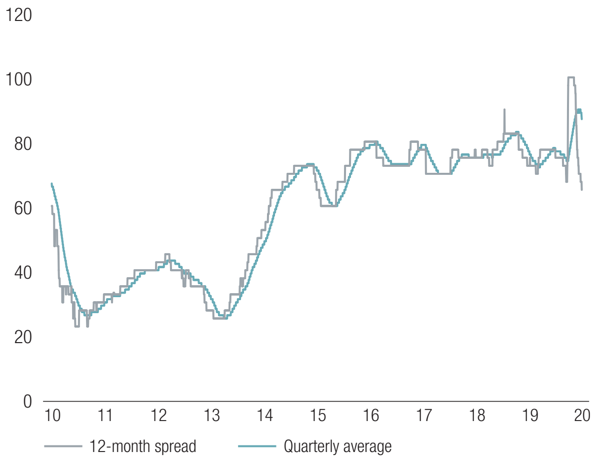
- concentration of customer current accounts with the large South African banks;
- the closed rand system, where rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- the prudential exchange control framework; and
- South African banks' low dependence on foreign currency funding.

Considering the structural features of the South African market, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, enabling it to meet prudential liquidity requirements.

In line with the South African banking industry, the bank raises a large proportion of its funding from the institutional market. To maximise efficiency and flexibility in accessing institutional funding opportunities, both domestic and international debt programmes are utilised. The bank's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This strategy enables the bank to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

The following graph is indicative of the market cost of institutional funding, measured as the spread paid on the bank's 12-month money market instruments. Funding spreads drifted lower in early 2020, rising abruptly following the onset of the COVID-19 crisis. Spreads breached global financial crisis levels and remained elevated from March to May 2020. Funding spreads started to normalise in late May 2020, as liquidity relief measures took effect and market volatility subsided, with spreads returning to pre-crisis levels by the end of the financial year.

12-MONTH MID-MARKET FUNDING SPREAD
bps



Sources: Bloomberg (RMBP screen) and Reuters.

The following graph illustrates that longer-dated funding spreads have remained elevated for some time. Since 2016, however, funding spreads for maturities greater than three years have started trending downwards, interrupted by the upward COVID-19 spike.

LONG-TERM FUNDING SPREADS
bps

Sources: Bloomberg (RMBP screen) and Reuters.

Funding measurement and activity

FirstRand Bank remains the primary debt-issuing entity in the group and generates a greater proportion of its funding from deposits compared to the South African industry aggregate. Its funding profile also reflects the structural features described previously.

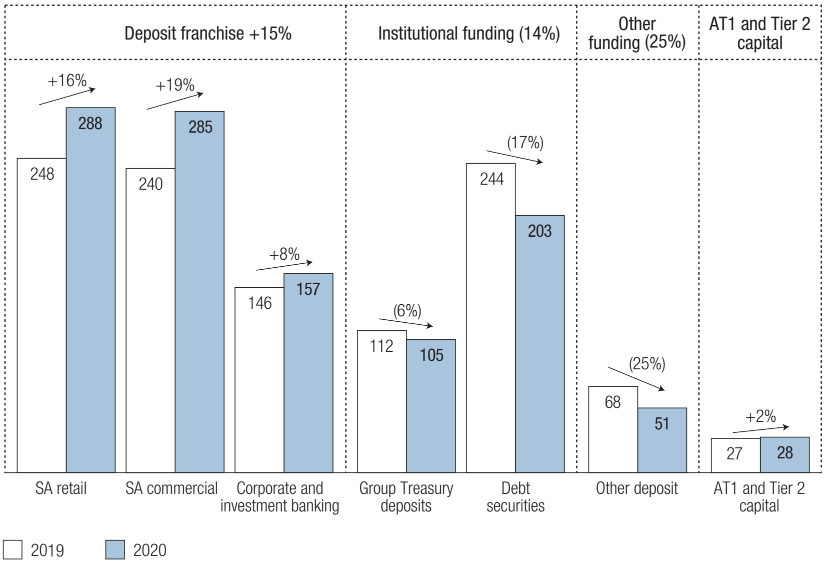
The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise remains the most efficient and stable source of funding, representing 65% of total bank (including foreign branches) funding liabilities at June 2020 (2019: 59%).

Growing the deposit franchise across all market segments remains the bank's primary focus from a funding perspective, with continued emphasis on savings and investment products. The bank continues to develop and refine its product offering to attract a greater proportion of available funding with improved client pricing adjusted for source and behaviour. In addition to customer deposits, the bank accesses the domestic money markets frequently and the debt capital markets from time to time. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis, with strong support from domestic and international investors.

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

FUNDING PORTFOLIO GROWTH*

R billion



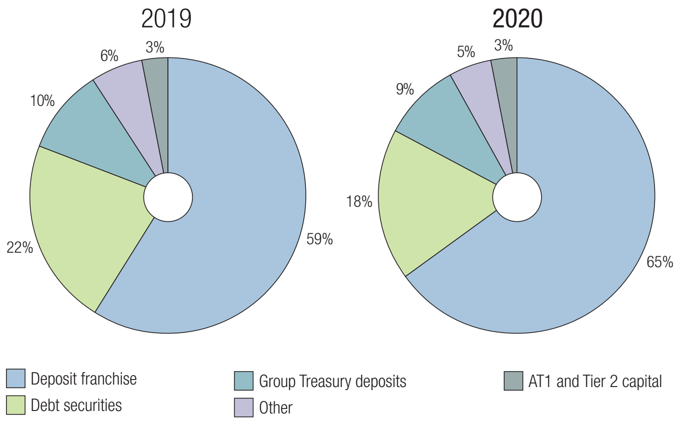
* *Includes debt securities and securitisations.*

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

Funding and liquidity continued

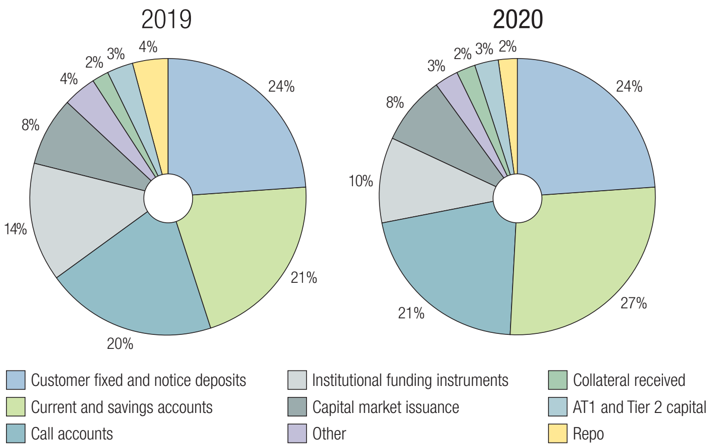
The graphs below show that the bank's funding mix has improved, with further growth in deposits relative to institutional funding sources.

FUNDING MIX



The following graph illustrates the bank's funding instruments by type.

FUNDING BY INSTRUMENT TYPE

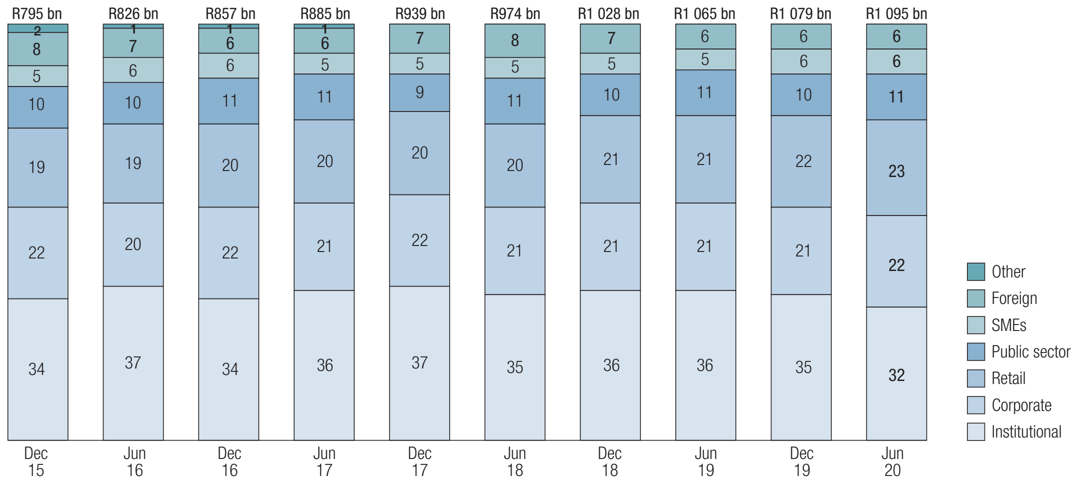


The bank's strategy to grow its deposit and transactional banking franchise naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's transactional and savings requirements, when viewed in aggregate overall portfolio activity is more stable, resulting in an improved liquidity risk profile.

The table below provides an analysis of the bank's (excluding foreign branches) funding sources by counterparty type.

	As at 30 June				
	2020				2019
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	Total
Institutional funding	**31.7**	**10.7**	**4.0**	**17.0**	36.1
Deposit franchise	**68.3**	**54.8**	**7.9**	**5.6**	63.9
Corporate	**22.1**	**19.3**	**2.1**	**0.7**	20.3
Retail	**23.0**	**18.2**	**3.3**	**1.5**	20.8
SMEs	**5.6**	**4.7**	**0.6**	**0.3**	5.3
Governments and parastatals	**11.0**	**9.5**	**1.1**	**0.4**	11.1
Foreign	**6.6**	**3.1**	**0.8**	**2.7**	6.3
Other	**–**	**–**	**–**	**–**	0.1
Total	**100.0**	**65.5**	**11.9**	**22.6**	100.0

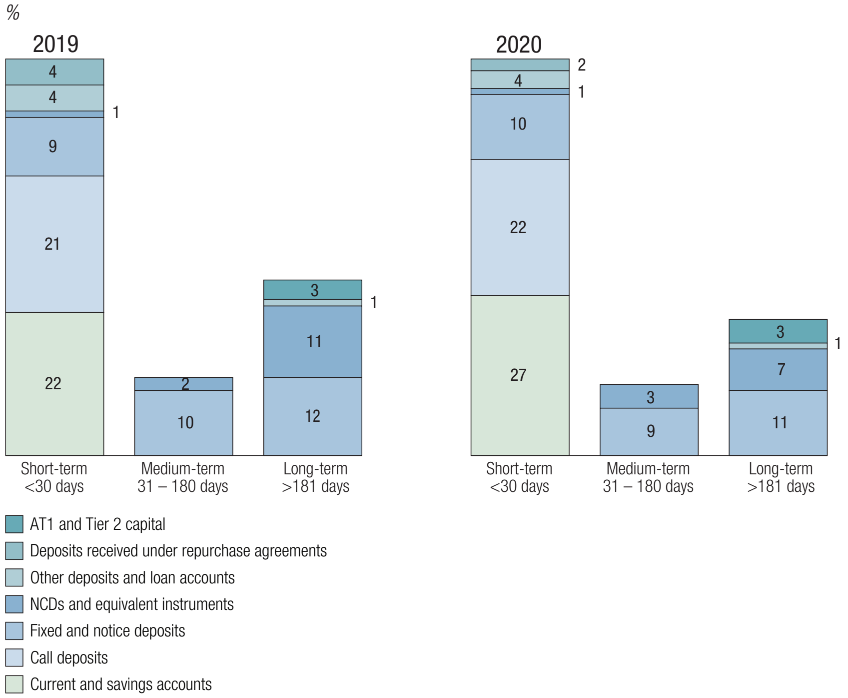
BANK FUNDING ANALYSIS BY SOURCE*
%



* *Excludes foreign branches.*

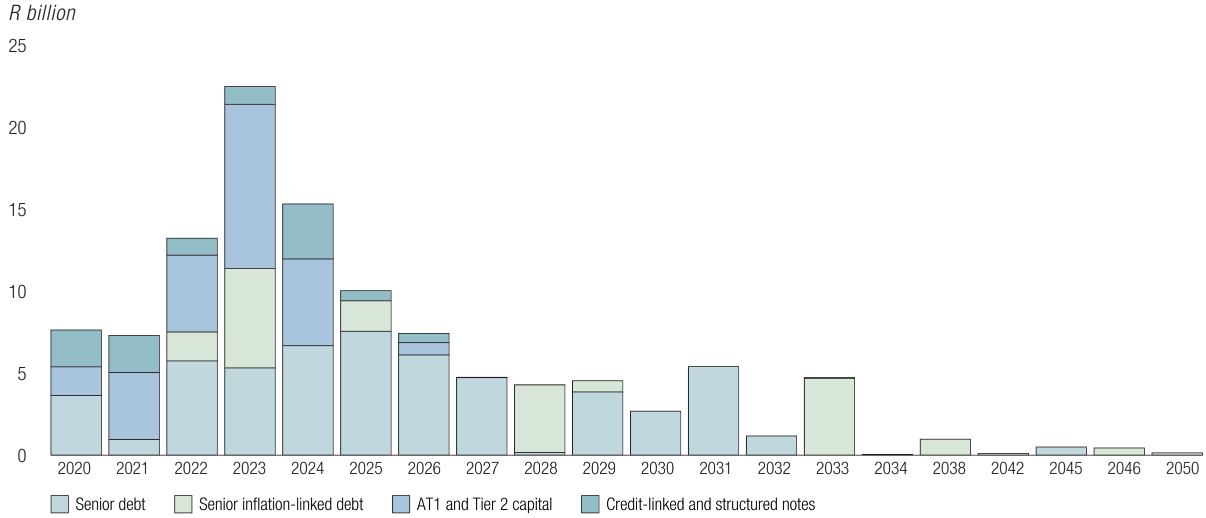
Funding and liquidity continued

FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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 efficiently issue across the maturity spectrum, taking pricing and investor demand into consideration.

MATURITY PROFILE OF FIRSTRAND BANK* CAPITAL MARKET INSTRUMENTS



* *Including foreign branches.*

Funds transfer pricing

The group operates a funds transfer pricing framework which incorporates liquidity costs and benefits as well as regulatory friction costs in product pricing and performance measurement for all on- and off-balance sheet activities. Where fixed-rate commitments are undertaken (fixed-rate loans or fixed-rate deposits), transfer pricing also includes the cost of hedges to immunise business against interest rate risk. Businesses are effectively incentivised to:

- enhance and preserve funding stability;
- ensure that asset pricing is aligned to liquidity risk appetite;
- reward liabilities in accordance with behavioural characteristics and maturity profile; and
- manage contingencies with respect to potential funding drawdowns.

FOREIGN CURRENCY BALANCE SHEET

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

MotoNovo

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform, with new business funded via a combination of on-balance sheet deposits, institutional and structured funding.

MotoNovo's back book (originated prior to May 2019) forms part of the bank's London branch and remains funded through existing funding mechanisms. This book continues to run down through attrition and asset sales, releasing funding capacity to be redeployed as required.

Risk management approach

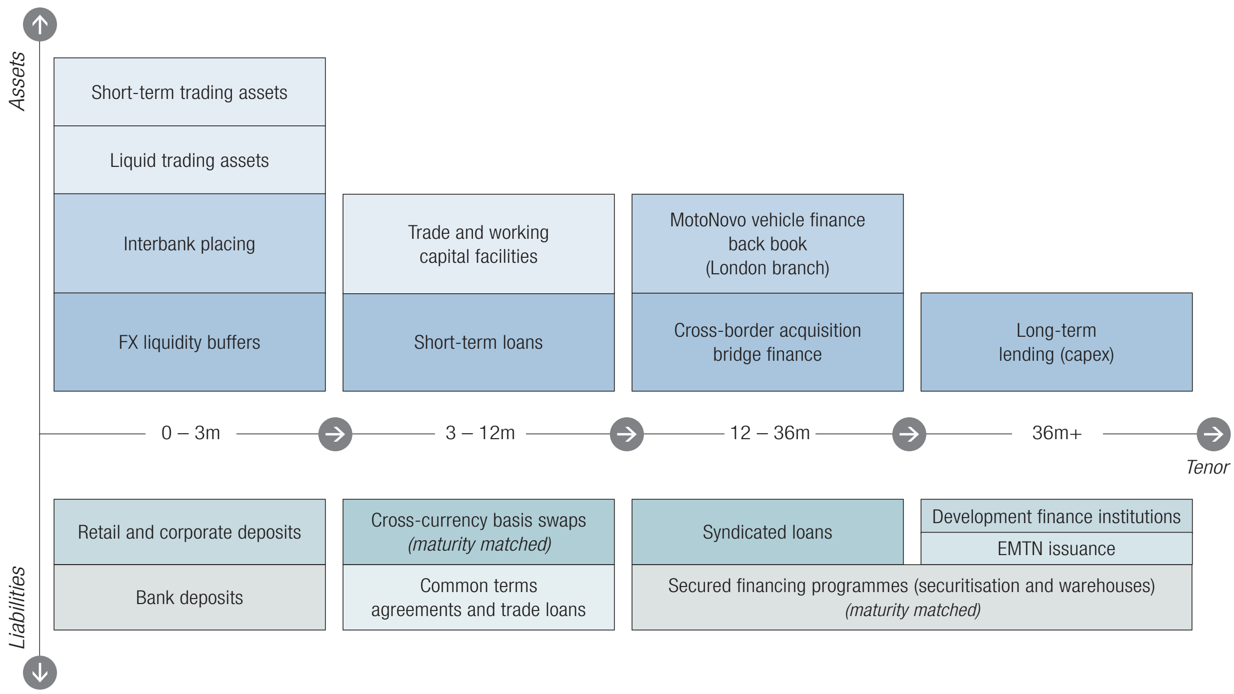
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 9/2016*, issued by the SARB. From a risk management perspective, the group utilises internally derived foreign currency balance sheet measures based on its economic risk assessment and has set internal limits below those allowed by the macro-prudential framework. This limit applies to the group's exposure to foreign branches, foreign currency assets and guarantees.

FirstRand's foreign currency activities, specifically lending and trade finance, have steadily increased over the past few years. It is, therefore, important to have a sound framework for the assessment and management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing.

Philosophy on foreign currency external debt

The key determinants of an institution's ability to fund and refinance foreign currency exposures is sovereign risk and its associated external financing requirement. The group's framework for the management of external debt considers sources of sovereign risk, foreign currency funding capacity, and the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the group considers the external debt of all South African entities (private and public sector, and financial institutions), as all these entities utilise the South African system's capacity, namely confidence and export receipts. The group thus employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than that allowed by regulations.

GRAPHICAL REPRESENTATION OF THE BANK'S FOREIGN CURRENCY BALANCE SHEET



Funding and liquidity continued

LIQUIDITY RISK POSITION

The following table summarises the available sources of liquidity for the bank's South African operations.

COMPOSITION OF LIQUID ASSETS

	As at 30 June	
R billion	**2020**	2019
Cash and deposits with central banks	**43**	32
Government bonds and bills	**155**	135
Other liquid assets	**51**	55
Total liquid assets	**249**	222

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

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The portfolio of high-quality liquid assets is continuously assessed and actively managed to ensure optimal composition, cost and quantum.

Liquidity ratios for the bank at June 2020 are summarised below.

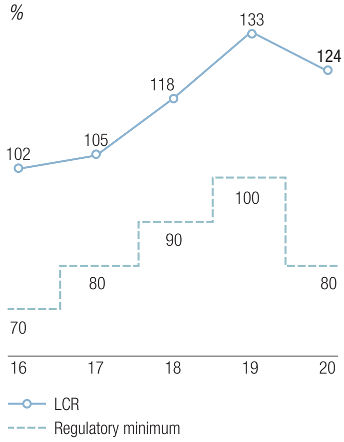
%	LCR*	NSFR*
Regulatory minimum**	80	100
Actual	124	116

* *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 2020 for FirstRand Bank South Africa.*

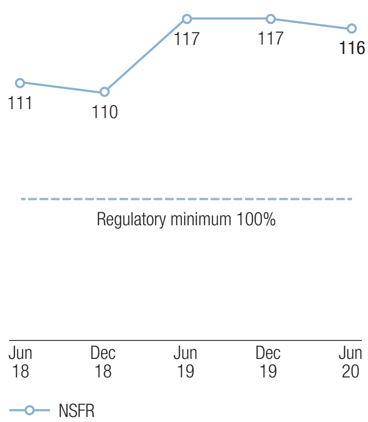
** *In line with Directive 1 of 2020, the LCR requirement reduced from 100% to 80%, effective 1 April 2020. There were no changes to the NSFR minimum requirement.*

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

LCR
%



NSFR
%



Funding from institutional clients is a large contributor to the bank's net cash outflows as measured under the LCR. Other significant contributors to cash outflows are corporate funding and off-balance sheet facilities granted to clients. The bank continues to execute on strategies to increase deposit franchise funding and reduce reliance on institutional sources.

Capital

The bank actively manages capital aligned to strategy and risk appetite/profile. The optimal level and composition of capital is determined after taking the following into account:

- prudential requirements, including any prescribed buffer;
- rating agencies' considerations;
- investor expectations;
- peer comparison;
- strategic and organic growth plans;
- economic and regulatory capital requirements;
- proposed regulatory, tax and accounting changes;
- macro environment and stress test impacts; and
- issuance of capital instruments.

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, which include expansion initiatives, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FRB actively manages its capital stack to ensure an efficient capital structure, closely aligned to bank internal targets.

Economic capital (EC) is incorporated in the bank's internal target assessment, specifically focusing on the level of loss-absorbing capital required to cover the bank's economic risk. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. The bank continues to enhance the use of EC 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 commitment to stakeholders over a one-year horizon.

Regular reviews of the EC position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. At 30 June 2020, the bank reported an EC multiple (loss-absorbing capital/EC requirement) of 1.6 times on a post-diversification basis.

YEAR UNDER REVIEW

In response to the COVID-19 pandemic, the PA implemented temporary measures to provide additional capacity to counter economic risks to the financial system and promote ongoing lending to the economy. The PA published *Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic*, which temporarily reduced the Pillar 2A capital requirement from 1% to 0% effective 6 April 2020. Banks in South Africa will also be allowed to draw down against the capital conservation buffer as the PA considers this to be a period of financial stress. The minimum leverage ratio requirement has not been adjusted for any COVID-19 relief measures.

Directive 4 of 2020, Capital framework for South Africa based on the Basel III framework, was also published on 27 August 2020, and incorporated the reduction in the Pillar 2A capital requirement to 0%. Banks are also required to disclose their domestic systemically important bank (D-SIB) add-ons as part of its regulatory disclosures. The D-SIB requirement for the bank is 1.5%.

In addition, the Prudential Regulation Authority reduced the UK countercyclical buffer (CCyB) requirement from 1% to 0% in March 2020. This reduced the bank's CCyB requirement from 5 bps at 30 June 2019 to nil at 30 June 2020.

The bank's internal targets have not been adjusted for the COVID-19 temporary relief measures as they are aligned to the minimum requirements incorporating a fully phased-in Pillar 2A requirement.

FRB maintained a strong CET1 ratio with buffers in excess of the regulatory minimums. The bank's capital and leverage ratios at 30 June are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.0	8.5	10.5	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits**				
FRB including foreign branches#				
2020	**12.3**	**12.8**	**15.7**	**6.7**
2019	13.4	14.0	16.8	7.2
FRB excluding foreign branches				
2020	**11.9**	**12.4**	**15.5**	**6.4**
2019	13.2	13.8	16.8	6.8

* *Excludes the bank-specific requirements, i.e. individual capital requirement (Pillar 2B) and D-SIB add-on.*

** *Includes the transitional impact of IFRS 9.*

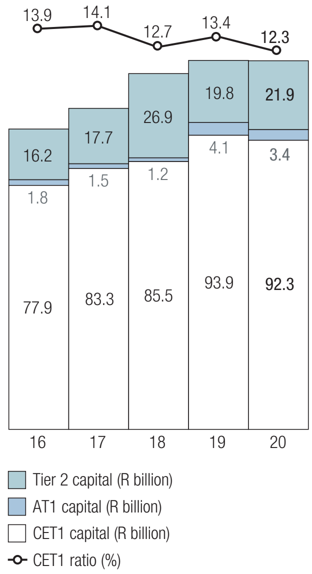
Ratios excluding unappropriated profits are CET1 of 12.3%, Tier 1 of 12.7%, total capital adequacy of 15.7% and a leverage ratio of 6.7%. Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for further detail.

Capital continued

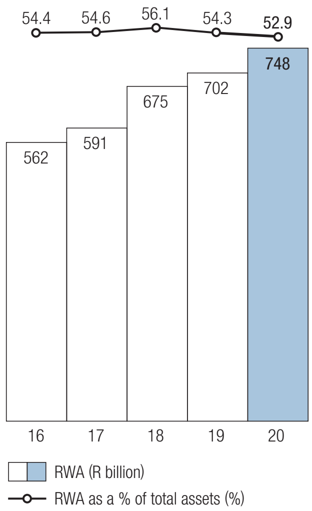
The capital and leverage information included in the following sections relate to FRB including foreign branches.

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

CAPITAL ADEQUACY*



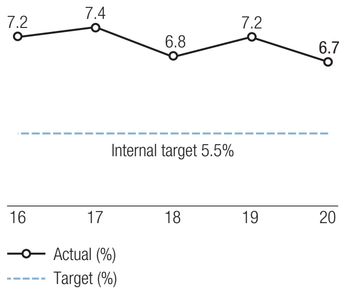
RWA HISTORY



** Includes unappropriated profits.*

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 2020 mainly relates to a decrease in the Tier 1 capital and an increase in total exposures.

LEVERAGE*



** Includes unappropriated profits.*

Note: 2016 to 2018 figures are based on IAS 39 and 2019 to 2020 figures on IFRS 9.

Supply of capital

The tables below summarise the bank's qualifying capital components and related movements.

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2020**	2019
CET1 capital	**92 318**	93 886
Tier 1 capital	**95 730**	98 006
Total qualifying capital	**117 666**	117 836

* *Includes unappropriated profits of R354 million. Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for a detailed breakdown of the composition of capital.*

KEY DRIVERS: 2020 vs 2019

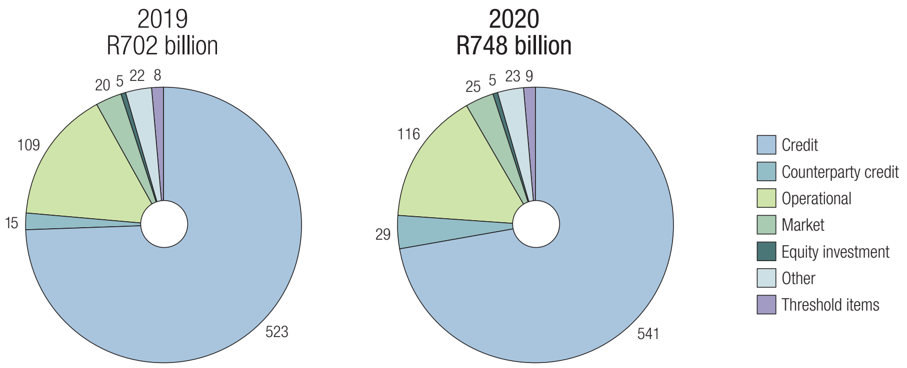
CET1	▼	• Net earnings generation was negatively impacted by COVID-19. • Reduction in CET1 due to the transitional impact of IFRS 9.
AT1	▼	• Impairment for intergroup AT1 investment partly offset by additional tap issuance in July 2019.
Tier 2	▲	• Benefit from foreign currency translation movements and increased surplus provisions over expected losses, partly offset by the redemption of the FRB15 in March 2020.

Capital continued

Demand for capital

The charts and table below summarise the year-on-year movements in RWA.

RWA ANALYSIS



KEY DRIVERS: 2020 vs 2019

Credit	↑	• Increase due to risk migration, impact of rating downgrades on corporate exposures and depreciation of the rand. • Organic growth at muted levels was partly offset by financial resource optimisation strategies.
Counterparty credit	↑	• Increased risk positions and mark-to-market movements on the back of rand depreciation against major currencies.
Operational	↑	• Recalibration of risk scenarios and increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach. • Increase in gross income for entities on the standardised approach.
Market risk	↑	• Market volatility due to the COVID-19 pandemic and rating downgrades were partly offset by the reduced market risk multiplier and refinement of methodologies.
Other risks	↑	• An increase in property and equipment due to implementation of IFRS 16 on 1 July 2019 and growth in other assets.
Threshold items	↑	• Increase in the deferred income tax assets, including the transitional impact of IFRS 9, partly offset by a decrease in investments in financial and banking entities.

Capital adequacy position for the bank and its foreign branches

The bank's registered 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 foreign branches must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each foreign branch 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 regulatory and economic capital requirements. Capital generated by branches in excess of targeted levels is returned to FRB, usually in the form of a return of profits. During the year, no restrictions were experienced on the repayment of profits to the bank.

The minimum requirements, RWA and capital adequacy positions of FRB and its regulated foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FRB AND ITS FOREIGN BRANCHES

	As at 30 June				
	2020				2019
	Total minimum requirement %	RWA* R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)					
FirstRand Bank**, #		**748 079**	**12.8**	**15.7**	16.8
FirstRand Bank South Africa**		**703 893**	**12.4**	**15.5**	16.8
FirstRand Bank London	**10.5†**	**41 603**	**14.8**	**15.9**	12.2
FirstRand Bank India		**2 615**	**31.5**	**31.8**	29.8
FirstRand Bank Guernsey		**512**	**12.9**	**12.9**	16.7

* *RWA for entities outside of South Africa converted to rands using the closing rate at 30 June 2020.*

** *Includes unappropriated profits.*

\# *Includes foreign branches.*

† *Excludes the bank-specific requirements, i.e. individual capital requirement (Pillar 2B) and D-SIB add-on.*

Regulatory update

COVID-19 REGULATORY UPDATE

In response to the COVID-19 pandemic, the PA implemented the following temporary measures to provide capital and liquidity relief to enable banks to counter economic risks to the financial system as a whole.

- *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period*

  Given the financial market turmoil and reduced market liquidity, banks could find it increasingly difficult to comply with the prescribed 100% LCR requirement set out in the regulations. The PA, therefore, deemed it appropriate to temporarily amend the minimum requirement specified for banks' compliance with LCR to 80%, effective 1 April 2020. The period for which the relief will remain in place is dependent on how the crisis evolves and its impact on the banking system, but a return to the 100% limit will be phased in. This action was consistent with measures taken by international regulators and provided the system with capacity to utilise liquidity buffers built up since 2015. As this is a temporary change in the limit, when the 100% limit is restored the buffers will need to be replenished.

- *Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic*

  The PA considers the COVID-19 pandemic to be a stress event posing risk to the entire financial system and has, therefore, temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. Any bank or banking group will also be allowed to draw down against its capital conservation buffer while the directive remains in place. In the event that banks or banking groups enter the capital conservation buffer, they will be required to consult the PA.

- *Directive 3 of 2020, Matters related to the treatment of restructured credit exposures due to the Coronavirus (COVID-19) pandemic*

  The banking sector has been encouraged to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability. The PA has been supportive of the various COVID-19 relief initiatives offered to customers, such as payment holidays being offered by banks in order to provide relief to certain borrowers in the retail sector in an effort to mitigate the impact of the pandemic. The PA is also cognizant of the possible effect of the pandemic on the corporate sector. The PA has, therefore, decided to amend the requirements specified in *Directive 7 of 2015* to provide temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk during this time.

- *Guidance Note 4 of 2020, Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the Coronavirus Disease (COVID-19) pandemic and the temporary regulatory capital relief provided by the Prudential Authority*

  The PA indicated in this guidance note that the general expectation is that no distribution of dividends on ordinary shares take place in 2020 and that the payment of cash bonuses to executive officers and material risk takers also not be made during the same period. The PA further expects banks' boards to take appropriate action in respect of the accrual, vesting and payment of variable remuneration, in a manner that is aligned to the principles enumerated in the guidance note and in accordance with the relevant legal requirements, as applicable.

BASEL III REFORMS

The PA issued *Guidance Note 7 of 2020, Proposed implementation dates in respect of specified regulatory reforms*. The implementation of these reforms has been further postponed given the impact of the COVID-19 pandemic.

The following reforms have been postponed to 1 January 2021 from 1 October 2020:

- standardised approach to counterparty credit risk;
- capital requirement for bank exposures to central counterparties; and
- capital requirements for banks' equity investments in funds.

The proposed implementation dates for the revisions of the securitisation framework and large exposures framework have been delayed to 1 April 2021.

LCR	To fully comply with the LCR requirement, the bank holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market. To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). *Guidance Note 5 of 2019, Continued provision of a committed liquidity facility by South African Reserve Bank to banks*, was released on 27 August 2019, and provides revised guidelines and conditions relating to the continued provision of the CLF, specifically covering the period from 1 December 2019 to 30 November 2020. The guidance note also reiterates the PA's intention to phase out the CLF by 1 December 2021. The PA will, in consultation with banks, investigate possible alternatives to the CLF, if necessary.
RESOLUTION FRAMEWORK	The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The closing date for public comment was 31 August 2019. The discussion paper outlined the objectives of the resolution framework, and the planning and the conducting of a resolution with an emphasis on open-bank resolution. Open-bank resolution is applicable to systemically important institutions where the bank continues to function in its existing form under its own licence. The intended bank resolution provides more clarity on the regulator's approach to further enhance financial stability in the country. The discussion paper is a first draft and is likely to be revised and expanded in future. Comments received on the discussion paper will assist the SARB in drafting the regulatory standards for resolution once the Financial Sector Laws Amendment Bill (FSLAB) is promulgated. The FSLAB was tabled in Parliament by the Minister of Finance on 20 August 2020. The FSLAB introduced a new tranche of loss-absorbing instruments, i.e. flac instruments, which are subordinated to other unsecured creditors and intended for bail-in in resolution. Flac requirements will be applicable to banks with open bank resolution plans. The SARB acknowledges the international approaches towards calibration of total loss-absorbing capacity but has not detailed how the quantum of required flac will be calculated for relevant institutions, nor the deadline for compliance. PwC, appointed by the World Bank and SARB, conducted a survey to analyse various aspects relevant to flac instrument requirements. The survey was completed during the first quarter of 2020 and the results are currently subject to review by the SARB. An amendment to the FSLAB included the establishment of the Corporation for Deposit Insurance (CoDI) and is designed to protect depositors' funds and enhance financial stability. The SARB has commenced with a project to consider the complexities of operationalising a deposit insurance scheme in South Africa, and has also released several discussion documents. The first discussion document, *Coverage and reporting rules for deposit insurance in South Africa*, was released in April 2020 with the banking industry providing comments to the SARB in June 2020. The SARB published a second document, *The deposit insurance funding model and the implication for banks*, on 1 September 2020 and comments are due by 16 October 2020.
FINANCIAL CONGLOMERATES	The Financial Sector Regulation Act empowers the PA to designate a group of companies as a financial conglomerate and to also regulate and supervise such designated financial conglomerates. The PA is also empowered to issue prudential standards relating to financial conglomerates, and these must be complied with by the holding companies of such financial conglomerates. On 4 March 2020, the PA published draft financial conglomerate standards for a second round of informal consultation. The amendments to the standards have been based on comments received during the July 2018 consultation together with developments in the regulatory approach to financial institutions. Comments on the draft standards and an impact assessment study were provided by the banking industry in June 2020. Once the financial conglomerate standards have been finalised, the reporting templates for the standards will be drafted for further consultation.

Credit ratings

South African banks' credit ratings are constrained by the ratings of the South African sovereign, given the link between the banks' creditworthiness and that of the government. Moody's Investors Service (Moody's) downgraded FRB's ratings on 31 March 2020, following its downgrade of the South African sovereign on 27 March 2020. S&P Global Ratings (S&P) downgraded the ratings of FRB on 7 May 2020, subsequent to its downgrade of the sovereign on 29 April 2020. The rating actions on the South African sovereign were driven by the continuing deterioration in South Africa's fiscal strength, structurally very weak growth, and the significant adverse impact of COVID-19 on the country's fiscal and growth prospects.

The following tables summarise the credit ratings of the South African sovereign and FRB at 9 September 2020.

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

	Outlook	Foreign currency rating	Local currency rating
S&P	Stable	BB-	BB
Moody's	Negative	Ba1	Ba1

Sources: S&P and Moody's.

FIRSTRAND BANK LIMITED RATINGS

		Counterparty rating*		National scale rating		
	Outlook	Long-term	Short-term	Long-term	Short-term	Standalone credit rating**
S&P	Stable	BB-	B	zaAA	zaA-1+	bbb-
Moody's	Negative	Ba1	NP	Aa1.za	P-1.za	ba1

* *Relates to the issuer credit rating for S&P, and long-term bank deposit ratings for Moody's.*

** *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.*

Sources: S&P and Moody's.

FRB's standalone credit ratings continue to reflect its strong market position in South Africa, as well as its focused strategy and solid franchise in the banking sector, good core profitability, financial flexibility, robust risk management and sound liquidity and capital positions.

IFRS INFORMATION

Presentation

BASIS OF PRESENTATION

The summary financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the JSE Limited Listings Requirements for provisional reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The Listings Requirements require provisional reports to be prepared in accordance with:

- framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS);
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- as a minimum contain the information required by IAS 34.

The directors take full responsibility for the preparation of the summary financial statements and confirm that this information has been correctly extracted from the financial statements from which the summary financial statements were derived.

Any forecast financial information contained herein has not been received or reported on by the bank's external auditors.

Significant judgement and estimates used by management

Management determines the critical judgemental items that require specific attention annually. In the current year these related to:

- impairment of advances whereby specific additional disclosure is contained in pages 127 to 144; and
- the valuation of complex financial instruments whereby specific additional disclosure is contained in pages 145 to 160.

Supplementary additional disclosure is included in the unaudited section of this booklet on pages 40 to 53 and 63 to 94 relating to the impairment of advances.

Should further information be required, the full annual financial statements, including the audit opinion, are available for inspection at the group's registered office and will be published on the group's website during early October 2020.

ACCOUNTING POLICIES

The accounting policies and other methods of computation applied in the preparation of the financial statements from which the summary financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous financial statements except for the implementation of new standards as detailed below.

The financial statements, from which these summary financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

Effective 1 July 2019, the bank adopted IFRS 16, which replaces IAS 17 and various related interpretations and introduced a single lease accounting model for lessees. In addition, the bank adopted the amendment to IAS 12 relating to the recognition of the income tax consequences of dividends. The adoption of both these standards impacted the bank's financial results as at 1 July 2019 and 30 June respectively, and was reported in the interim results report at www.firstrand.co.za/investors/financial-results/.

The other new or amended IFRS that became effective for the year ended 30 June 2020 had no impact the bank's reported earnings, financial position reserves, or accounting policies.

AUDITOR'S REPORT

These summary financial statements for the year ended 30 June 2020 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. Refer to page 114.

The auditors also expressed an unmodified opinion on the annual financial statements from which the summary financial statements were derived. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited.

A copy of the auditors' report on the annual financial statements is available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the auditors' report.

The auditors' report does not necessarily report on all of the information contained in these summary financial statements. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditors' engagement they should review the auditors' report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the bank's external auditors. FirstRand Bank's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

NORMALISED RESULTS

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

All normalised entries, as included and described in the *Analysis of financial results for the year ended 30 June 2019,* remain unchanged.

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 and because of its nature may not fairly present in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons thereof can be found 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), which is available for inspection at the registered office.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Margin-related items included in fair value income

In terms of IFRS the bank is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the bank's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified from NIR to NII includes the following items:

- The margin on a 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.

Cash-settled share-based payments and the economic hedge

The bank entered into a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share 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 for the specific reporting period to the period in which the IFRS 2 impact will manifest in the bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the bank for the share schemes that are not hedge accounted.

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 01/2019 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 122.

Independent auditors' report on the summary financial statements

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

Opinion

The summary financial statements of FirstRand Bank Limited, set out on page 112 and pages 115 to 162 of the accompanying provisional report, which comprise the summary statement of financial position as at 30 June 2020, the summary income statement, the summary statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of FirstRand Bank Limited for the year ended 30 June 2020.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, as set out in the basis of presentation to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited financial statements and the auditors' report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 9 September 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, set out in the basis of presentation to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

Deloitte & Touche
Registered Auditor
Per Partner: Kevin Black

5 Magwa Crescent
Waterfall City
9 September 2020

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Waterfall City
9 September 2020

COVID-19 impact

Due to the unprecedented nature of the COVID-19 pandemic, it is not possible to accurately predict the full extent and duration of its economic impact.

While the specific areas of judgement set out in the annual financial statements did not change, given the dynamic and evolving nature of COVID-19 and limited recent experience of the economic and financial impact of this pandemic, additional judgement within those areas resulted in changes to the estimates and assumptions that have been applied in the measurement of some of the bank's assets and liabilities since the prior year.

Significant judgements and estimates impacted by COVID-19

The table below provides an overview of the areas where additional judgement has been applied since December 2019 and includes references to the pages where additional information is included.

DESCRIPTION	ADDITIONAL INFORMATION
IMPAIRMENT PROVISIONS OF ADVANCES	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the bank's forward-looking assumptions for the purposes of its expected credit loss (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of how the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Pages 139 to 141
Significant increase in credit risk	
The bank has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk trigger that will result in the entire portfolio of advances moving into the respective next staging bucket). A more systematic and targeted approach to the impact of COVID-19 on the customer base is being undertaken, which is in line with the bank's existing policy documented in the group credit impairment framework.	Pages 142 and 143
FAIR VALUE MEASUREMENT	
The valuation techniques for fair value measurement of financial instruments have been assessed by the respective valuation committees at a business unit and bank level to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to bank-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.	Pages 145 to 160

Assessment of the going concern principle

The impact of COVID-19 has been incorporated into the going concern assessment made by the directors.

DESCRIPTION	ADDITIONAL INFORMATION
Overall application of the going concern principle	
The directors reviewed the bank's budgets and flow of funds forecasts for the next three years and considered the bank's ability to continue as a going concern in light of current and anticipated economic conditions. These budgets and flow of funds forecasts took the impact of the COVID-19 pandemic into consideration, including projections of the impact on the bank's capital, funding and liquidity requirements, all of which remain within internal targets and above regulatory requirements. As part of this assessment, the directors considered the sufficiency of the bank's financial resources throughout the pandemic. The management of the bank's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is a critical enabler of the achievement of the bank's stated growth and return targets and is driven by the bank's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets (RWA) is based on the bank's macroeconomic outlook and is evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested, and the bank sets targets through different business cycles and scenarios. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.	Additional information is included in the bank's annual financial statements.

Summary income statement – IFRS (audited)

for the year ended 30 June

R million	**2020**	2019	% change
Interest income calculated using effective interest rate	**97 812**	100 943	(3)
Interest on other financial instruments and similar income	**770**	498	55
Interest and similar income	**98 582**	101 441	(3)
Interest expense and similar charges	**(51 608)**	(53 971)	(4)
Net interest income before impairment of advances	**46 974**	47 470	(1)
Impairment and fair value of credit on advances	**(18 269)**	(8 460)	>100
– Impairment on amortised cost advances	**(17 871)**	(8 425)	>100
– Fair value of credit on advances	**(398)**	(35)	>100
Net interest income after impairment of advances	**28 705**	39 010	(26)
Non-interest revenue	**33 567**	35 812	(6)
– Net fee and commission income	**25 110**	25 716	(2)
– Fee and commission income	**30 542**	30 960	(1)
– Fee and commission expense	**(5 432)**	(5 244)*	4
– Insurance income	**449**	560	(20)
– Fair value gains or losses	**4 659**	3 214	45
– Fair value gains or losses	**9 444**	7 965	19
– Interest expense on fair value activities	**(4 785)**	(4 751)	1
– Gains less losses from investing activities	**130**	2 033	(94)
– Other non-interest revenue	**3 219**	4 289	(25)
Income from operations	**62 272**	74 822	(17)
Operating expenses	**(43 985)**	(43 459)*	1
Income before indirect tax	**18 287**	31 363	(42)
Indirect tax	**(810)**	(829)	(2)
Profit before income tax	**17 477**	30 534	(43)
Income tax expense	**(3 109)**	(7 407)*	(58)
Profit for the year	**14 368**	23 127	(38)
Attributable to			
Ordinary equityholders	**13 739**	22 644	(39)
Other equity instruments holders	**629**	483*	30
Profit for the year	**14 368**	23 127	(38)

* *Restated prior year following the adoption of IAS 12 amendments and reclassification of customer loyalty expenses. In the prior year of R240 million relating to operating lease expenses incurred on SLOW lounges were reclassified from operating expenses to fee and commission expense, so as to better reflect the nature of the expense. Refer to page 125 and 126.*

Summary statement of other comprehensive income – IFRS (audited)

for the year ended 30 June

R million	2020	2019	% change
Profit for the year	**14 368**	23 127*	(38)
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**1 219**	498	>100
Gains arising during the year	**657**	943	(30)
Reclassification adjustments for amounts included in profit or loss	**1 036**	(251)	(>100)
Deferred income tax	**(474)**	(194)	>100
FVOCI debt reserve	**(82)**	7	(>100)
(Losses)/gains arising during the year	**(115)**	11	(>100)
Reclassification adjustments for amounts included in profit or loss	**1**	(1)	(>100)
Deferred income tax	**32**	(3)	(>100)
Exchange differences on translating foreign operations	**1 246**	42	>100
Gains arising during the year	**1 207**	58	>100
Deferred income tax	**39**	(16)	(>100)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(140)**	1	(>100)
(Losses)/gains arising during the year	**(180)**	1	(>100)
Deferred income tax	**40**	–	–
Remeasurements on defined benefit post-employment plans	**534**	(201)	(>100)
– Gains/(losses) arising during the year	**742**	(279)	(>100)
– Deferred income tax	**(208)**	78	(>100)
Other comprehensive income for the year	**2 777**	347	>100
Total comprehensive income for the year	**17 145**	23 474	(27)
Attributable to			
Ordinary equityholders	**16 516**	22 991	(28)
Other equity instrument holders	**629**	483*	30
Total comprehensive income for the year	**17 145**	23 474	(27)

* *Restated prior year following the adoption of IAS 12 amendments. Refer to pages 125 and 126.*

Summary statement of financial position – IFRS (audited)

as at 30 June

R million	**2020**	2019
ASSETS		
Cash and cash equivalents	**99 781**	77 887
Derivative financial instruments	**120 511**	43 181
Commodities	**21 344**	21 176
Investment securities	**209 026**	176 942
Advances	**867 940**	894 543
– Advances to customers	**796 627**	831 097
– Marketable advances	**71 313**	63 446
Other assets*	**5 149**	4 963
Non-current assets and disposal groups held for sale	**1 558**	–
Amounts due by holding company and fellow subsidiaries	**67 309**	53 027
Investments in associates	**–**	66
Property and equipment**	**17 691**	15 352
Intangible assets	**692**	636
Deferred income tax asset	**3 711**	3 631
Total assets	**1 414 712**	1 291 404
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**4 786**	5 355
Derivative financial instruments	**134 488**	48 053
Creditors, accruals and provisions	**14 350**	16 035
Current tax liability	**368**	1 043
Deposits	**1 088 952**	1 058 439
Employee liabilities	**7 814**	11 517
Liabilities directly associated with disposal groups classified as held for sale	**85**	–
Other liabilities**	**5 255**	3 322
Amounts due to holding company and fellow subsidiaries	**36 254**	25 784
Tier 2 liabilities	**22 322**	22 428
Total liabilities	**1 314 674**	1 191 976
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**77 504**	77 655
Capital and reserves attributable to ordinary equityholders	**94 312**	94 463
Other equity instruments	**5 726**	4 965
Total equity	**100 038**	99 428
Total equity and liabilities	**1 414 712**	1 291 404

* *In the prior year these amounts were disclosed as accounts receivable. The description other assets is more appropriate, based on the nature of the assets included in this line item and is in line with industry practice.*

** *The bank elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved, as comparative information has been prepared on an IAS 17 basis. Refer to pages 121 to 132 of the analysis of financial results for the six months ended 31 December 2019 for more details.*

Summary statement of cash flows – IFRS (audited)

for the year ended 30 June

R million	2020	2019
Cash flows from operating activities		
Interest and fee commission receipts*	**122 794**	128 388
Trading and other income	**2 807**	4 302
Interest payments**	**(49 567)**	(52 649)
Other operating expenses*,**	**(36 839)**	(35 082)
Dividends received	**497**	640
Dividends paid	**(17 296)**	(13 070)
Taxation paid	**(5 423)**	(8 018)
Cash generated from operating activities	**16 973**	24 511
Movements in operating assets and liabilities	**9 833**	(13 240)
– Liquid assets and trading securities	**(33 737)**	(16 183)
– Advances	**21 453**	(64 534)
– Deposits	**20 458**	79 911
– Other assets#	**110**	504
– Creditors#	**(1 346)**	2 172
– Employee liabilities	**(2 031)**	(4 962)
– Other operating liabilities**	**4 926**	(10 148)
Net cash generated from operating activities	**26 806**	11 271
Cash flows from investing activities		
Acquisition of property and equipment	**(4 905)**	(3 271)
Proceeds on disposal of property and equipment	**747**	840
Acquisition of intangible assets	**(257)**	(447)
Net cash outflow from investing activities	**(4 415)**	(2 878)
Cash flows from financing activities		
Proceeds on the issue of other liabilities	**3 800**	936
Redemption of other liabilities	**(2 606)**	(73)
Principal payments towards lease liabilities**	**(595)**	–
Proceeds from issue of Tier 2 liabilities	**–**	2 625
Capital repaid on Tier 2 liabilities	**(2 049)**	(7 488)
Proceeds from issue of AT1 equity instruments	**761**	1 965
Net cash outflow from financing activities	**(689)**	(2 035)
Net increase in cash and cash equivalents	**21 702**	6 358
Cash and cash equivalents at the beginning of the year	**77 887**	71 511
Effect of exchange rate changes on cash and cash equivalents	**192**	18
Cash and cash equivalents at the end of the year	**99 781**	77 887
Mandatory reserve balances included above†	**26 225**	25 559

* *Reclassification in the prior year of R240 million relating to operating lease expenses incurred on SLOW lounges from other operating expenses to interest and fee commission receipts, so as to better reflect the nature of the item.*

** *The bank elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis.*

In the prior year the movement of R2 676 million in other assets and creditors were presented as a net movement. Due to the different underlying nature of these cash flows, these items have been disclosed separately in the current year and the prior year has been expanded in a similar way to achieve appropriate comparability.

† *Banks are required to deposit a minimum average balance, calculated monthly with the central bank, which is available for use by the bank subject to certain restrictions and limitations levelled by the central banks within the countries of operation. The deposit bears no or low interest. Money at short notice constitutes amounts withdrawable in 32 days or less.*

Summary statement of changes in equity – IFRS (audited)

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2018	4	16 804	**16 808**	(714)	343
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(201)	498
Preference shares redeemed during the year	–	–	**–**	–	–
AT1 instruments issued	–	–	**–**	–	–
Balance as at 30 June 2019	4	16 804	**16 808**	(915)	841
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	534	1 219
Preference shares redeemed during the year	–	–	**–**	–	–
AT1 instruments issued	–	–	**–**	–	–
Balance as at 30 June 2020	4	16 804	**16 808**	(381)	2 060

* *Other reserves include FVOCI reserve.*

** *Other equity instruments at 30 June 2020 includes R5 726 AT1 instruments.*

Restated following the adoption of IAS 12 amendments. Refer to pages 125 and 126.

Ordinary share capital and ordinary equityholders' funds					
Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equityholders**	**Other equity instruments****	**Total equity**
731	1 405	65 544	**67 309**	**3 000**	**87 117**
–	–	(12 645)	**(12 645)**	**–**	**(12 645)**
–	–	–	**–**	**(483)#**	**(483)**
42	8	22 644	**22 991**	**483#**	**23 474**
–	–	–	**–**	**(3 000)**	**(3 000)**
–	–	–	**–**	**4 965**	**4 965**
773	1 413	75 543	**77 655**	**4 965**	**99 428**
–	–	(16 667)	**(16 667)**	**–**	**(16 667)**
–	–	–	**–**	**(629)**	**(629)**
1 246	(222)	13 739	**16 516**	**629**	**17 145**
–	–	–	**–**	**–**	**–**
–	–	–	**–**	**761**	**761**
2 019	1 191	72 615	**77 504**	**5 726**	**100 038**

Statement of headline earnings – IFRS (audited)

for the year ended 30 June

R million	2020	2019	% change
Profit for the year (refer to page 116)	14 368	23 127	(38)
Other equity instruments holders	(629)	(483)	30
Earnings attributable to ordinary equityholders	13 739	22 644	(39)
Adjusted for	64	(1 475)	(>100)
Gain on investment activities of a capital nature	–	(1 928)*	(100)
Loss/(gain) on the disposal of property and equipment	17	(53)	(>100)
Impairment of intangible assets	6	63	(90)
Impairment of assets in terms of IAS 36	66	19	(100)
Tax effects of adjustments	(25)	424*	(>100)
Headline earnings	13 803	21 169	(35)

* *Includes the impact of the gain on the Discovery transaction of c.R1.9 billion (c.R1.5 billion after tax).*

Reconciliation from headline to normalised earnings

R million	2020	2019	% change
Headline earnings	13 803	21 169	(35)
Adjusted for	(41)	(17)	>100
TRS and IFRS 2 liability remeasurement*	77	80	(4)
IAS 19 adjustment	(118)	(97)	22
Normalised earnings	13 762	21 152	(35)

* *The bank uses a TRS with external parties to hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes.*
The TRS is accounted for as a derivative in terms of IFRS with the full fair value change recognised in NIR unless it qualifies for hedge accounting.
In the current year, FirstRand's share price decreased R30.49 and during the prior year increased by R4.66.
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 113.

Reconciliation of normalised to IFRS summary income statement

for the year ended 30 June 2020

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

Reconciliation of normalised to IFRS summary income statement

for the year ended 30 June 2019

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
Net interest income before impairment of advances	46 935	454	–	–	81	47 470
Impairment charge	(8 460)	–	–	–	–	(8 460)
Net interest income after impairment of advances	38 475	454	–	–	81	39 010
Non-interest revenue	34 441	(454)	–	1 981	(156)	35 812
Income from operations	72 916	–	–	1 981	(75)	74 822
Operating expenses	(43 475)	–	135	(82)	(37)	(43 459)
Income before indirect tax	29 441	–	135	1 899	(112)	31 363
Indirect tax	(829)	–	–	–	–	(829)
Profit before income tax	28 612	–	135	1 899	(112)	30 534
Income tax expense	(6 977)	–	(38)	(424)	32	(7 407)
Profit for the year	21 635	–	97	1 475	(80)	23 127
Attributable to						
Other equity instrument holders	(483)	–	–	–	–	(483)
Ordinary equityholders	21 152	–	97	1 475	(80)	22 644
Headline and normalised earnings adjustments	–	–	(97)	(1 475)	80	(1 492)
Normalised earnings attributable to ordinary equityholders of the bank	21 152	–	–	–	–	21 152

Restatement and changes in presentation of prior year numbers

IMPACT OF NEW AND REVISED STANDARDS

The bank adopted IFRS 16 and the amendments to IAS 12 during the current financial year. The adoption of both these standards impacted the bank's financial results as at 1 July 2019 and 30 June 2019 respectively, and was reported in the interim results report at www.firstrand.co.za/investors/financial-results/.

CHANGE IN PRESENTATION

Customer loyalty programme expenses

During the current financial period the nature of various expenses incurred by FNB relating to its customer loyalty programme was reassessed. This resulted in expenses of R240 million relating to operating expenses incurred on SLOW lounges being reclassified from operating expenses to fee and commission expenses, so as to align with the treatment of other direct and incremental customer loyalty related expenses.

This change in presentation had no impact on the profit or loss and only affected the presentation of items within non-interest revenue and operating expenses.

RESTATED SUMMARY INCOME STATEMENT – IFRS (AUDITED)

R million	As reported at 30 June 2019	Restatement for IAS 12 amendments	Restatement for customer loyalty programme expenses	Restated 30 June 2019
Net interest income before impairment of advances	47 470	–	–	47 470
Impairment and fair value of credit on advances	(8 460)	–	–	(8 460)
Net interest income after impairment of advances	39 010	–	–	39 010
Non-interest revenue	36 052	–	(240)	35 812
– Net fee and commission income	25 956	–	(240)	25 716
– Fee and commission income	30 960	–	–	30 960
– Fee and commission expense	(5 004)	–	(240)	(5 244)
– Insurance income	560	–	–	560
– Fair value income	3 214	–	–	3 214
– Fair value gains or losses	7 965	–	–	7 965
– Interest expense on fair value activities	(4 751)	–	–	(4 751)
– Gains less losses from investing activities	2 033	–	–	2 033
– Other non-interest income	4 289	–	–	4 289
Income from operations	75 062	–	(240)	74 822
Operating expenses	(43 699)	–	240	(43 459)
Income before indirect tax	31 363	–	–	31 363
Indirect tax	(829)	–	–	(829)
Profit before income tax	30 534	–	–	30 534
Income tax expense	(7 465)	58	–	(7 407)
Profit for the year	23 069	58	–	23 127
Attributable to				
Ordinary equityholders	22 644	–	–	22 644
Other equity instrument holders	425	58	–	483
Profit for the year	23 069	58	–	23 127

Restatement and changes in presentation of prior year numbers continued

RESTATED SUMMARY STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS (AUDITED)

R million	As reported at 30 June 2019	Restatement for IAS 12 amendments	Restated 30 June 2019
Profit for the year	23 069	58	23 127
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	–	498
Gains arising during the year	943	–	943
Reclassification adjustments for amounts included in profit or loss	(251)	–	(251)
Deferred income tax	(194)	–	(194)
FVOCI debt reserve	7	–	7
Gains arising during the year	11	–	11
Reclassification adjustments for amounts included in profit or loss	(1)	–	(1)
Deferred income tax	(3)	–	(3)
Exchange differences on translating foreign operations	42	–	42
Gains arising during the year	58	–	58
Deferred income tax	(16)	–	(16)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	1	–	1
Gains arising during the year	1	–	1
Remeasurement on defined benefit post-employment plans	(201)	–	(201)
Losses arising during the year	(279)	–	(279)
Deferred income tax	78	–	78
Other comprehensive income for the year	347	–	347
Total comprehensive income for the year	23 416	58	23 474
Attributable to			
Ordinary equityholders	22 991	–	22 991
Other equity instrument holders	425	58	483
Total comprehensive income for the year	23 416	58	23 474

Advances (audited)

R million	**2020**	2019
Category analysis		
Overdrafts and cash management accounts	**72 364**	73 823
Term loans	**54 349**	48 218
Card loans	**32 415**	34 829
Instalment sales, hire purchase agreements and lease payments receivable	**123 206**	144 623
Property finance	**250 186**	240 650
Personal loans	**52 236**	49 470
Preference share agreements	**38 418**	41 808
Assets under agreement to resell	**26 618**	44 263
Investment bank term loans	**147 763**	144 837
Long-term loans to group associates and joint ventures	**529**	449
Other	**36 315**	35 430
Total customer advances	**834 399**	858 400
Marketable advances	**71 313**	63 446
Gross value of advances	**905 712**	921 846
Impairment of advances	**(37 772)**	(27 303)
Net advances	**867 940**	894 543

NOTE 1 – IMPAIRMENT OF ADVANCES

BREAKDOWN OF IMPAIRMENT CHARGE RECOGNISED IN THE INCOME STATEMENT.

	2020			2019		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value
Increase in loss allowance	**(19 596)**	**(19 198)**	**(398)**	(10 251)	(10 216)	(35)
Recoveries of bad debts	**2 085**	**2 085**	**–**	2 416	2 416	–
Modification loss	**(758)**	**(758)**	**–**	(625)	(625)	–
Impairment of advances recognised in the income statement	**(18 269)**	**(17 871)**	**(398)**	(8 460)	(8 425)	(35)

Note: Refer to note 3 on pages 130 and 131 for a reconciliation of the loss allowance per class.

Advances continued

NOTE 2 – ANALYSIS OF ADVANCES PER CLASS

R million	2020 Total	2020 Amortised cost	2020 Fair value through profit or loss	2020 Loss allowance
Residential mortgages	220 488	224 404	–	(3 916)
WesBank VAF	88 377	94 024	–	(5 647)
Total retail secured	**308 865**	**318 428**	**–**	**(9 563)**
FNB card	26 009	30 210	–	(4 201)
Personal loans	33 177	41 874	–	(8 697)
Other retail	13 593	16 732	–	(3 139)
Total retail unsecured	**72 779**	**88 816**	**–**	**(16 037)**
FNB commercial	101 886	107 887	27	(6 028)
– FNB commercial excluding scheme	101 589	107 542	27	(5 980)
– Government guaranteed scheme	297	345	–	(48)
WesBank corporate	26 608	27 114	–	(506)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	249 979	189 765	63 904	(3 690)
Total corporate and commercial	**445 715**	**393 084**	**64 058**	**(11 427)**
Group Treasury and other	37 164	35 678	1 866	(380)
MotoNovo	3 417	3 782	–	(365)
Total advances at 30 June 2020	**867 940**	**839 788**	**65 924**	**(37 772)**

R million	*2019 Gross advances As previously reported*	*Movement*	*Updated amount*	*2019 Loss allowance As previously reported*	*Movement*	*Updated amount*
*WesBank VAF**	*117 668*	*(22 917)*	*94 751*	*4 745*	*(564)*	*4 181*
*FNB card***	*32 443*	*(4 328)*	*28 115*	*2 883*	*(233)*	*2 650*
*Personal loans**	*39 947*	*(578)*	*39 369*	*6 853*	*(38)*	*6 815*
*Group Treasury and other***	*38 752*	*4 328*	*43 080*	*201*	*233*	*434*
*MotoNovo**	*–*	*23 495*	*23 495*	*–*	*602*	*602*
Total movement		*–*			*–*	

At 30 June 2020, the bank reclassified the following advances between classes and voluntarily elected to reclassify the comparative information.

* *All advances previously originated by MotoNovo which had been classed as retail secured and retail unsecured have been reclassified to MotoNovo.*

** *Advances within Discovery Card were reclassified to non-current assets held for sale and disposal groups.*

	2019			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	214 623	217 164	–	(2 541)
WesBank VAF	90 570	94 751	–	(4 181)
Total retail secured	305 193	311 915	–	(6 722)
FNB card	25 465	28 115	–	(2 650)
Personal loans	32 554	39 369	–	(6 815)
Other retail	15 183	17 908	–	(2 725)
Total retail unsecured	73 202	85 392	–	(12 190)
FNB commercial	101 316	105 054	74	(3 812)
– FNB commercial excluding scheme	101 316	105 054	74	(3 812)
– Government guaranteed scheme	–	–	–	–
WesBank corporate	27 607	27 945	–	(338)
RMB corporate banking	57 244	57 827	105	(688)
RMB investment banking	264 442	191 258	75 701	(2 517)
Total corporate and commercial	450 609	382 084	75 880	(7 355)
Group Treasury and other	42 646	41 964	1 116	(434)
MotoNovo	22 893	23 495	–	(602)
Total advances at 30 June 2019	894 543	844 850	76 996	(27 303)

Advances continued

NOTE 3 – RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES

as at 30 June 2020

	2020*				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	844 850	753 825	56 998	34 027	–
Fair value	76 996	76 019	799	73	105
Amount as at 1 July 2019	921 846	829 844	57 797	34 100	105
Current year movement in the back book**					
Stage 1	(157 253)	(142 163)	(14 376)	(714)	–
Transfer from stage 2 to stage 1	–	14 376	(14 376)	–	–
Transfer from stage 3 to stage 1	–	714	–	(714)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(157 253)	(157 253)	–	–	–
Stage 2	(10 957)	(38 871)	30 421	(2 507)	–
Transfer from stage 1 to stage 2	–	(38 871)	38 871	–	–
Transfer from stage 3 to stage 2	–	–	2 507	(2 507)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(10 957)	–	(10 957)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	3 145	–	3 145	–	–
– Other changes in stage 2 exposures and ECL	(14 102)	–	(14 102)	–	–
Stage 3	(2 220)	(14 168)	(11 363)	23 311	–
Transfer from stage 1 to stage 3	–	(14 168)	–	14 168	–
Transfer from stage 2 to stage 3	–	–	(11 363)	11 363	–
Current year change in exposure and net movement on GCA and ECL provided/(released)#	(2 220)	–	–	(2 220)	–
Purchased or originated credit-impaired	22	–	–	–	22
Current year change in exposure and net movement on GCA and ECL provided/(released)#	22	–	–	–	22
New business†	178 024	159 848	12 592	4 683	901
Current year change in exposure and net movement on GCA and ECL provided/(released)#	178 024	159 848	12 592	4 683	901
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances‡	(16 529)	(15 994)	(299)	(236)	–
Transfers (to)/from non current assets or disposal groups held for sale	(1 588)	(1 509)	(79)	–	–
Modifications that did not give rise to derecognition	(758)	–	(64)	(694)	–
Exchange rate differences	7 148	5 680	1 163	305	–
Bad debts written off^	(12 023)	–	–	(12 023)	–
Amount as at 30 June 2020	905 712	782 667	75 792	46 225	1 028
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127

	2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	26 988	5 693	5 614	15 681	–
	315	266	49	–	–
	27 303	5 959	5 663	15 681	–
	(400)	954	(1 208)	(146)	–
	–	1 208	(1 208)	–	–
	–	146	–	(146)	–
	(400)	(400)	–	–	–
	3 561	(412)	4 628	(655)	–
	–	(412)	412	–	–
	–	–	655	(655)	–
	3 561	–	3 561	–	–
	1 152	–	1 152	–	–
	2 409	–	2 409	–	–
	13 066	(458)	(2 020)	15 544	–
	–	(458)	–	458	–
	–	–	(2 020)	2 020	–
	13 066	–	–	13 066	–
	120	–	–	–	120
	120	–	–	–	120
	6 100	2 107	1 538	2 455	–
	6 100	2 107	1 538	2 455	–
	(247)	(133)	(44)	(70)	–
	(42)	(19)	(23)	–	–
	–	–	–	–	–
	334	49	64	221	–
	(12 023)	–	–	(12 023)	–
	37 772	8 047	8 598	21 007	120
	37 042	7 699	8 336	21 007	–
	730	348	262	–	120

Advances continued

* The reconciliation for the year ended 30 June 2020 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. This is consistent with the prior year. In the current year, it was concluded that providing disclosure which distinguished between the back book and new business provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current year movement is therefore split between new business and back book. In the prior year, this was presented as a single line. However, comparative information could not be restated without undue cost due to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019 except on a total level.

** The 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 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 and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/ (released) are reflected separately in the reconciliation above. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and other changes in other risk parameters.

\# The movement on GCA is the net amount of:

– additional amounts advanced on the back book and any settlements. Transfers on the back book is reflected separately; and

– new business originated during the financial year, the transfers between stages of the new origination and any settlements.

Current year ECL provided/(released) relates to –

– an increase/ (decrease) in the carrying amount of the back book during the current year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and

– includes interest on stage 3 advances for stage 3 exposures in the back book and new business. In the prior period it was separately presented.

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

‡ In the prior year, this line included disposals by RMB related to loan syndications whereby the full exposure was recognised in new business and changes in exposure and the sell down to other external parties recognised as disposals. During the current year, the net amount of the syndication is included in the "net movement on GCA due to new business in the current year" section. Management believes this provides a more accurate view of the new business originated in the current year.

^ Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R11 014 million.

MODIFICATIONS – COVID-19 RELIEF PROVIDED TO CUSTOMERS

The bank has offered financial relief through various mechanisms in response to COVID-19. These relief measures were granted to eligible customers whose accounts were up to date as at 29 February 2020 and included the following:

- additional facilities or new loans being granted, in particular the cash flow relief account;
- restructure of instalment products (payment relief) including extension of contractual terms;
- payment and interest relief; and
- extension of balloon repayment terms.

The cash flow relief account was offered to eligible FNB retail customers, where instead of offering customers a payment holiday with a term extension, customers were offered a cash flow relief loan, whereby payments due by the customer to the bank on a variety of bank's products could be drawn from the cash flow relief account for a period of three months. The cash flow relief account bears interest at prime and has a flexible repayment period as negotiated and the customer has the ability to settle the amount earlier without incurring penalties. Repayment only commences once the three-month relief period is over. In some instances, the relief period has been extended by a further three months. Amounts advanced to customers under the cash flow relief scheme is included in the retail unsecured class of advances. As the cash flow relief account is treated as a new advance to the customer and no modification loss was recognised on the underlying advances, as the payments due were settled from the cash flow relief account.

WesBank customers that bank with FNB were able to utilise the cash flow relief loan to make payment under their credit agreements. Customers with balloon payments due could elect to convert their balloon payment into an extended repayment term agreement, on similar terms to those in the original credit agreement.

Other financial relief mechanisms employed by the bank included customers being offered payment holidays between three and six months. During the payment holiday interest accrued at the contractual rate. At the end of the relief period, customers had the option to adjust their instalment, extend the term of the facilities or elect to repay the full amount at the end of the deferral period.

Relief granted by RMB was in the form of short-term debt repayment moratoriums, increase in credit limits, short-term bridge financing and covenant waivers.

The debt relief measures discussed above, resulted in the bank not suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were equivalent.

Advances continued

NOTE 3 – RECONCILIATION OF THE GROSS ADVANCES AND LOSS ALLOWANCE ON TOTAL ADVANCES continued

as at 30 June 2019

	2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired*
Amortised cost	809 572	715 414	68 397	25 761	–
Fair value	51 389	49 476	1 795	118	–
Amount as at 1 July 2018	860 961	764 890	70 192	25 879	–
Transfers between stages**	–	(4 007)	(11 571)	15 578	–
– Stage 1	–	32 479	(31 292)	(1 187)	–
– Stage 2	–	(27 185)	28 519	(1 334)	–
– Stage 3	–	(9 301)	(8 798)	18 099	–
Acquisition/(disposal) of advances#	(14 221)	(14 375)	53	101	–
Exchange rate differences	394	350	26	18	–
Bad debts written off†	(7 386)	–	–	(7 386)	–
Modifications that did not give rise to derecognition	(625)	–	(29)	(596)	–
Net changes in exposure‡	82 723	82 986	(874)	506	105
Interest on stage 3 advances	–	–	–	–	–
Amount as at 30 June 2019	921 846	829 844	57 797	34 100	105
Amortised cost	844 850	753 825	56 998	34 027	–
Fair value	76 996	76 019	799	73	105

* *The total gross carrying amount of undiscounted expected credit losses at initial recognition on purchased or originated credit impaired financial assets recognised during the reporting period is Rnil.*

** *Transfers between stages reflect opening balances based on the advances stage at the end of the financial year. Exposures can be transferred directly from stage 3 to stage 1 if the curing requirements are satisfied at the end of the financial year. The new exposures originated during the financial year (which are not included in the opening balance) and any other change in the advance balance not addressed in one of the specific reconciliation lines, are included in net new business and changes in exposure based on the stage at the end of the financial year.*

This includes the disposal of VAF advances of R4 533 million as part of the group's securitisation transactions, the disposal of the MotoNovo advances of R1 237 million and RMB loan syndications of R9 768 million. For loan syndications, the full exposure is recognised in new business and changes in exposure and the sell down to other external parties are recognised as disposals.

† *Decrease in the advance as a result of write-off is equal to the decrease ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R6 164 million.*

‡ *Net changes in exposure reflect the net of the following items:*

– Net settlements and other changes in exposures of advances included in the opening balance, which occurred during the financial year; and

– New business originated during the financial year and the transfers between stages of the new origination.

	2019				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired#
	22 798	4 993	6 520	11 285	–
	280	267	13	–	–
	23 078	5 260	6 533	11 285	–
	–	1 382	(3 008)	1 626	–
	–	1 958	(1 721)	(237)	–
	–	(336)	480	(144)	–
	–	(240)	(1 767)	2 007	–
	(154)	(191)	2	35	–
	(1)	20	(113)	92	–
	(7 386)	–	–	(7 386)	–
	–	–	–	–	–
	10 251	(512)	2 249	8 514	–
	1 515	–	–	1 515	–
	27 303	5 959	5 663	15 681	–
	26 988	5 693	5 614	15 681	–
	315	266	49	–	–

Impairment of advances continued

NOTE 4 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS

AMORTISED COST

	Retail secured		Retail unsecured		
R million	**Residential mortgages**	**WesBank VAF**	**FNB card**	**Personal loans**	**Other retail**
Amount as at 1 July 2018	2 362	3 951	1 569	4 554	2 023
– Stage 1	269	626	458	1 177	637
– Stage 2	378	1 186	241	961	546
– Stage 3	1 715	2 139	870	2 416	840
Acquisition/(disposal) of advances	–	8	–	–	–
Exchange rate differences	122	(2)	5	3	(124)
Bad debts written off	(362)	(2 144)	(437)	(1 444)	(885)
Current period provision created/(released)*	317	2 044	1 371	3 385	1 453
– Stage 1	(96)	(261)	31	190	20
– Stage 2	322	541	296	449	273
– Stage 3	91	1 764	1 044	2 746	1 160
Interest on stage 3 advances	102	324	142	317	258
Amount as at 30 June 2019	2 541	4 181	2 650	6 815	2 725
– Stage 1	360	592	555	1 415	724
– Stage 2	510	1 246	347	971	464
– Stage 3	1 671	2 343	1 748	4 429	1 537
Acquisition/(disposal) of advances	**–**	**–**	**–**	**(90)**	**–**
Transfers from/(to) non-current assets	–	–	–	–	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	**(259)**	**(1 854)**	**(1 114)**	**(4 351)**	**(1 755)**
Current period provision created/(released)*	**1 634**	**3 320**	**2 665**	**6 323**	**2 169**
– Stage 1	**275**	**(240)**	**349**	**627**	**(12)**
– Stage 2	**423**	**554**	**458**	**966**	**415**
– Stage 3	**936**	**3 006**	**1 858**	**4 730**	**1 766**
Amount as at 30 June 2020	**3 916**	**5 647**	**4 201**	**8 697**	**3 139**
– Stage 1	**731**	**546**	**917**	**1 812**	**782**
– Stage 2	**777**	**1 262**	**562**	**1 653**	**701**
– Stage 3	**2 408**	**3 839**	**2 722**	**5 232**	**1 656**

* *Current period provision created/(released) reflects the net of the following items:*

- *Flow on ECL impact of net settlements and changes in exposures of advances included in the opening balance, including changes in ECL on amended off-balance sheet facilities.*
- *The increase or decrease of the opening balance ECL due to transfers between the stages, for example the release of ECL on transfer from stage 2 to stage 1, or the increase in ECL on transfer from stage 1 to stage 2.*
- *ECL on new business originated during the financial period and the transfers between stages of the new origination.*
- *Impact of changes in models and risk parameters, including forward-looking macroeconomic information.*

Corporate and commercial							
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	MotoNovo	Total
3 457	333	945	2 603	–	261	740	22 798
680	93	163	527	–	102	261	4 993
879	91	723	1 284	–	33	198	6 520
1 898	149	59	792	–	126	281	11 285
–	–	–	(192)	–	–	30	(154)
(1)	1	1	18	–	(7)	(17)	(1)
(751)	(104)	(322)	(94)	–	(172)	(671)	(7 386)
829	99	25	4	–	169	520	10 216
(221)	(36)	(51)	78	–	(15)	(55)	(416)
448	4	(77)	(152)	–	30	(16)	2 118
602	131	153	78	–	154	591	8 514
278	9	39	42	–	4	–	1 515
3 812	338	688	2 381	–	255	602	26 988
733	92	231	696	–	98	197	5 693
776	67	364	668	–	36	165	5 614
2 303	179	93	1 017	–	121	240	15 681
–	**–**	**–**	**(21)**	**–**	**–**	**(136)**	**(247)**
–	**–**	**–**	**–**	**–**	**(42)**	**–**	**(42)**
–	**–**	**10**	**188**	**–**	**–**	**119**	**317**
(1 285)	**(114)**	**(141)**	**(524)**	**(28)**	**(201)**	**(397)**	**(12 023)**
3 501	**282**	**526**	**1 301**	**28**	**123**	**177**	**22 049**
489	**10**	**71**	**160**	**–**	**(57)**	**(61)**	**1 611**
1 070	**64**	**347**	**671**	**–**	**(15)**	**(36)**	**4 917**
1 942	**208**	**108**	**470**	**28**	**195**	**274**	**15 521**
6 028	**506**	**1 083**	**3 325**	**–**	**135**	**365**	**37 042**
1 394	**114**	**323**	**1 016**	**–**	**19**	**45**	**7 699**
1 339	**111**	**647**	**1 214**	**–**	**–**	**70**	**8 336**
3 295	**281**	**113**	**1 095**	**–**	**116**	**250**	**21 007**

Impairment of advances continued

NOTE 4 – RECONCILIATION OF THE LOSS ALLOWANCE ON ADVANCES PER CLASS continued

FAIR VALUE

R million	Corporate and commercial RMB corporate banking	RMB investment banking	Group Treasury and other	Total
Amount as at 1 July 2018	–	106	174	280
– Stage 1	–	93	174	267
– Stage 2	–	13	–	13
– Stage 3	–	–	–	–
Exchange rate differences	–	–	–	–
Current period provision created/(released)*	–	30	5	35
– Stage 1	–	(76)	(20)	(96)
– Stage 2	–	106	25	131
– Stage 3	–	–	–	–
Amount as at 30 June 2019	–	136	179	315
– Stage 1	–	89	177	266
– Stage 2	–	47	2	49
– Stage 3	–	–	–	–
Exchange rate differences	**–**	**17**	**–**	**17**
Current period provision created/(released)*	**120**	**212**	**66**	**398**
– Stage 1	**–**	**30**	**66**	**96**
– Stage 2	**–**	**182**	**–**	**182**
– Stage 3	**120**	**–**	**–**	**120**
Amount as at 30 June 2020	**120**	**365**	**245**	**730**
– Stage 1	**–**	**103**	**245**	**348**
– Stage 2	**–**	**262**	**–**	**262**
– Stage 3	**120**	**–**	**–**	**120**

Significant estimates, judgements and assumptions relating to the impairment of advances

IMPAIRMENT OF ADVANCES
In determining whether an impairment loss should be recognised, the bank makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the bank's credit risk exposure. The bank adopted the PD/LGD approach to calculate ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, an upside scenario and a downside scenario, weighted by the probability of occurrence. Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the bank of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.
FORWARD-LOOKING INFORMATION
Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement based adjustments. The quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using regression techniques. Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. Development of these scenarios are overseen by the FirstRand Macro forum, which is responsible for oversight and is independent from credit and modelling functions. To arrive at the macroeconomic forecasts, teams of economists both locally and within the various subsidiaries assess the micro and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for the probabilities assigned by each of the economists requested to respond is noted and explained. ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process. Quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied. Within the RMB corporate banking and IBD portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. These stress testing models are industry-specific, and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scaling factors based on historic S&P default data. Within the commercial portfolio, the economic capital model is used to determine credit loss curves per portfolio under various scenarios, taking into account the industries represented in each portfolio. Judgement is applied to select appropriate loss curves for determining forward-looking ECL estimates commensurate with the current economic environment and forward-looking expectations. Within retail portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macro-economic factors and credit risk parameters based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance. Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental adjustments have been made through post-model adjustments to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios.

The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020:

SCENARIO	PROBABILITY	DESCRIPTION
Baseline regime	56% (2019: 59%)	Assumes that global growth experiences a significant contraction in 2020 before normalising in 2021. Developed market (DM) inflation remains benign and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant contraction in economic activity and inflation remains low. The outlook is characterised by ongoing income weakness and policy uncertainty
Upside regime	12% (2019: 23%)	Assumes that global growth experiences a significant contraction in 2020 before recovering strongly towards the end of 2020. DM inflation falls lower, and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity and inflation remains low. After the initial shock, policy certainty is restored and confidence boosting economic reforms are implemented.
Downside regime	32% (2019: 18%)	Assumes that global growth experiences a significant contraction in 2020, which results in long term damage to global supply chains and weaker long term global economic activity. DM inflation falls and global interest rates remain extremely accommodative. The South African domestic economy experiences a significant short-term contraction in economic activity, which is compounded by policy mistakes and extremely low confidence which prevent the economy from recovering from the COVID-19 induced shock.

There has been a significant change in the assumptions used in each of the scenarios and the probabilities assigned to upside and downside scenarios, when compared to the prior year. There are a number of factors, including the COVID-19 pandemic and resultant lock-down, that have contributed to this change. These are discussed in more detail below and have resulted in increases in the provisions recognised in the current year.

Significant estimates, judgements and assumptions relating to the impairment of advances continued

Overview of forward-looking information included in the 30 June 2020 provisions

The forward-looking assumptions set out above were based on the inputs used at the date that the ECL provisions for 30 June 2020 were finalised.

Following the initial COVID-19 induced economic shocks the global economy is expected to suffer a significant contraction in GDP in 2020, followed by a weak recovery in 2021. This shock is expected to result in low inflation in 2020 with a slight pick-up in 2021. The large and co-ordinated fiscal and monetary policy support that has been provided by global central banks and governments has stabilised financial conditions and has resulted in low global interest rates. At the same time, the social distancing and lockdown regulations have helped a broad base of countries to control and contain the spread of COVID-19 through their populations which is expected to abate towards the end of 2020. This has allowed more people to return to work and is lifting both supply and demand in the global economy. High-frequency manufacturing and services sector GDP measures have to rise across both developed and emerging market economies. However, it remains clear that the battle against COVID-19 is far from over. The global economy does not yet benefit from a synchronised upswing in GDP or inflation, given how the virus and policy responses thereto are playing out across the world. As such, although more stable, risk appetite remains subdued and demand for commodities remains low. A vast number of economies have been forced to lift their debt levels considerably in order to combat the virus, which is going to leave the global economy with a long-term debt overhang. Such an environment remains supportive of safe-haven assets which should continue to support the US dollar in the near term.

South Africa

After an initial and severe contraction in GDP in the first half of 2020, the gradual recovery in global demand should support South Africa's export sectors which will help the economy to marginally lift GDP. Already weak domestic demand and income growth have been amplified by the COVID-19 crisis, which has resulted in lower core and headline inflation. With inflation contained and global interest rates low the SARB has been able to reduce the short term interest rate considerably in order to support to the economy.

The impact of COVID-19 remains extremely deep with ongoing uncertainty about the risk of second waves of infection. At 30 June 2020 the view was that the government will continue to implement a focused approach to lockdown and social distancing measures at a regional and industry level, where restrictions will be tightened within specific industries, individual businesses or geographic areas depending on the spread of the virus. These assumptions have been introduced into the forward-looking macroeconomic information and tie directly into the bank's GDP growth forecast. It is increasingly clear that the loss of economic activity, tax revenue, household and corporate income as a result of the virus has left the economy substantially weakened and more vulnerable.

Significant macroeconomic factors for 30 June 2020

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

SIGNIFICANT MACROECONOMIC FACTORS FOR 30 JUNE 2020*

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.60)	4.20	4.00	(0.60)	2.40	0.90	(2.00)	0.00	0.00
CPI inflation	3.30	3.00	3.00	3.00	3.80	4.50	4.70	5.90	7.60
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.00	6.25	6.50
Retail									
Real income growth	1.00	4.20	4.9	(1.8)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth**	6.30	17.90	17.8	(1.0)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income ratio	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.2)	1.30	1.2	(0.20)	0.70	0.30	(2.2)	(1.3)	(1.7)
Wholesale									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate (USD/ZAR)	12.30	11.80	12.00	15.90	15.90	16.70	17.30	19.7	22.00

* *The comparative period information has not been updated in line with the information presented for 30 June 2020. As IFRS 9 is refined and embedded in the bank's reporting process, additional disclosure is included.*

** *Applicable to the secured portfolio.*

Significant macroeconomic factors for 30 June 2019

South Africa	Upside scenario	Baseline expectation	Downside scenario
Real GDP growth (%)	**2.83**	**1.05**	**0.31**
CPI Inflation (%)	**3.99**	**4.89**	**6.89**
Policy interest rate (%)	**6.19**	**6.75**	**8.19**
Foreign exchange rate (USD/ZAR)	**12.60**	**14.50**	**16.45**

Sensitivity analysis of forward-looking information on impairment provisions

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

	2020	
	R million	% change on total IFRS 9 provision
Impairment provision on performing advances	**16 035**	
Scenarios		
Baseline	**16 245**	**1**
Upside	**15 560**	**(3)**
Downside	**17 433**	**9**

The analysis only reflects the impact of changing the probability assigned to each scenario to a 100% and does not include any changes to post-model adjustments, including those needed to cater for the impact of COVID-19.

Post-model adjustments

In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, is taken into account in ECL estimates when required. Furthermore, where there is uncertainty in respect of the respective models' ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macroeconomic events, additional provisions via post-model adjustments are made. The following table summarises the reasons for the material post-model adjustments made.

POST-MODEL ADJUSTMENT	DESCRIPTION	PORTFOLIOS IMPACTED
COVID-19 macroeconomic adjustment	Post-model adjustment made on the basis of constrained expert judgement to allow for macroeconomic impacts not adequately captured by existing statistical models. Adjustment calculated through application of expert judgement-based weightings to macroeconomic factors within the existing forward-looking information methodology.	Retail and commercial credit portfolios across all geographies.
Adjustment for COVID-19 relief	Adjustments made to coverage held for COVID-19 relief to allow for impact of delayed arrears recognition, which results from an inability to observe normal arrears behaviour and to provide accordingly where payment relief is offered.	Retail and commercial credit portfolios across all geographies.

Significant estimates, judgements and assumptions relating to the impairment of advances continued

<table>
<tr><th>JUDGEMENT</th><th>RETAIL AND RETAIL SME</th><th>WHOLESALE AND COMMERCIAL SME</th></tr>
<tr><td rowspan="2">Measurement of the 12-month and lifetime ECL</td><td>Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book.

PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates.

EAD parameter estimates are based on product characteristics and historical draw-down and payment behaviour.

LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information such as the house price index, prime lending rate and GDP etc. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes.

The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.</td><td>Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.</td></tr>
<tr><td colspan="2">Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters.

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

Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.</td></tr>
<tr><td>Determination of whether the credit risk of financial instruments have increased significantly since initial recognition</td><td colspan="2">Although COVID-19 has had a negative impact on the economies in which the bank operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the bank. As such the bank did not impose a blanket downgrade on all ECL stages.

A more systematic and targeted approach to the impact of COVID-19 on the bank's customer base was undertaken, following the bank's existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of COVID-19, but existing economic trends as well. As such, the bank did not view requests for payment deferrals and liquidity assistance as the sole indicator that significant increase in credit risk SICR had occurred for performance advances.

IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.</td></tr>
</table>

JUDGEMENT	RETAIL AND RETAIL SME	WHOLESALE AND COMMERCIAL SME
SICR assessment of COVID-19 relief exposures	In accordance with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are based on client behaviour, client based behavioural scores and judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates within that portfolio. The bank uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts.	In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the bank's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk. Additional judgemental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19. The bank uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis.

Sensitivity staging

As outlined above, when there is a SICR since initial recognition, the exposure is moved from stage 1 to stage 2 and the ECL is calculated based on lifetime expected credit losses. The move from 12-month expected credit loss to life time expected credit loss can result in a substantial increase in ECL. The sensitivity information provided in the table below details the additional ECL charge to the income statement that the group would recognise if 5% of the gross carrying amount of advances suffered a SICR and were moved from stage 1 to stage 2 as at 30 June 2020. A 5% increase in advances categorised as stage 2 can be viewed as a reasonably possible alternative based on the current economic conditions.

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

* *Comparative information has not been provided. As IFRS 9 is refined and embedded in the bank's reporting process, additional disclosure is included. This information was not produced in the prior year.*

Significant estimates, judgements and assumptions relating to the impairment of advances continued

JUDGEMENT	RETAIL AND RETAIL SME
Treatment of financial relief offered in response to the impacts of COVID-19 – retail and commercial exposures (excluding SME Loan Guarantee Scheme)	The bank has offered financial relief through various mechanisms in response to COVID-19. These included the following: • additional facilities or new loans being granted; • restructure of existing exposures with no change in the present value of the estimated future cash flows; and • restructure of existing exposures with a change in the present value of the estimated future cash flows. Prior to COVID-19 relief being granted to an applying customer, the customer was assessed against eligibility for relief criteria. In doing so, the bank was able to identify customers who were in good standing but were facing financial distress directly or indirectly due to the impact of COVID-19. The COVID-19 relief provided to these customers were deemed to be temporary and cash flow in nature. Where a customer was already experiencing financial distress and was in arrears prior to 29 February 2020, any restructuring of the customer's facilities was deemed to be permanent in nature. Where the relief is expected to be temporary in nature and as such qualifies as a non-distressed restructure, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where relief is expected to be permanent in nature, the exposure has been treated as a distressed restructure, and staging and coverage have been adjusted in line with normal practice. Where the relief has been enacted through the issuance of a new loan as part of non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar products, including a post model adjustment to allow for incremental credit risk attributable to COVID-19 relief provided. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customer's other facilities with the bank. Where the relief provided as an emergency facility (as defined under the National Credit Act) is part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macroeconomic information in line with the rest of the portfolio.
Treatment of financial relief offered in response to the impacts of COVID-19 – wholesale exposures	Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. ECL treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.
Treatment of SME Loan Guarantee Scheme	An arrangement facilitated by the Banking Association of South Africa (BASA), between the SARB and participating banks in South Africa was concluded during the current year. In terms of the arrangement, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guaranteed 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 interest rate on the loan is deemed to be at an acceptable market rate. The loans are repayable up to a maximum of five years, with no early settlement penalties applied. As part of the scheme, the bank would share up to a maximum of 6% of the credit loss 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 therefore 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 to the customers and the cost of the limited guarantee is adjusted to the effective interest rate of the portfolio of 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 to the customer, as integral to the loan agreement. Due to the nature of the limited guarantee obtained, the bank is only exposed to a maximum credit loss of 6% of the initial amount advanced to the customer and as such, the ECL on the loans advanced under this scheme factor in the exposure to this maximum credit loss.
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to pay their credit obligations in full without any recourse by the bank to action, such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

Fair value measurements (audited)

VALUATION METHODOLOGY

In terms of IFRS, the bank is required to or elects to measure and/or disclose certain assets and liabilities at fair value. The bank has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall 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.

Fair value measurements are determined by the bank on both a recurring and non-recurring basis.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include:

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the standard requires that the asset be held at the lower of its carrying amount and its fair value less costs to sell; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

These fair value measurements are determined on a case-by-case basis as they occur within each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the bank uses a price within the bid-ask spread that is most representative of fair value in the circumstances.

Where the bank has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 159, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities, where this is readily available, and the price represents actual and regularly occurring market transactions. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

Where a valuation model is applied and the bank cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The bank will consider the following in assessing whether a mark-to-model valuation is appropriate:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- an in-house-developed model is based on appropriate assumptions which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness exists of the weaknesses of the models used, which is appropriately reflected in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation. The bank considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 2

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 2.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate spot or forward rate, and the volatility of the underlying
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market-projected forward value.	Spot price of underlying instrument, market interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices
ADVANCES TO CUSTOMERS			
Other advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the event that credit spreads for a counterparty are observable or are an insignificant input, advances are classified as level 2 of the fair value hierarchy.	Market interest rate curves
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable being considered. Future cash flows are discounted using a market-related interest rate. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
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 for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place, in which case level 2 classifications are used.	Market transactions
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market-quoted instruments, where available.	Market interest rate curves
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market interest rate curves
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are listed, these third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	Market transactions (listed)

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Other deposits	Discounted cash flows	The forward curve adjusted is for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curve and performance of underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the bank for recurring fair value measurements of assets and liabilities categorised as level 3.

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	Certain of the bank's investment banking advances do not meet the requirements to be carried at amortised cost and are measured at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market-related interest rate, adjusted for credit inputs.	Credit inputs
Other advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the case where the fair value of the credit is not significant year-on-year but may become significant in future, and where the South African counterparties do not have actively traded or observable credit spreads, the bank classifies other advances to customers as level 3 in the fair value hierarchy.	Credit inputs
Advances under repurchase agreements	Discounted cash flow	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong-way risk is incorporated by factoring in the correlation between the foreign exchange rate and the default risk of the counterparty, as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business' investment committee on a regular basis. Where these underlying investments are unlisted, the bank has classified them as level 3 of the fair value hierarchy, as there is no observable market data to compare the third-party valuations to.	Third-party valuations used, minority and marketability adjustments

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS
DEPOSITS			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs, market risk and correlation factors
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are therefore classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Fair value hierarchy

The following table presents the fair value measurements and fair value hierarchy of assets and liabilities of the bank which are recognised at fair value.

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	50	119 537	924	120 511
Advances	–	21 745	43 449	65 194
Investment securities	65 365	31 307	2 561	99 233
Commodities	21 344	–	–	21 344
Amounts due by holding company and fellow subsidiaries	–	16 081	–	16 081
Total fair value assets	86 759	188 670	46 934	322 363
LIABILITIES				
Recurring fair value measurements				
Short trading positions	4 786	–	–	4 786
Derivative financial instruments	292	132 340	1 856	134 488
Deposits	1 299	39 801	4 840	45 940
Other liabilities	–	254	323	577
Amounts due to holding company and fellow subsidiaries	–	16 387	–	16 387
Total fair value liabilities	6 377	188 782	7 019	202 178

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

	2019			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	75	42 304	802	43 181
Advances	–	44 117	32 564	76 681
Investment securities	34 155	33 312	1 763	69 230
Commodities	21 176	–	–	21 176
Amounts due by holding company and fellow subsidiaries	–	2 333	–	2 333
Total fair value assets – recurring	55 406	122 066	35 129	212 601
LIABILITIES				
Recurring fair value measurements				
Short trading positions	5 334	21	–	5 355
Derivative financial instruments	27	47 184	842	48 053
Deposits	1 378	54 637	1 052	57 067
Other liabilities	–	424	322	746
Amounts due to holding company and fellow subsidiaries	–	2 688	–	2 688
Total fair value liabilities – recurring	6 739	104 954	2 216	113 909

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

The following represents the significant transfers into level 1, 2 and 3 and the reasons for the transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	2020		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfer in**
Level 1	**–**	**–**	There were no transfers into level 1.
Level 2	**–**	**(911)**	There were no transfers into level 2.
Level 3	**911**	**–**	Due to market disruption as a result of COVID-19, the market for certain investment securities became illiquid with the assets transferred from level 2 to level 3. In addition, certain inputs used in valuing derivative instruments are no longer observable, resulting in their transfer from level 2 to level 3.
Total transfers	**911**	**(911)**	

	2019		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	101	(151)	During the year, the inputs into the yield curves used to fair value derivative trades became observable warranting a transfer from level 3 to level 2 for these instruments.
Level 3	151	(101)	Derivatives linked to Botswana Pula were valued on an internally created curve whose inputs are no longer observable. The change in inputs resulted in a transfer out of level 2 to level 3.
Total transfers	252	(252)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 1 July 2018	563	47 986	1 336	630	344	1 529
Gains/(losses) recognised in profit or loss	226	2 003	179	66	(13)	(1 777)
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–
Purchases, sales, issue and settlements	(50)	(17 483)	247	159	721	570
Net transfer to level 3	63	–	–	(13)	–	–
Exchange rate differences	–	58	–	–	–	–
Balance as at 30 June 2019	**802**	**32 564**	**1 763**	**842**	**1 052**	**322**
Gains/(losses) recognised in profit or loss	**142**	**4 215**	**(144)**	**1 418**	**59**	**219**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**(180)**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(88)**	**5 822**	**308**	**(433)**	**3 729**	**(218)**
Net transfer to level 3	**68**	**–**	**814**	**29**	**–**	**–**
Exchange rate differences	**–**	**848**	**–**	**–**	**–**	**–**
Balance as at 30 June 2020	**924**	**43 449**	**2 561**	**1 856**	**4 840**	**323**

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 whereby the risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

The table below presents the total gains or losses relating to the remeasurement of assets and liabilities carried at fair value on a recurring basis classified as level 3 that are still held at reporting date. With the exception of interest on funding instruments held at fair value through profit or loss and fair value through other comprehensive income debt instruments, all gains or losses are recognised in NIR.

	2020		2019	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**83**	**–**	162	–
Advances*	**4 057**	**–**	1 929	–
Investment securities	**(311)**	**(189)**	54	1
Total	**3 829**	**(189)**	2 145	1
Liabilities				
Derivative financial instruments	**(978)**	**–**	37	–
Deposits	**(59)**	**–**	(3)	–
Other liabilities	**–**	**–**	136	–
Total	**(1 037)**	**–**	170	–

* *Amount is mainly accrued interest on fair value advances and movements in interest rates that has been economically hedged. These advances are classified as level 3 primarily, as credit spreads could be a significant input and are not observable for advances in most of RMB's key markets. Inputs relating to interest rates and foreign currencies are regarded as observable.*

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Effect of changes in significant unobservable assumptions of level 3 instruments to reasonable possible alternatives

The table below illustrates the sensitivity of the significant inputs when changed to reasonable possible alternative inputs.

IFRS 9

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLE POSSIBLE CHANGES ARE APPLIED	REASONABLE POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Deposits	Credit inputs and market correlation factors	Credit inputs, correlation and devaluation parameters	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes and deposits under repurchase agreements. The most significant unobservable input in determining the fair value is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances, using the credit migration matrix, with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

	Reasonable possible alternative fair value					
	2020			2019		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**924**	**983**	**872**	802	814	792
Advances	**43 449**	**43 618**	**43 277**	32 564	32 705	32 419
Investment securities	**2 561**	**2 679**	**2 446**	1 763	1 836	1 647
Total financial assets measured at fair value in level 3	**46 934**	**47 280**	**46 595**	35 129	35 355	34 858
Liabilities						
Derivative financial instruments	**1 856**	**1 762**	**1 934**	842	835	846
Deposits	**4 840**	**4 789**	**4 907**	1 052	1 035	1 070
Other liabilities	**323**	**319**	**326**	322	319	326
Total financial liabilities measured at fair value in level 3	**7 019**	**6 870**	**7 167**	2 216	2 189	2 242

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.

	2020				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**802 746**	**810 193**	**–**	**142 074**	**668 119**
Investment securities	**109 793**	**108 177**	**87 800**	**20 377**	**–**
Total financial assets at amortised cost	**912 539**	**918 370**	**87 800**	**162 451**	**668 119**
Liabilities					
Deposits	**1 043 012**	**1 043 901**	**–**	**1 043 740**	**161**
Other liabilities	**2 875**	**2 922**	**–**	**2 922**	**–**
Tier 2 liabilities	**22 322**	**22 661**	**–**	**22 661**	**–**
Total financial liabilities at amortised cost	**1 068 209**	**1 069 484**	**–**	**1 069 323**	**161**

	2019				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	817 862	826 917	–	110 535	716 382
Investment securities	107 712	107 312	81 443	25 869	–
Total financial assets at amortised cost	925 574	934 229	81 443	136 404	716 382
Liabilities					
Deposits	1 001 372	1 002 090	–	1 000 471	1 619
Other liabilities	2 576	2 575	–	2 575	–
Tier 2 liabilities	22 428	22 913	–	22 913	–
Total financial liabilities at amortised cost	1 026 376	1 027 578	–	1 025 959	1 619

Fair value measurements (audited) continued

DAY 1 PROFIT OR LOSS

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2020**	2019
Opening balance	**51**	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year*	**329**	32
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(182)**	(35)
Closing balance	**198**	51

* *Impacted by refinements to the cash flow hedge accounting model following the adoption of IFRS 9.*

Contingencies and commitments (audited)

as at 30 June

R million	2020	2019	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	**48 877**	49 443	(1)
Letters of credit	**8 285**	8 386	(1)
Total contingencies	**57 162**	57 829	(1)
Irrevocable commitments*	**115 891**	109 634	6
Committed capital expenditure approved by the directors	**3 073**	3 315	(7)
Operating lease commitments**	**–**	2 119	(100)
Other	**8**	6	33
Total contingencies and commitments	**176 134**	172 903	2
Legal proceedings			
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be determined. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On-balance sheet provisions are only taken for claims that are expected to materialise.	**321**	71	>100

* *Irrevocable commitments have been restated following an investigation which identified an amount of R7 394 million that had been included in irrevocable commitments in 2019 relating to contracts that provide the bank with sole discretion to grant the respective facilities. The ECL on these commitments are immaterial.*

** *The bank elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to pages 121 to 132 of the analysis of results for the six months ended 31 December 2019 for details.*

Events after the reporting period (audited)

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.

Summary segment report (audited)

for the year ended 30 June

	2020											
	FNB					RMB						
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Profit for the period before tax	14 640	(461)	**14 179**	424	**14 603**	5 008	1 243	**6 251**	(3 345)	**17 509**	(32)	**17 477**
Total assets	418 971	280	**419 251**	119 441	**538 692**	503 463	69 129	**572 592**	303 428	**1 414 712**	–	**1 414 712**
Total liabilities*	409 094	741	**409 835**	120 151	**529 986**	499 020	68 993	**568 013**	216 675	**1 314 674**	–	**1 314 674**

* *Total liabilities are net of interdivisional balances.*

	2019											
	FNB					RMB						
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
Profit for the period before tax	21 255	(362)	**20 893**	1 251	**22 144**	5 789	1 490	**7 279**	(811)	**28 612**	1 922	**30 534**
Total assets	411 372	594	**411 966**	121 816	**533 782**	407 507	60 197	**467 704**	289 918	**1 291 404**	–	**1 291 404**
Total liabilities*	394 934	955	**395 889**	121 690	**517 579**	402 578	59 603	**462 181**	212 216	**1 191 976**	–	**1 191 976**

* *Total liabilities are net of interdivisional balances.*

SUPPLEMENTARY INFORMATION

Company information

DIRECTORS

WR Jardine (chairman), AP Pullinger (chief executive officer),
HS Kellan (financial director), M Vilakazi (chief operating officer),
MS Bomela, JP Burger, GG Gelink, F Knoetze, RM Loubser,
TS Mashego, AT Nzimande, Z Roscherr, LL von Zeuner, T Winterboer

COMPANY SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE DEBT SPONSOR

(in terms of JSE debt listing requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

Deloitte & Touche
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the bank

LISTED DEBT INSTRUMENTS

JSE

Domestic medium-term note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Subordinated debt					
FRB13	ZAG000116286	FRB19	ZAG000135310	FRB24	ZAG000155102
FRB14	ZAG000116294	FRB20	ZAG000135385	FRB25	ZAG000157512
FRB16	ZAG000127622	FRB21	ZAG000140856	FRB26	ZAG000159955
FRB17	ZAG000127630	FRB22	ZAG000141219	FRB27	ZAG000159963
FRB18	ZAG000135229	FRB23	ZAG000146754		
Senior unsecured					
FRBZ01	ZAG000049255	FRJ25	ZAG000124256	FRX25	ZAG000152828
FRBZ02	ZAG000072711	FRJ26	ZAG000156969	FRX26	ZAG000112160
FRBZ03	ZAG000080029	FRJ27	ZAG000141912	FRX27	ZAG000142506
FRJ20	ZAG000109596	FRJ29	ZAG000156951	FRX28	ZAG000152836
FRJ21	ZAG000115858	FRJ022	ZAG000163775	FRX30	ZAG000124264
FRJ22	ZAG000142498	FRX20	ZAG000109604	FRX31	ZAG000084195
FRJ23	ZAG000149436	FRX23	ZAG000104969	FRX32	ZAG000142514
FRJ24	ZAG000156977	FRX24	ZAG000073693	FRX45	ZAG000076480
Inflation-linked bonds					
FRBI22	ZAG000079666	FRBI29	ZAG000145608	FRI33	ZAG000141706
FRBI23	ZAG000076498	FRBI33	ZAG000079245	FRI38	ZAG000141862
FRBI25	ZAG000109588	FRBI46	ZAG000135302		
FRBI28	ZAG000079237	FRBI50	ZAG000141649		

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Listed financial instruments of the bank continued

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS135	ZAG000126608	FRS180	ZAG000154147
FRS37	ZAG000077793	FRS136	ZAG000126780	FRS182	ZAG000154386
FRS43	ZAG000078643	FRS137	ZAG000127549	FRS183	ZAG000154568
FRS46	ZAG000079807	FRS138	ZAG000127556	FRS184	ZAG000155490
FRS49	ZAG000081787	FRS142	ZAG000130782	FRS186	ZAG000156522
FRS51	ZAG000086117	FRS143	ZAG000130790	FRS187	ZAG000156514
FRS62	ZAG000090614	FRS145	ZAG000134263	FRS188	ZAG000156506
FRS64	ZAG000092529	FRS146	ZAG000134636	FRS194	ZAG000160516
FRS81	ZAG000100892	FRS147	ZAG000135724	FRS195	ZAG000160524
FRS85	ZAG000104985	FRS149	ZAG000136573	FRS197	ZAG000161373
FRS87	ZAG000105420	FRS150	ZAG000136615	FRS198	ZAG000161365
FRS90	ZAG000106410	FRS151	ZAG000136987	FRS199	ZAG000161381
FRS100	ZAG000111634	FRS152	ZAG000136995	FRS200	ZAG000161571
FRS101	ZAG000111774	FRS153	ZAG000137670	FRS201	ZAG000162025
FRS103	ZAG000111840	FRS158	ZAG000145012	FRS202	ZAG000162066
FRS104	ZAG000111857	FRS159	ZAG000145020	FRS204	ZAG000162538
FRS108	ZAG000113515	FRS160	ZAG000145038	FRS205	ZAG000162546
FRS109	ZAG000113564	FRS161	ZAG000145046	FRS206	ZAG000163304
FRS110	ZAG000113663	FRS162	ZAG000145111	FRS207	ZAG000164385
FRS112	ZAG000115395	FRS163	ZAG000145129	FRS208	ZAG000164377
FRS114	ZAG000116070	FRS164	ZAG000145160	FRS209	ZAG000164344
FRS119	ZAG000118951	FRS165	ZAG000145178	FRS211	ZAG000165762
FRS120	ZAG000119298	FRS167	ZAG000145764	FRS212	ZAG000166786
FRS121	ZAG000120643	FRS168	ZAG000145772	FRS213	ZAG000166802
FRS122	ZAG000121062	FRS169	ZAG000145780	FRS214	ZAG000166778
FRS123	ZAG000121328	FRS170	ZAG000145954	FRS215	ZAG000167339
FRS124	ZAG000122953	FRS171	ZAG000147448	FRS217	ZAG000167826
FRS126	ZAG000125188	FRS172	ZAG000147455	FRS218	ZAG000168527
FRS127	ZAG000125394	FRS173	ZAG000148180	FRS219	ZAG000168683
FRS129	ZAG000125865	FRS174	ZAG000148198	FRS220	ZAG000168717
FRS131	ZAG000126186	FRS175	ZAG000149451	FRS221	ZAG000169038
FRS132	ZAG000126194	FRS176	ZAG000149444	RMBI02	ZAG000052986
FRS134	ZAG000126574	FRS177	ZAG000152885		

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes					
FRC169	ZAG000104852	FRC277	ZAG000153552	FRC311	ZAG000161977
FRC181	ZAG000108549	FRC279	ZAG000153578	FRC312	ZAG000161985
FRC207	ZAG000117649	FRC280	ZAG000153776	FRC313	ZAG000161993
FRC208	ZAG000117656	FRC282	ZAG000154063	FRC314	ZAG000162033
FRC209	ZAG000118613	FRC283	ZAG000154394	FRC315	ZAG000163155
FRC213	ZAG000121047	FRC284	ZAG000154642	FRC316	ZAG000163460
FRC221	ZAG000121229	FRC285	ZAG000155201	FRC317	ZAG000163551
FRC233	ZAG000128752	FRC286	ZAG000156548	FRC318	ZAG000163684
FRC234	ZAG000130816	FRC289	ZAG000157108	FRC319	ZAG000163700
FRC237	ZAG000135203	FRC290	ZAG000157447	FRC320	ZAG000163718
FRC239	ZAG000135245	FRC291	ZAG000157629	FRC321	ZAG000163759
FRC240	ZAG000135252	FRC292	ZAG000157777	FRC323	ZAG000163874
FRC243	ZAG000135419	FRC293	ZAG000158783	FRC324	ZAG000164021
FRC245	ZAG000135468	FRC294	ZAG000158791	FRC325	ZAG000164302
FRC246	ZAG000135476	FRC296	ZAG000159369	FRC326	ZAG000164310
FRC249	ZAG000135542	FRC297	ZAG000159351	FRC327	ZAG000164880
FRC250	ZAG000135559	FRC298	ZAG000159427	FRC328	ZAG000164898
FRC251	ZAG000141813	FRC299	ZAG000159575	FRC329	ZAG000165945
FRC252	ZAG000142225	FRC300	ZAG000159674	FRC330	ZAG000166133
FRC256	ZAG000145806	FRC301	ZAG000159872	FRC331	ZAG000166620
FRC261	ZAG000147653	FRC302	ZAG000160029	FRC332	ZAG000166687
FRC262	ZAG000147646	FRC303	ZAG000160425	FRC334	ZAG000166810
FRC265	ZAG000149485	FRC304	ZAG000160565	FRC335	ZAG000166950
FRC267	ZAG000150004	FRC305	ZAG000160920	FRC336	ZAG000166968
FRC271	ZAG000151556	FRC306	ZAG000160938	FRC337	ZAG000167297
FRC272	ZAG000151564	FRC307	ZAG000161597	FRC338	ZAG000168535
FRC274	ZAG000151952	FRC308	ZAG000161605	FRC339	ZAG000168626
FRC275	ZAG000152372	FRC309	ZAG000161738	FRC340	ZAG000168659
FRC276	ZAG000152430	FRC310	ZAG000161936	FRC341	ZAG000168675

Preference share programme

Bond code	ISIN code
Class A cumulative redeemable non-participating preference shares	
FRBP01	ZAE000279469

London Stock Exchange (LSE)

European medium-term note programme

ISIN code	
Senior unsecured	**Subordinated debt**
XS1954121031 (unlisted)	XS1810806395

Other

Bond code	ISIN code
Exchange-traded funds	
DCCUSD	ZAE000234977
DCCUS2	ZAE000251179
KCCGLD	ZAE000195830

Bond code	ISIN code	Bond code	ISIN code
Other			
FRK02	ZAE000275533	FRPT01	ZAE000205480

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.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying provisions less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

Abbreviations

AC and FV	Amortised cost and fair value
ABF	Asset-backed finance
AT1	Additional Tier 1
AUM	Assets under management
BASA	Banking Association of South Africa
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLF	Committed liquidity facility
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COVID-19	Coronavirus disease
CSI	Corporate social investment
DA	DirectAxis
DIC	Dealer incentive costs
DM	Developed market
D-SIB	Domestic systemically important bank
EAD	Exposure at default
EC	Economic capital
ECL	Expected credit loss
EMTN	European medium-term note
FCC/GTSY	FirstRand Corporate Centre and Group Treasury
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRM	Financial resources management
FRN	Floating rate note
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
HQLA	High-quality liquid assets
IB	Investment banking
ISA	International Standard on Auditing
IFRS	International Financial Reporting Standards
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
LTV	Loan to value
Moody's	Moody's Investors Service
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price/earnings
PRA	Prudential Regulation Authority
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
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 enterprises
SPIRE	SA Pandemic Intervention and Relief Effort
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
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

FirstRand Bank

WWW.FIRSTRAND.CO.ZA