FirstRand

2021

analysis of financial results

for the year ended 30 June

about this report

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

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

Normalised results include a summary consolidated income statement, statement of comprehensive income, statement of financial position and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 145 and 147. Detailed reconciliations of normalised to IFRS results are provided on pages 160 to 165. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand

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

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

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overview of results

Simplified group structure

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

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

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]

Rest of Africa

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

UK banking and hard currency platform

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

Insurance

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

Investment management

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

Other activities

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

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

* *Trading as FNB Channel Islands.*
** *Wholly owned subsidiary of Aldermore Group plc.*
[#] *Ashburton Investments has a number of general partners for fund seeding purposes. All of these entities fall under FirstRand Investment Management Holdings Limited.*

Structure shows effective consolidated shareholding

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

FirstRand

FirstRand's portfolio of integrated financial services businesses comprises FNB, RMB, WesBank and Aldermore. The group operates in South Africa, certain markets in sub-Saharan Africa and the UK, and offers a universal set of transactional, lending, investment and insurance products and services.

performance highlights

Normalised earnings
R26.6bn
2020: R17.3bn ▲ **54%**

Return on equity
18.4%
2020: 12.9% ▲

Net asset value
R151.6bn
2020: R137.6bn ▲ **10%**

CET1 ratio
13.5%
2020: 11.5% ▲ **200 bps**

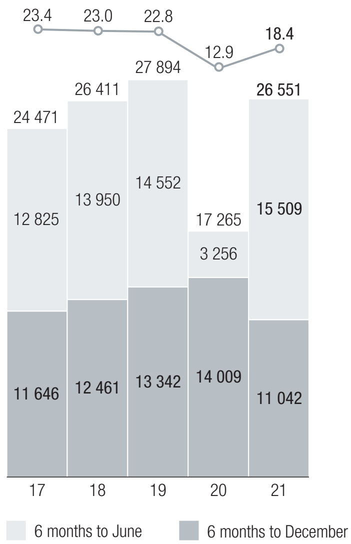
Dividend per share
Interim: 110 cents

Final: 153 cents
2020: n/a ▲

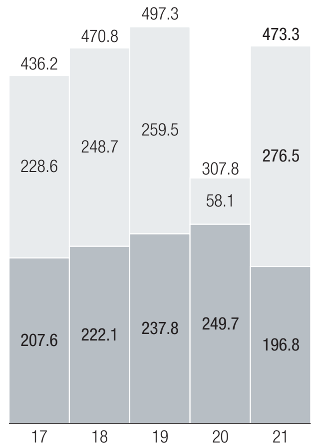
FNB RMB WesBank Aldermore

TRACK RECORD

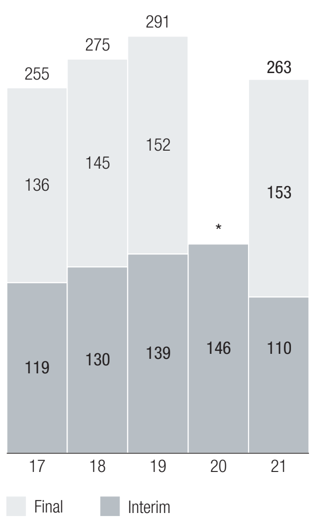
Normalised earnings (R million) *and ROE* (%)
CAGR 2%



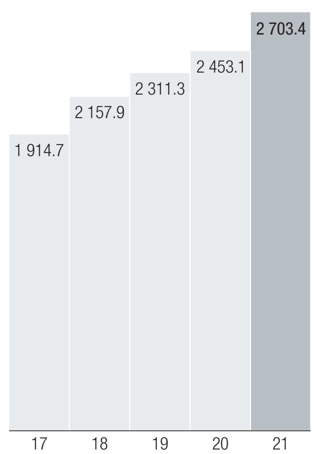
Diluted normalised earnings per share (cents)
CAGR 2%



Dividend per share (cents)
CAGR 1%



Normalised net asset value per share (cents)
CAGR 9%



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

** In accordance with the Prudential Authority guideline, no final dividend was declared for June 2020.*

Key financial and operational results, ratios and statistics – normalised
for the year ended 30 June

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 160 to 165.

R million	2021	2020	% change
Earnings performance			
Normalised earnings per share (cents)			
– Basic	**473.3**	307.8	54
– Diluted	**473.3**	307.8	54
Headline earnings per share (cents)			
– Basic	**480.5**	308.9	56
– Diluted	**480.5**	308.9	56
Earnings per share (cents) – IFRS			
– Basic	**476.9**	303.5	57
– Diluted	**476.9**	303.5	57
Attributable earnings – IFRS (refer page 151)	**26 743**	17 021	57
Headline earnings	**26 950**	17 326	56
Normalised earnings	**26 551**	17 265	54
Normalised net asset value	**151 647**	137 606	10
Normalised net asset value per share (cents)	**2 703.4**	2 453.1	10
Average normalised net asset value	**144 627**	133 628	8
Market capitalisation	**300 612**	213 497	41
Ordinary dividend per share (cents)	**263**	146	80
– Interim	**110**	146	(25)
– Final	**153**	n/a	>100
Dividend cover (times)	**1.80**	2.11	
– Interim	**1.79**	1.71	
– Final	**1.80**	n/a	
NCNR B preference dividend – paid (cents per share)*	**559.6**	758.9	(26)
Ratios and key statistics			
ROE (%)	**18.4**	12.9	
ROA (%)	**1.39**	0.96	
Price earnings ratio (times)	**11.3**	12.4	
Price-to-book ratio (times)	**2.0**	1.6	
Diversity ratio (%)	**41.1**	40.3	
Credit impairment charge (R million)	**13 660**	24 383	(44)
Credit loss ratio (%)	**1.06**	1.91	
Stage 3/NPLs as % of advances	**4.76**	4.37	
Total impairment coverage ratio (%)	**83.4**	86.2	
Specific coverage ratio (%)	**45.3**	43.1	
Performing book coverage ratio (%)	**1.91**	1.97	
Credit loss ratio (%) – excluding UK operations	**1.27**	2.10	
Stage 3/NPLs as % of advances – excluding UK operations	**5.22**	5.04	
Total impairment coverage ratio (%) – excluding UK operations	**88.4**	87.7	
Specific coverage ratio (%) – excluding UK operations	**47.9**	45.4	
Performing book coverage ratio (%) – excluding UK operations	**2.23**	2.24	
Cost-to-income ratio (%)	**52.4**	52.9	
Effective tax rate (%)	**23.9**	20.4	
Share price (closing – rand)	**53.59**	38.06	41

* *75.56% of FNB prime lending rate.*

R million	2021	2020	% change
Balance sheet			
Normalised total assets	**1 886 310**	1 926 616	(2)
Advances (net of credit impairment)	**1 223 434**	1 261 715	(3)
Average gross loan-to-deposit ratio (%)	**84.0**	87.1	
Deposits	**1 542 078**	1 535 015	–
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**16.3**	14.5	
Tier 1 ratio (%)	**14.1**	12.1	
Common Equity Tier 1 ratio (%)	**13.5**	11.5	
Leverage – IFRS*			
Leverage ratio (%)	**7.7**	7.1	
Liquidity – IFRS			
Liquidity coverage ratio (%)	**113**	115	
Net stable funding ratio (%)	**123**	117	
Operational statistics			
Number of ATMs (including ADTs)	**5 818**	6 598	(12)
– South Africa	**4 848**	5 622	(14)
– Rest of Africa	**970**	976	(1)
Number of branches	**743**	755	(2)
– South Africa	**599**	604	(1)
– Rest of Africa**	**144**	151	(5)
FNB Cash Plus agents#	**1 768**	937	89
Number of employees	**47 413**	49 233	(4)
– South Africa	**38 310**	39 749	(4)
– Rest of Africa	**5 905**	6 061	(3)
– UK operations	**2 183**	2 015	8
– Other	**471**	489	(4)
– FirstJob graduate programme	**544**	919	(41)
FNB customer numbers (millions)	**10.48**	9.98	5
– South Africa	**8.65**	8.23	5
– Retail	**7.52**	7.20	4
– Commercial	**1.13**	1.03	10
– Rest of Africa†	**1.83**	1.75	5
FNB channel volumes (thousands of transactions)			
– ATM/ADT	**219 360**	224 141	(2)
– Internet banking	**174 627**	176 280	(1)
– Banking app	**382 233**	303 503	26
– Mobile (excluding prepaid)	**36 275**	41 260	(12)
– Point of sale merchants	**649 967**	587 152	11
– Card swipes‡	**871 350**	814 099	7

* *Including unappropriated profits and the transitional impact of IFRS 9.*

** *2020 restated for branches that migrated to Cash Plus agents.*

Provide an alternative channel for customers to deposit or withdraw cash.

† *2020 restated to exclude Tanzania and to align Mozambique's definitions to SA's.*

‡ *2020 restated to exclude Discovery card swipes.*

Summary consolidated income statement – normalised

for the year ended 30 June

R million	2021	2020	% change
Net interest income before impairment of advances	**64 511**	62 851	3
Impairment charge	**(13 660)**	(24 383)	(44)
Net interest income after impairment of advances	**50 851**	38 468	32
Total non-interest revenue	**44 980**	42 454	6
– Operational non-interest revenue	**43 548**	42 247	3
– Fee and commission income	**31 686**	30 058	5
– Insurance income	**3 335**	3 941	(15)
– Trading and other fair value income	**4 885**	4 788	2
– Investment income	**321**	535	(40)
– Other non-interest revenue	**3 321**	2 925	14
– Share of profits of associates and joint ventures after tax	**1 432**	207	>100
Income from operations	**95 831**	80 922	18
Operating expenses	**(57 342)**	(55 656)	3
Income before indirect tax	**38 489**	25 266	52
Indirect tax	**(1 516)**	(1 348)	12
Profit before tax	**36 973**	23 918	55
Income tax expense	**(8 849)**	(4 874)	82
Profit for the year	**28 124**	19 044	48
Other equity instrument holders	**(777)**	(1 145)	(32)
Non-controlling interests	**(796)**	(634)	26
Normalised earnings attributable to ordinary equityholders of the group	**26 551**	17 265	54

Summary consolidated statement of other comprehensive income – normalised

for the year ended 30 June

R million	2021	2020	% change
Profit for the year	**28 124**	19 044	48
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(640)**	1 154	(>100)
Gains arising during the year	**968**	592	64
Reclassification adjustments for amounts included in profit or loss	**(1 891)**	1 036	(>100)
Deferred income tax	**283**	(474)	>100
FVOCI debt reserve	**392**	(61)	>100
Gains/(losses) arising during the year	**584**	(91)	>100
Reclassification adjustments for amounts included in profit or loss	**(34)**	3	(>100)
Deferred income tax	**(158)**	27	(>100)
Exchange differences on translating foreign operations	**(5 872)**	6 208	(>100)
(Losses)/gains arising during the year	**(5 830)**	6 170	(>100)
Deferred income tax	**(42)**	38	(>100)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**90**	33	>100
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(271)**	(157)	(73)
Losses arising during the year	**(351)**	(202)	(74)
Deferred income tax	**80**	45	78
Remeasurements on defined benefit post-employment plans	**(75)**	650	(>100)
(Losses)/gains arising during the year	**(110)**	908	(>100)
Deferred income tax	**35**	(258)	>100
Other comprehensive (loss)/income for the year	**(6 376)**	7 827	(>100)
Other comprehensive income for the year	**21 748**	26 871	(19)
Attributable to			
Ordinary equityholders	**20 318**	24 996	(19)
Other equity instrument holders	**777**	1 145	(32)
Equityholders of the group	**21 095**	26 141	(19)
Non-controlling interests	**653**	730	(11)
Total comprehensive income for the year	**21 748**	26 871	(19)

Summary consolidated statement of financial position – normalised
as at 30 June

R million	2021	2020
ASSETS		
Cash and cash equivalents	**135 059**	136 002
Derivative financial instruments	**82 728**	147 515
Commodities	**18 641**	21 344
Investment securities	**368 262**	297 510
Advances	**1 223 434**	1 261 715
– Advances to customers	**1 152 956**	1 191 281
– Marketable advances	**70 478**	70 434
Other assets	**9 216**	11 256
Current tax asset	**409**	598
Non-current assets and disposal groups held for sale	**565**	3 065
Reinsurance assets	**387**	240
Investments in associates	**8 644**	6 882
Investments in joint ventures	**2 071**	1 811
Property and equipment	**20 190**	21 369
Intangible assets	**9 932**	11 638
Investment properties	**659**	722
Defined benefit post-employment asset	**9**	–
Deferred income tax asset	**6 104**	4 949
Total assets	**1 886 310**	1 926 616
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**18 945**	5 062
Derivative financial instruments	**84 436**	162 193
Creditors, accruals and provisions	**22 765**	21 038
Current tax liability	**1 280**	499
Liabilities directly associated with disposal groups held for sale	**613**	1 427
Deposits	**1 542 078**	1 535 015
Employee liabilities	**11 319**	8 820
Other liabilities	**7 741**	8 203
Policyholder liabilities	**7 389**	6 430
Tier 2 liabilities	**20 940**	24 614
Deferred income tax liability	**887**	1 318
Total liabilities	**1 718 393**	1 774 619
Equity		
Ordinary shares	**56**	56
Share premium	**8 056**	8 056
Reserves	**143 535**	129 494
Capital and reserves attributable to equityholders of the group	**151 647**	137 606
Other equity instruments	**11 645**	10 245
Non-controlling interests	**4 625**	4 146
Total equity	**167 917**	151 997
Total equities and liabilities	**1 886 310**	1 926 616

Flow of funds analysis – normalised

R million	**June 2021 vs June 2020 12-month movement**	June 2020 vs June 2019 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**15 920**	7 427
Working capital movement	**7 833**	(7 870)
Short trading positions and derivative financial instruments	**913**	8 873
Deposits and long-term liabilities	**3 389**	142 334
Total	**28 055**	150 764
Inflow/(outflow) in deployment of funds		
Advances	**38 281**	(55 963)
Investments	**3 473**	(5 560)
Cash and cash equivalents	**943**	(33 484)
Investment securities (e.g. liquid asset portfolio)	**(70 752)**	(55 757)
Total	**(28 055)**	(150 764)

Summary consolidated statement of changes in equity – normalised

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 2019	56	8 056	**8 112**	(206)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	650	1 154
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year[†]	–	–	**–**	650	1 154
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2020	56	8 056	**8 112**	444	1 995
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(75)	(640)
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year	–	–	**–**	(75)	(640)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2021	56	8 056	**8 112**	369	1 355

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 30 June 2021 include R4 519 million (2020: R4 519 million) of non-cumulative, non-redeemable preference shares and R7 126 million (2020: R5 726 million) of AT1 instruments.*

\# *Headline and normalised earnings adjustments are reflected in the movement in other reserves.*

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

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equityholders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
1	2 366	707	117 814	**121 523**	**10 734**	**4 186**	**144 555**
–	–	–	–	**–**	**–**	**(9)**	**(9)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	–	–	**–**	**(1 250)**	**–**	**(1 250)**
26	–	278	(600)#	**(296)**	**–**	**(29)#**	**(325)**
–	–	–	(16 716)	**(16 716)**	**–**	**(736)**	**(17 452)**
–	–	–	–	**–**	**(1 145)**	**–**	**(1 145)**
–	–	(2)	2	**–**	**–**	**–**	**–**
–	–	–	(12)	**(12)**	**–**	**4**	**(8)**
–	6 120	(193)	17 265	**24 996**	**1 145**	**730**	**26 871**
–	–	–	17 265	**17 265**	**1 145**	**634**	**19 044**
–	6 120	(193)	–	**7 731**	**–**	**96**	**7 827**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	117 755	**129 494**	**10 245**	**4 146**	**151 997**
–	–	–	–	**–**	**–**	**(2)**	**(2)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**376**	**376**
–	–	–	–	**–**	**1 400**	**–**	**1 400**
–	–	–	–	**–**	**–**	**–**	**–**
20	–	131	(124)#	**27**	**–**	**(3)#**	**24**
–	–	–	(6 170)	**(6 170)**	**–**	**(489)**	**(6 659)**
–	–	–	–	**–**	**(777)**	**–**	**(777)**
–	–	60	(60)	**–**	**–**	**–**	**–**
–	–	–	(134)	**(134)**	**–**	**(56)**	**(190)**
–	(5 713)	195	26 551	**20 318**	**777**	**653**	**21 748**
–	–	–	26 551	**26 551**	**777**	**796**	**28 124**
–	(5 713)	195	–	**(6 233)**	**–**	**(143)**	**(6 376)**
–	–	–	–	**–**	**–**	**–**	**–**
44	2 773	1 176	137 818	**143 535**	**11 645**	**4 625**	**167 917**

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

Normalised earnings grew 54% to R26.5 billion and the group produced R4.9 billion of economic profit. Pleasingly, pre-provision operating profit increased 5%.

FirstRand's ROE of 18.4% is back within the target range of 18% to 22%, which reflects its determination to quickly revert back to producing superior returns to shareholders."

Alan Pullinger ~ CEO

Group strategy

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

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

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

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

Operating environment

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

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

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

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

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

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

Financial performance

When interpreting the results for the year to 30 June 2021, it's important to note that the comparative period, in particular the second half of the year to 30 June 2020, included the first three months of the pandemic and the lockdown introduced in March 2020. This resulted in increased impairments and reduced volumes leading to a significantly depressed performance for that financial year. As a result of that base effect, the group's normalised earnings increased 54%, with this performance also reflecting the sharp rebound in economic activity levels across the jurisdictions in which the group operates. Pleasingly FirstRand's normalised ROE of 18.4% is back within the stated range of 18% to 22%, reflecting the underlying quality of the group's earnings. The group produced R4.9 billion of economic profit, or net income after cost of capital (NIACC), which is its key performance measure.

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2021**	**% composition**	2020	% composition	% change
FNB	**16 280**	**61**	12 228	70	33
RMB*	**7 071**	**27**	5 674	33	25
WesBank	**1 235**	**5**	843	5	47
UK operations**	**2 743**	**10**	865	5	>100
– Aldermore**,#	**1 764**		1 020		
– MotoNovo**	**979**		(155)		
FirstRand Corporate Centre (FCC) (including Group Treasury)*,**,†,‡	**(178)**	**(1)**	(1 442)	(8)	88
Other equity instrument holders	**(600)**	**(2)**	(903)	(5)	34
Normalised earnings	**26 551**	**100**	17 265	100	54

* *Ashburton's results are now reflected in RMB, previously reported under FCC. Comparatives have been restated for this change.*

** *During May 2019, a new legal entity, MotoNovo Finance Limited, was established under the Aldermore group where all new MotoNovo business since May 2019 has been originated (also referred to as the MotoNovo front book). In the UK operations management view, shown in the table above and on pages 45 and 46, Aldermore refers to Aldermore excluding MotoNovo front book and MotoNovo refers to the standalone performance of MotoNovo, which includes the front book and back book. This differs from the segment report disclosed on pages 36 to 43, as MotoNovo (front book) is included under Aldermore and MotoNovo (back book) is included in FCC.*

\# *After the dividend on the contingent convertible securities of R177 million (£9 million) (2020: R242 million and £12 million).*

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

‡ *Includes FirstRand Limited (company).*

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

> Carefully price for financial resources.

> Appropriately provide against lending portfolios.

> Apply strict cost management.

> Further strengthen and appropriately tilt the balance sheet to the macro outlook.

> Accrete capital and net asset value (NAV) – the deployment of capital to reflect the updated cost of equity.

> Emerge from Covid-19 with limited vulnerabilities, with capital for growth.

Adherence to these principles supported the group over the year under review. Earnings recovered faster than expected, with ROE and NIACC coming back strongly. The group's Common Equity Tier 1 (CET1) ratio increased to 13.5% (2020: 11.5%) and the group is in a position to pay a full-year dividend at the bottom end of its cover range (56% payout).

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

FIRSTRAND GROUP FINANCIAL HIGHLIGHTS

	Six months ended				June 2021 vs December 2020	December 2020 vs June 2020	June 2020 vs December 2019
	30 June	31 December	30 June	31 December			
R million	**2021**	2020	2020	2019	% change	% change	% change
NII	**32 494**	32 017	30 958	31 893	1	3	(3)
NIR*	**22 546**	22 434	19 871	22 583	–	13	(12)
Operating expenses	**(28 609)**	(28 733)	(27 298)	(28 358)	–	5	(4)
Impairment charge	**(4 246)**	(9 414)	(18 449)	(5 934)	(55)	(49)	>100
Normalised earnings	**15 509**	11 042	3 256	14 009	40	>100	(77)
Gross advances	**1 274 052**	1 275 510	1 311 095	1 259 326	–	(3)	4
Credit loss ratio (%)	**0.67**	1.46	2.87	0.95			
Stage 3/NPLs as a % of advances	**4.76**	4.80	4.37	3.58			

* *Includes share of profits from associates and joint ventures after tax.*

SOURCES OF NORMALISED EARNINGS

	Six months ended				June 2021 vs December 2020	December 2020 vs June 2020	June 2020 vs December 2019
	30 June	31 December	30 June	31 December			
R million	**2021**	2020	2020	2019	% change	% change	% change
FNB	**8 954**	7 326	3 064	9 164	22	>100	(67)
RMB*	**3 887**	3 184	2 268	3 406	22	40	(33)
WesBank	**557**	678	(123)	966	(18)	>100	(>100)
UK operations**	**1 700**	1 043	(312)	1 177	63	>100	(>100)
FCC/Group Treasury*,#	**723**	(901)	(1 204)	(238)	>100	25	(>100)
Other equity instrument holders	**(312)**	(288)	(437)	(466)	(8)	34	6
FirstRand group	**15 509**	11 042	3 256	14 009	40	>100	(77)

* *Ashburton's results are now reflected in RMB, previously reported in FCC. Comparatives have been restated for this change.*

** *Including Aldermore and MotoNovo (front and back books).*

Excluding MotoNovo back book.

PRE-PROVISION OPERATING PROFIT

R million	Year ended 30 June 2021	2020	% change
FNB	**32 537**	32 290	1
RMB	**11 480**	11 467	–
WesBank	**3 823**	4 249	(10)
UK operations	**4 771**	4 845	(2)
FCC/Group Treasury	**(1 978)**	(4 550)	57
Total group pre-provision operating profit	**50 633**	48 301	5

Pre-provision operating profit increased 5%, demonstrating the resilient underlying performances from FNB, RMB and Group Treasury.

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

RMB produced a resilient operating performance driven by an excellent markets and private equity performance, underpinned by sustained annuity income and strong average deposit growth. This was supplemented by modest private equity realisations and a principal investment realisation combined with lower asset impairments in that portfolio compared to the prior year.

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

UK operations delivered a lower pre-provision profit as a result of higher operating costs emanating from continued investment in platforms and processes together with the normalisation of variable staff costs. Revenues benefited from some growth in advances.

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

Revenue and cost overview

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

Net interest margin (NIM) declined 10 bps to 435 bps, driven mainly by the negative endowment impact.

Advances decreased year-on-year, due to low demand for credit as well as the group's cautious risk appetite for most of the financial year, given ongoing uncertainty. The deposit franchise, however, performed strongly, growing 6%.

FNB's advances contracted marginally during the year, reflecting the business's continued prudent risk appetite and lower demand given the ongoing impact of Covid-19 on its customer base. Rest of Africa advances reduced due to macroeconomic uncertainties and currency fluctuations. Excluding the currency impact, FNB rest of Africa advances declined 5% and deposits increased 9%. Across all segments, deposit growth benefited from strong momentum in savings and investment products. Commercial customers continued to maintain liquidity to support cash flow demands given the prevailing uncertainty.

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

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

Advances in the UK operations increased marginally, supported by growth in vehicle asset finance (VAF), whilst the commercial and other retail books contracted as new lending activity was impacted by Covid-19.

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

	Growth in advances %	Growth in deposits %
FNB	**(1)**	**7**
– Retail	**–**	**7**
– Commercial	**3**	**9**
– Rest of Africa	**(10)**	**(1)**
WesBank	**(3)**	**n/a**
RMB*	**(13)**	**3**
UK operations**	**1**	**14**

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

** *In pound terms. Growth in deposits refers to customer deposits.*

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

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

The 15% decrease in insurance income was mainly due to the ongoing economic impact of the pandemic, resulting in an increase in mortality claims paid and provisions raised. The reduction in new business sales was as a result of a decline in credit life policies. There was good growth in all other insurance business lines, resulting in in-force annual premium equivalent (APE) growth of 11% and gross premiums increasing 9%.

RMB's fee and commission income grew 4%, underpinned by advisory mandates, although this was partially offset by lower structuring income. Trading activities delivered another strong performance (+11%) supported by the fixed income desk and the commodities business.

Growth in operating expenses was contained at 3%, reflecting the continued focus on cost management across the business. It was also achieved despite ongoing investment strategies in:

> insurance and asset management;

> build-out and consolidation of the domestic enterprise platform;

> build-out of the group's footprint in the rest of Africa; and

> process and system modernisation in the UK business.

Additional costs associated with managing employee and customer well-being on premises and in branches, and the facilitation of remote working for a significant proportion of employees, continue to be incurred. Overall cost growth continued to benefit from lower travel and related costs as well as lower cooperation agreement costs. The cost-to-income ratio improved marginally to 52.4% (2020: 52.9%).

Credit performance

As required under IFRS 9, FirstRand revised its macroeconomic forward-looking outlook, with positive revisions to key economic variables compared to the prior year given the rebound in the economy. Overall performing coverage reduced given this change. However, the group included an additional stress scenario given the ongoing uncertainty in the system resulting in only a marginal reduction in performing coverage. Non-performing loan (NPL) growth of 6% was better than expected, benefiting from a 35% increase in write-offs. This drove the 44% reduction in the overall impairment charge to R13.7 billion (2020: R24.4 billion) as analysed in the table below.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				Jun 21 vs Dec 20	Dec 20 vs Jun 20	Jun 20 vs Dec 19
R million	**30 June 2021**	31 December 2020	30 June 2020	31 December 2019	% change	% change	% change
Performing book provisions	**(2 228)**	663	8 950	90	(>100)	(93)	>100
NPL provision	**(544)**	3 347	4 868	1 310	(>100)	(31)	>100
Credit provision increase/(decrease)	**(2 772)**	4 010	13 818	1 400	(>100)	(71)	>100
Modification	**348**	294	513	494	18	(43)	4
Gross write-off* and other**	**7 940**	6 267	5 115	5 417	27	23	(6)
Post write-off recoveries	**(1 270)**	(1 157)	(997)	(1 377)	(10)	(16)	28
Total impairment charge	**4 246**	9 414	18 449	5 934	(55)	(49)	>100
Credit loss ratio (%)	**0.67**	1.46	2.87	0.95			
Credit loss ratio excluding UK operations (%)	**0.90**	1.64	3.15	1.06			

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

** *Net interest recognised on stage 3 advances of R3 369 million (2020: R3 125 million) is excluded from write-off and other.*

The above table also demonstrates the move in impairments on a rolling six-month view, based on movements in the balance sheet. Provisions for the six months to June 2020 reflect the significant impact of the negative macros. For the six months to December 2020, the performing book coverage increased despite the improving macro environment, largely due to judgemental out-of-model provisions recognised, given the ongoing uncertainties at that time. The provision release of R2.2 billion for the performing book for the six months to June 2021 was driven by the improvement in macro assumptions, relatively lower levels of uncertainty and the release of Covid-19-related provisions. The NPL provision release reflects the relative improvement in mix, with a larger portion of paying NPLs.

The next table deals with the rolling six-month change in group NPL balances. It is pleasing to see that the reduction in operational NPLs continued in the second half of the financial year. Collection efforts resulted in paying NPLs increasing R2.7 billion year-on-year. The UK experienced an increase in NPLs (+34%), which resulted in an overall increase of 6% in NPLs to 4.76% of advances (2020: 4.37%).

Overall NPL coverage increased marginally to 45.3% (2020: 43.1%), mainly driven by mix change but partially offset by a higher proportion of paying NPLs. Product coverage was largely maintained.

INCREASE IN NPLs

	30 June 2021 vs 30 June 2020			30 June 2021 vs 31 December 2020		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(1 559)**	**(4)**	**(3)**	(1 797)	(5)	(3)
Covid-19 relief paying NPLs**	**1 855**	**79**	**3**	776	23	1
Other paying NPLs#	**840**	**10**	**2**	(172)	(2)	–
NPLs (excluding UK operations)	**1 136**	**2**	**2**	(1 193)	(2)	(2)
UK operations	**2 288**	**34**	**4**	613	7	1
Total group NPLs	**3 424**	**6**	**6**	(580)	(1)	(1)

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

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

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

SA retail NPLs as a percentage of advances grew to 9.05% (2020: 8.44%), driven in the main by the increase in residential mortgage NPLs given the ongoing pressures on consumers.

SA corporate and commercial NPLs as a percentage of advances decreased marginally, benefiting mainly from the reduction in operational NPLs. However, NPLs relating to certain private equity exposures increased.

In the UK operations, NPLs increased to 3.16% of advances (2020: 2.18%), mainly due to the impact of lockdown restrictions and normalisation of book growth. Aldermore and MotoNovo granted second and third payment holidays to existing clients, with third payment holidays being viewed as a default event. These clients were classified as stage 3/NPL. The previous ban on collateral repossessions in the UK also contributed to NPL growth.

With regard to the relief books, overall gross advances decreased from R229.6 billion to R166.4 billion, given that no further relief was extended and customers commenced repayments. Corporate and commercial reflected the largest decline as these counters paid off their facilities as liquidity improved. The proportion of the portfolio under relief was at 13% of advances at 30 June 2021 (2020: 18%).

Financial resource management

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

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

RISK APPETITE

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

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

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

CAPITAL POSITION

Capital ratios for the group and bank are summarised below.

CAPITAL ADEQUACY*

		Group		Bank**	
		Year ended 30 June			
%	Internal targets	**2021**	2020	**2021**	2020
CET1	11.0 – 12.0	**13.5**	11.5	**14.5**	12.3
Tier 1	>12.0	**14.1**	12.1	**15.2**	12.8
Total	>14.25	**16.3**	14.5	**17.8**	15.7

* *Including unappropriated profits.*

** *Including the bank's foreign branches.*

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

The group's CET1 ratio strengthened further to 13.5% (2020: 11.5%), which is well above its internal target range of 11.0% to 12.0%. In line with FRM principles, both NAV and CET1 have been accretive over the year as the group increased its focus on risk-weighted assets (RWA) optimisation and efficient use of financial resources.

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

> positive earnings partly offset by the payment of an interim dividend for the 2021 financial year;

> capital preservation measures introduced by the PA in 2020;

> a decrease in the foreign currency translation reserve given the rand appreciation;

> successful financial resource optimisation strategies;

> a decrease in RWA mainly from credit and counterparty credit risk driven by rand appreciation and muted advances growth; and

> the incorporation of the IFRS 9 transitional impact.

The group continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 levels with its internal targets. During the year under review, the bank issued R1.4 billion AT1 instruments and R3.1 billion Tier 2 instruments in the domestic market to optimise its capital stack and manage the rollover of existing Tier 2 instruments. AT1 and Tier 2 instruments are treated as funding, and not used to support risk in the group. It remains the group'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.

The group also makes adjustments to available regulatory capital resources for certain volatile reserves, and expected regulatory and accounting changes that can be estimated. This provides an economic view of excess capital that is used in strategic decision-making.

CAPITAL ALLOCATION AND RETURNS

The group's methodology for allocating capital to operating businesses considers internal targets, regulatory capital (average RWA consumption and regulatory deductions and anticipated regulatory changes), economic capital and NAV. Excess capital above internal target levels is not allocated to business.

A summary of the capital allocated to the group's operating businesses is provided below.

AVERAGE CAPITAL ALLOCATED

	Year ended 30 June		%
R million	**2021**	2020*	change
FNB	**48 424**	46 853	3
RMB	**36 994**	35 647	4
WesBank	**8 385**	10 193	(18)
UK operations**	**24 054**	21 580	11
FCC/Group Treasury[#]	**10 632**	9 614	11
Unallocated capital[†]	**16 138**	9 741	66
FirstRand group	**144 627**	133 628	8

* *The comparatives were restated for segmentation changes.*

** *Include Aldermore and MotoNovo (front and back books).*

[#] *Excludes MotoNovo back book.*

[†] *Includes excess capital.*

In calculating ROEs for performance measurement, the group includes the allocation of preference shares and other capital costs in the operating businesses' normalised earnings, which are captured in FCC (including Group Treasury) in the segment report. ROEs for the group and its operating businesses are provided in the following table.

ROE

	Year ended 30 June	
%	**2021**	2020
FNB	**33.3**	25.8
RMB	**18.7**	15.4
WesBank	**14.5**	8.0
UK operations*	**11.1**	3.9
FCC/Group Treasury**	**(1.5)**	(10.2)
FirstRand group	**18.4**	12.9

* *Include Aldermore and MotoNovo (front and back books). ROEs calculated in pound terms.*

** *Excludes MotoNovo back book.*

With the proposed implementation of the final Basel III reforms, which is a more standardised or less risk-sensitive regulatory framework, the group is increasing its focus on the true economic risk introduced to its balance sheet. FirstRand is assessing how the economic capital requirement can be allocated to business within the constraints of the regulatory framework. Economic capital principles have been agreed on and a parallel period for the transition to such an approach is in progress.

LIQUIDITY POSITION

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

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

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

Key prudential liquidity ratios are summarised below.

LIQUIDITY POSITIONS*

	Group		Bank	
	Year ended 30 June			
%	**2021**	2020	**2021**	2020
LCR				
Regulatory minimum	**80**	80	**80**	80
Actual**	**113**	115	**117**	124
Average available HQLA (R billion)	**313**	280	**287**	249
NSFR				
Regulatory minimum	**100**	100	**100**	100
Actual**	**123**	117	**122**	116

* *The group's LCR and NSFR include FirstRand Bank (including foreign branches) and all other banking subsidiaries. The bank's LCR, NSFR and average available HQLA reflect South African operations only.*

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

FOREIGN CURRENCY BALANCE SHEET

The group adopts a disciplined approach to the management of its foreign currency investments in subsidiaries and their balance sheets. The allocation of resources and management of local and foreign currency risks are within an approved risk framework. The framework for the management of external debt considers sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group continues to employ self-imposed structural borrowing and liquidity risk limits which are more onerous than those required in terms of regulations.

The group's philosophy is that, in the longer term, foreign currency assets should be supported by foreign currency liabilities, primarily in the same jurisdiction. It aligns with one of the group's strategic priorities to increase diversification by jurisdiction, which is evidenced by the integration of the MotoNovo business into the Aldermore group in the UK, as well as the utilisation of the RMB International (Mauritius) platform for the group's rest of Africa dollar exposures. In addition, the group has received approval from the PA to move FirstRand Securities Limited (FirstRand Securities), including its wholly owned subsidiary, RMB Securities, from FRIHL to FRI.

FirstRand Securities was incorporated in the UK to provide the group's South Africa-based businesses with a highly capitalised and matched principal trading platform, which could maintain access to international market liquidity in the securities and derivative markets in which the bank was most active. FirstRand Securities is a clearing member of London Clearing House (LCH) and was admitted to the register of SwapClear rand dealers in 2016. SwapClear is the LCH's interest rate swap clearing service.

The establishment of RMB Securities is both a defensive and growth strategy for maintaining the long-term viability of trading securities, in both primary and secondary markets, with institutional investors domiciled in the USA.

REGULATORY UPDATE

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

> the establishment of a privately funded deposit insurance scheme (DIS); and

> the introduction of a new class of instruments, i.e. first loss after capital (Flac) instruments, which will be subject to bail-in after regulatory capital instruments but before any other unsecured liabilities.

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

Covid-19 regulatory update

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

> 1 January 2022: minimum LCR of 90%; and

> 1 April 2022: minimum LCR of 100%.

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

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

Dividend strategy

For the six months to 31 December 2020, the FirstRand board repositioned the dividend cover into the bottom end of the group's target range of 1.8 to 2.2 times, in anticipation of the expected medium-term growth in the economies in which the group operates.

The group continues to accrete capital, resulting in a healthy CET1 level, which provides sufficient capacity for growth. The board is therefore comfortable to maintain a dividend cover of 1.8 times for the year and considers this level of distribution to be appropriate and sustainable over the medium term.

Prospects

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

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

The group also sees modest improvement in the rest of Africa portfolio as many of the jurisdictions where it operates will continue to benefit from the commodity cycle.

The rebound in the UK economy is expected to be maintained, although the pace of the sector-led recovery could slow. NPLs may continue to build as the government withdraws its various stimulus packages which have softened the impact for many UK households. This benefited the UK operations' current year performance. The business remains appropriately provided, however, absolute growth in earnings will likely be constrained for the next twelve months.

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

Consequently, FirstRand expects peak earnings to be achieved earlier than previously thought, particularly given that the group produced its highest ever level of six-month earnings in the second half of the 2021 financial year. The ROE is expected to remain in the stated range of 18% to 22% and capital generation is likely to exceed demand in the 2022 financial year.

The group further expects to revert back to its long-term target of delivering real growth in earnings (defined as real GDP plus CPI).

Events after reporting period

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

Board changes

Changes to the directorate are outlined below.

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

Cash dividend declarations

ORDINARY SHARES

The directors declared a gross cash dividend totalling 263.0 cents per ordinary share out of income reserves for the year ended 30 June 2021.

DIVIDENDS

Ordinary shares

	Year ended 30 June	
Cents per share	**2021**	2020
Interim (declared 3 March 2021)	**110.0**	146.0
Final (declared 15 September 2021)	**153.0**	N/A
	263.0	146.0

The salient dates for the final ordinary dividend are outlined below.

Last day to trade cum-dividend	Tuesday, 12 October 2021
Shares commence trading ex-dividend	Wednesday, 13 October 2021
Record date	Friday, 15 October 2021
Payment date	Monday, 18 October 2021

Share certificates may not be dematerialised or rematerialised between Wednesday, 13 October 2021, and Friday, 15 October 2021, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate as is applicable if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net final dividend after deducting 20% tax will be 122.40000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate non-cumulative, non-redeemable (NCNR) B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B PREFERENCE SHARES

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

DIVIDENDS DECLARED AND PAID

Cents per share	**Preference dividends**
Period:	
27 August 2019 – 24 February 2020	**374.7**
25 February 2020 – 31 August 2020	**306.0**
1 September 2020 – 22 February 2021	**253.6**
23 February 2021 – 30 August 2021	**273.9**

WR JARDINE ~ Chairman

AP PULLINGER ~ CEO

H KELLAN ~ CFO

C LOW ~ Company Secretary

15 September 2021

review of operations

FNB

FNB represents the group's activities in the retail and commercial segments in South Africa and several countries in the rest of Africa. FNB's strategy is underpinned by:

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

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

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2021**	2020	% change
Normalised earnings	**16 280**	12 228	33
Normalised profit before tax	**23 458**	17 799	32
– South Africa	**21 851**	16 653	31
– Rest of Africa	**1 607**	1 146	40
Pre-provision operating profit	**32 537**	32 290	1
Total assets	**482 699**	487 539	(1)
Total liabilities	**462 681**	475 280	(3)
Stage 3/NPLs as a % of advances	**7.88**	7.59	
Credit loss ratio (%)	**1.91**	3.08	
ROE (%)	**33.3**	25.8	
ROA (%)	**3.33**	2.50	
Cost-to-income ratio (%)	**52.2**	51.7	
Advances margin (%)	**4.22**	4.26	

KEY RATIOS FOR SOUTH AFRICA VS REST OF AFRICA

%	FNB SA	Rest of Africa
PBT growth	**31**	**40**
Cost increase	**4**	**(2)**
Advances growth	**1**	**(10)**
Deposit growth	**8**	**(1)**
Stage 3/NPLs as a % of advances	**7.98**	**6.99**
Credit loss ratio	**1.95**	**1.63**
Cost-to-income ratio	**50.3**	**67.6**
Operating jaws	**(1.0)**	**(2.5)**

FNB continued to successfully navigate the challenges presented by the Covid-19 pandemic across the jurisdictions where it operates. Total FNB normalised earnings increased 33% and ROE improved to 33.3%. This performance was characterised by a significant reduction in year-on-year impairments and the negative endowment impact on NII due to the significant rate cuts across most jurisdictions. The South African operations' NII did benefit from Group Treasury's ALM mitigation strategies. Despite no overall headline fee increases, FNB delivered solid non-interest revenue growth of 5%, with good customer acquisition and a rebound in customer activity. Cost increases were well managed at 3%, despite continued investment in growth strategies.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	**%**	**R million**	**%**	**R million**
Retail	**7**	**19 191**	**–**	**(884)**
– Consumer	**5**	**4 507**	**(10)**	**(6 341)**
– Premium	**8**	**14 684**	**2**	**5 457**
Commercial	**9**	**25 181**	**3**	**3 205**
Rest of Africa*	**(1)**	**(306)**	**(10)**	**(5 381)**
Total FNB	**7**	**44 066**	**(1)**	**(3 060)**

* *On a constant-currency basis, deposit growth in the rest of Africa was 9% and advances declined 5%.*

FNB continued to attract deposits as customers managed their personal balance sheets conservatively in response to the pandemic. Domestic deposits grew 8% and in the rest of Africa 9% in local currency (due to rand appreciation this reflects as a 1% reduction).

FNB's muted advances growth in South Africa is a reflection of the tough macroeconomic environment as well as credit risk appetite response, which focused on utilising financial resources to support the in-force credit portfolio, whilst also bolstering collections. New origination concentrated on replacing the net repayment of the book with good credit quality supported by customer affordability. The rest of Africa performance was characterised by cautious origination given macroeconomic uncertainties and the negative impact of currency movements.

CHANNEL VOLUMES

	Year ended 30 June		
Thousands of transactions	**2021**	2020	% change
ATM/ADT	**219 360**	224 141	(2)
Internet banking	**174 627**	176 280	(1)
Banking app	**382 233**	303 503	26
Mobile (excluding pre-paid)	**36 275**	41 260	(12)
Point-of-sale merchants	**649 967**	587 152	11
Card swipes*	**871 350**	814 099	7

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

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

SEGMENT RESULTS

	Year ended 30 June		
R million	**2021**	2020	% change
Normalised PBT			
Retail	**11 501**	9 034	27
Commercial	**10 350**	7 619	36
Rest of Africa	**1 607**	1 146	40
Total FNB	**23 458**	17 799	32

Despite good growth in NIR in the retail core transactional business, the negative endowment effect, as well as greater mortality claims and reserve requirements in insurance, depressed overall earnings growth.

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

The key drivers in the rest of Africa were growth in the customer base, driven by focused sales campaigns, a rebound in credit performance and good cost containment driven by increased migration to digital channels. This was offset by the negative endowment impact on NII and a slowdown in credit origination. The stronger rand had a negative impact on reported earnings.

A key highlight for the rest of Africa is the progress of Cash Plus, which has grown to 1 768 outlets compared to 937 in the prior year. Cash Plus allows FNB to service clients in cash-dominated African markets through a broad and expanding network of Cash Plus agents. These agents service all segments. This allows FNB to expand its footprint at relatively low cost and reach customers in remote locations, thus facilitating financial inclusion.

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

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

ACTIVE CUSTOMERS AND PLATFORM USERS

	Number of customers As at 30 June		
Millions	**2021**	2020	% change
Retail	**7.52**	7.20	4
– Consumer	**5.92**	5.74	3
– Premium	**1.60**	1.46	10
Commercial	**1.13**	1.03	10
Total SA customer base	**8.65**	8.23	5
FNB rest of Africa*	**1.83**	1.75	5
FNB active customer base	**10.48**	9.98	5
eWallets**	**5.61**	5.16	9
Total platform users	**16.09**	15.14	6

* *Restated to exclude Tanzania and to align Mozambique's definitions to SA's. On a normalised basis, rest of Africa customers grew 6%.*

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

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

SEGMENTATION OF ACTIVE RETAIL CUSTOMERS

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

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

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2021	2020	% change
Performing book provisions	**(129)**	4 120	(>100)
NPL provision	**761**	3 920	(81)
Credit provision increase	**632**	8 040	(92)
Modification loss	**464**	779	(40)
Gross write-off* and other	**9 895**	7 489	32
Post write-off recoveries	**(1 912)**	(1 817)	5
Total impairment charge	**9 079**	14 491	(37)

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

FNB's credit impairment charge reduced to R9.1 billion (2020: R14.5 billion), with the credit loss ratio dropping to 191 bps (2020: 308 bps). This was driven primarily by:

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

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

> good collections; and

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

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

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

Balance sheet credit provisions increased R632 million year-on-year, with performing coverage maintained (stage 1 and 2) at 2.80% (2020: 2.80%). NPLs increased 3% year-on-year, which was better than expected (lower inflows and better collections). NPL coverage increased marginally to 50.1% (2020: 49.6%). The key drivers of NPL levels relate to:

> underlying strain in the retail unsecured and secured portfolios;

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

> a relatively benign credit performance in the rest of Africa due to disciplined and focused lending strategies before the pandemic;

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

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

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

Broader financial services

INSURANCE

Earnings in the life business remained under pressure from additional claims and reserve requirements due to the Covid-19 pandemic. New business APE remained flat notwithstanding a 17% reduction in sales for credit life policies. Despite this, the business delivered solid premium growth of 9%, with in-force APE increasing 11%, reflecting continued growth of the life insurance business. FNB Life paid out R2.2 billion in claims (2020: R1.3 billion) driven by the increased mortality claims experience.

The short-term insurance business is scaling and ended the year with over 200k policies, up 17% from the prior year. In addition, premiums were up 18%, with new business APE growth of 38% and in-force APE increasing 35% on the prior year.

NEW BUSINESS APE

R million	Year ended 30 June 2021	2020	% change
Core life (including funeral)	**1 086**	894	21
Underwritten	**310**	383	(19)
Commercial	**13**	47	(72)
Credit life	**452**	546	(17)
Total	**1 861**	1 870	–

WEALTH AND INVESTMENT MANAGEMENT

The wealth and investment management (WIM) account base (534k) grew 11% year-on-year and the business is focusing on increasing unit trust penetration.

Share trading continued to see increased activity and brokerage income relative to prior years, despite trending downwards in the last quarter. Trade values of R41 billion increased 25% year-on-year.

Assets under management (AUM) increased 8% driven by good flows and positive market movements.

	As at 30 June		%
R million	**2021**	2020	change
FNB Horizon series AUM	**4 255**	3 405	25
Assets under advice	**73 102**	71 516	2
Assets under administration	**22 102**	19 298	15
Trust assets under administration	**39 219**	38 852	1
Assets under management*	**63 569**	58 731	8
Assets under execution	**76 453**	56 487	35
Total WIM assets	**278 700**	248 289	12

* *2020 AUM restated due to multi-asset movement between FNB and RMB.*

The performance of the FNB Horizon unit trust funds has been quite pleasing when evaluated against both benchmarks and competitors. The FNB income fund delivered a return of almost 8% over the year, ahead of benchmark and peers, whilst the remaining Horizon funds delivered solid double-digit returns.

Platform strategy

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

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

Key platform highlights during the past year are outlined below.

- The virtual card launch on the FNB app resulted in the activation of more than 260k virtual cards to date and >R460 million in value transacted. The virtual card is key to facilitating more secure e-commerce transactions.
- nav»Money provides customers with simple, easy-to-use money management tools, which help them track their spend, view credit scores, etc. It currently has 2.1 million users, increasing >100% year-on-year (1 million users have joined since the smart budget tool launch). The customer rating on “overall experience” was 4 (on a 5-point rating scale).
- nav»Home has paid out R26.8 billion in loans since inception. Estate agent functionality is now live on the app, with 970 current listings.
- nav»Car loaded 667k vehicles and delivered 60k vehicle licences during Covid-19, and WesBank has financed R38.5 million in vehicle loans. The launch of MotoVantage products on nav»Car continues to show good growth.
- Digitally active customers grew to 6.09 million from 5.90 million (digital includes mobile banking (USSD), online banking and the app).
- The banking app active transacting base exceeded 4.2 million customers and reached new monthly records of 78.4 million logins in March 2021, and more than 78.1 million in June 2021 (72% higher than June 2019 and 40% higher than June 2020).
- Digital logins totalled 1.48 billion for the year, with online and mobile banking (USSD) logins of 181 million and 460 million, respectively. The app contributed 842 million logins.
- Total transactional volumes through digital interfaces included 174.6 million for online banking, 382.2 million for the banking app and 36.2 million for mobile banking (USSD) – highlighting the scalability of FNB’s platform.
- In the rest of Africa, credit card swipes increased 18% from 55 million to 64 million and digital application penetration increased from 16.5% to 29.3%.
- Purchases and fulfilment on platform, i.e. electricity, mobile and digital vouchers sold, amounted to R17.2 billion, up 5%.
- FNB customers used the platform to opt in for payment arrangements totalling R1.3 billion during the 2021 financial year.

RMB

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

RMB FINANCIAL HIGHLIGHTS*

R million	Year ended 30 June 2021	2020	% change
Normalised earnings	**7 071**	5 674	25
Normalised profit before tax	**10 032**	8 113	24
– South Africa	**6 977**	5 919	18
– Rest of Africa**	**3 055**	2 194	39
Pre-provision operating profit	**11 480**	11 467	–
Total assets	**591 309**	642 436	(8)
Total liabilities	**579 744**	631 961	(8)
Stage 3/NPLs as a % of advances	**1.04**	0.87	
– Lending	**0.70**	0.88	
– Private equity	**16.59**	0.40	
Credit loss ratio (%)	**0.41**	0.94	
ROE (%)	**18.7**	15.4	
ROA (%)	**1.12**	0.93	
Cost-to-income ratio (%)	**46.9**	44.2	

* *Ashburton was incorporated into RMB as from 1 July 2020 to enable better execution of the investment product offering to corporate and institutional clients. The 2020 figures have been restated to reflect this change.*

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

RMB REST OF AFRICA STRATEGY

R million	Year ended 30 June 2021	2020	% change
Profit before tax	**3 055**	2 194	39
Total advances*	**48 570**	69 869	(30)
Total deposits**	**25 782**	29 351	(12)
Credit loss ratio (%)	**(0.92)**	0.97	
ROA (%)	**3.49**	2.18	
Cost-to-income ratio (%)	**49.7**	43.6	

* *Down 15% in constant currency terms.*

** *Up 7% in constant currency terms.*

RMB delivered a pleasing performance with normalised profit before tax (PBT) increasing 24%, mainly driven by lower credit impairments year-on-year. Pre-provision operating profit was flat, a good outcome given the impact of the sustained economic disruption brought about by the ongoing pandemic and second and third wave lockdown effects, as well as significant liability margin compression, due to the lower rate environment.

The significant uplift in PBT was driven by:

> a lower impairment charge;
> an excellent markets contribution;
> solid annuity income growth;
> core deposit growth of 2% year-on-year, with average core deposits up 13%;
> solid principal investments realisation profit of c. R360 million; and
> private equity realisation income of c. R400 million.

Total costs increased 11%, reflecting continued investment in core platform modernisation, investment in the rest of Africa growth strategies and an increase in variable costs, in part linked to performance.

The business continues to be prudently provided in response to the constrained macroeconomic environment and specifically against the ongoing uncertainty in sectors directly impacted by the pandemic, with the performing book coverage ratio at 171 bps (2020: 175 bps).

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2021	2020	% change
Performing book provisions	**(247)**	2 893	(>100)
NPL provision	**1 112**	(236)	(>100)
Credit provision increase	**865**	2 657	(67)
Modification	**–**	–	–
Gross write-off* and other	**589**	727	(19)
Post write-off recoveries	**(6)**	(30)	(80)
Total impairment charge	**1 448**	3 354	(57)

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

Private equity investee loans identified in the prior year (with R740 million of provisions raised) migrated from performing (stage 2) to NPLs during the current year. This is reflected as an increase in NPL provisions (decrease in performing). Excluding this impact, net performing provisions increased in the current year given the continued tough macro environment.

The rest of Africa portfolio remains key to RMB's growth. The portfolio delivered a strong performance with pre-tax profits of R3.1 billion, up 39% on the prior year, and contributed 30% of RMB's overall pre-tax profits. The performance benefited from good transactional volume growth given new client acquisition, the recovery of the oil and gas sector resulting in provision releases, and resilient average deposit growth of 13%, albeit at lower margins due to rate cuts. This was partially offset by a muted performance from the Nigeria-London corridor flows due to lower risk appetite from international clients.

BREAKDOWN OF PBT CONTRIBUTION

R million	Year ended 30 June 2021	2020	% change
Banking	**6 288**	5 272	19
Markets	**2 979**	2 320	28
Private equity	**692**	443	56
Other*	**73**	78	(6)
Total RMB	**10 032**	8 113	24

* *Other includes support and head office activities.*

The banking business's profits grew 19% despite further increases in credit provisioning given adverse trading conditions in specific pandemic-affected industries, albeit at lower levels. Investment banking's performance was underpinned by robust fee income from advisory mandates and resilient margin income. The overall performance was further bolstered by strong principal investments realisation income. This was partially offset by lower structuring income given reduced deal origination and further provisions taken to derisk certain investing exposures.

Corporate transactional banking's muted performance reflects multiple rate cuts across the portfolio resulting in lower margin income. The domestic franchise was further affected by the extended lockdown periods during the year driving transactional volumes lower. The rest of Africa portfolio was bolstered by an increase in fee income supported by the onboarding of new clients.

The markets business delivered an excellent performance, with PBT up 28%. The performance was due to a significant rebound from domestic fixed income and specifically the inflation desk, which benefited from normalisation of market conditions, market making and client facilitation. This was offset by reduced activity in nominal bonds and options. Secured financing benefited from hedging flows emanating from Nigeria. The commodities business performance benefited from increased gold demand from India together with revenue earned from the hedging of client flows.

Private equity's performance was driven by annuity income growth as both old and new vintages performed strongly, benefiting from the cyclical recovery in SA macroeconomic conditions. The strong annuity performance was supplemented by realisation income of c. R400 million, which mitigated the impact of additional credit provisioning and equity impairments required against specific counterparties. The quality and diversity of the portfolio is reflected in the unrealised value of R4.4 billion (2020: R3.3 billion). Acquisition opportunities were muted during the year, resulting in limited new investments.

Ashburton Investments was incorporated into RMB from 1 July 2020 to enable better execution of the investment product offering to corporate and institutional clients. Overall performance improved 55% year-on-year. AUM increased 12% to R103 billion, with strong growth in fixed income products.

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 remains centred around protecting and growing its unique and long-standing model of partnering with leading motor manufacturers, suppliers and dealer groups. Of the 36 original equipment manufacturer (OEM) brands currently active in South Africa, WesBank has participation arrangements with 24. This partnership model delivers the following channels:

- direct to dealer through a point-of-sale presence;
- joint venture arrangements with industry players; and
- participation in OEM-captive arrangements through servicing and equity agreements.

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

WESBANK FINANCIAL HIGHLIGHTS

R million	Year ended 30 June 2021	2020	% change
Normalised earnings	**1 235**	843	47
Normalised profit before tax	**1 749**	1 226	43
Pre-provision operating profit	**3 823**	4 249	(10)
Total assets	**129 043**	133 372	(3)
Total liabilities	**127 459**	131 323	(3)
Stage 3/NPLs as a % of advances	**8.44**	8.49	
Credit loss ratio (%)	**1.61**	2.28	
ROE (%)	**14.5**	8.0	
ROA (%)	**0.93**	0.60	
Cost-to-income ratio (%)	**54.1**	50.0	
Net interest margin (%)	**3.26**	3.45	

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

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

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

The launch of MotoVantage products on nav»Car continues to show good growth. The double-up on fuel rewards paid out R41 million to WesBank, Toyota Financial Services (TFS) and Volkswagen Financial Services (VWFS) customers to date.

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

WesBank's normalised PBT increased 43% to R1.7 billion. The year-on-year recovery in impairments relates to a marked improvement in new arrears since the first lockdown which triggered a significant deterioration in arrears in the quarter ending 30 June 2020, and improved macro assumptions. WesBank and the associate investments (TFS and VWFS) showed a strong recovery in arrear inflows in the current year, and Covid-19 second and third wave arrears have had a relatively muted effect in comparison.

The insurance business has been affected by higher claims due to Covid-19 and increased future claims reserves were raised as a result.

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

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

R million	Year ended 30 June 2021	2020	% change
Normalised PBT			
Retail VAF**	**1 495**	979	53
Corporate and commercial	**254**	247	3
Total WesBank	**1 749**	1 226	43

* *Refer to additional segmental disclosure on page 44.*

** *Includes MotoVantage.*

Retail VAF profit before tax increased 53% to R1.5 billion, assisted by the improvement in impairment charges and a similarly strong recovery from associates. Corporate and commercial PBT benefited from the improvement in the impairment charge, which was partly offset by higher expenditure.

ANALYSIS OF IMPAIRMENT CHARGE

R million	Year ended 30 June 2021	2020	% change
Performing book provisions	**11**	10	10
NPL provision	**98**	1 663	(94)
Credit provision increase	**109**	1 673	(93)
Modification	**138**	(3)	(>100)
Gross write-off* and other	**2 086**	1 695	23
Post write-off recoveries	**(259)**	(342)	(24)
Total impairment charge	**2 074**	3 023	(31)

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

The reduction in the arrears book was primarily due to a decrease in arrear inflows and an increase in accounts curing out of arrear status. This led to a 67 bps drop in the credit loss ratio from 2.28% to 1.61%. Write-offs increased, mainly driven by the acceleration of delayed repossessions (affected by court closures in the first lockdown). The curing in defaulted accounts continued with a recovery back to performing expected in the next financial year. Auctions (online and physical) continue with strong demand for used vehicles supporting recovery rates.

Operating costs increased 7%, which includes the impact of accelerated expenditure of software costs. This together with lower revenues resulted in a deterioration in the cost-to-income ratio to 54.1% (2020: 50.0%).

UK operations

The UK operations include Aldermore and the MotoNovo front and back books.

Aldermore is a UK specialist lender focusing on lending in six areas: asset finance, invoice finance, small- and medium-sized enterprise (SME) commercial mortgages (including property development), residential mortgages, buy-to-let mortgages and vehicle finance (MotoNovo). It is funded primarily by deposits from UK savers. With no branch network, Aldermore serves customers and intermediary partners online and by phone.

UK OPERATIONS – FINANCIAL HIGHLIGHTS

	Year ended 30 June		
£ million	**2021**	2020	% change
Normalised earnings	**132**	44	>100
Normalised profit before tax	**181**	74	>100
Pre-provision operating profit	**231**	247	(6)
Total assets	**17 238**	17 008	1
Total liabilities	**15 968**	15 941	–
Stage 3/NPLs as a % of advances	**3.16**	2.18	
Credit loss ratio (%)	**0.35**	1.24	
ROE (%)	**11.1**	3.9	
ROA (%)	**0.76**	0.26	
Cost-to-income ratio (%)	**51.1**	46.4	

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

	Year ended 30 June		
£ million	**2021**	2020	% change
Normalised PBT			
Asset finance	**55.8**	17.2	>100
Invoice finance	**14.5**	15.7	(8)
SME commercial mortgages	**39.3**	30.6	28
Buy-to-let mortgages	**89.5**	107.6	(17)
Residential mortgages	**48.9**	39.7	23
Central functions*	**(127.7)**	(120.9)	(6)
Aldermore operational PBT	**120.3**	89.9	34
Fair value hedge portfolio	**(0.5)**	(8.1)	94
Aldermore PBT	**119.8**	81.8	46
MotoNovo PBT	**61.2**	(8.1)	>100
Total UK operations PBT	**181.0**	73.7	>100

* *Adjusted for the fair value hedge portfolio loss of £0.5 million (2020: £8.1 million).*

Normalised earnings increased to £132 million (R2.7 billion). This performance was driven by significantly lower impairment charges as a result of the improved macroeconomic environment, supported by the continuation of the government's furlough scheme. The UK operations produced an ROE of 11.1% (2020: 3.9%).

The operational performance remained resilient, driven by:

> Marginal growth in advances to £14.4 billion.

> A 14% increase in customer deposits to £12.4 billion. Savings levels in the UK have increased given increased given reduced economic activity during lockdown.

> The cost of funding was lower due to the proactive management of the funding mix and the benefit of rate cuts.

> Overall customer growth of 2% was driven mainly by liability gathering.

> Operating expenses increased given the normalisation of variable staff costs together with ongoing investment in platform and process enhancements.

The pound credit loss ratio decreased significantly to 35 bps (2020: 124 bps) as lower advances and improved macros supported a lower impairment charge. Arrears and NPLs increased, reflecting the conservative group policy of classifying customers receiving >6 months payment relief as stage 3.

ANALYSIS OF IMPAIRMENT CHARGE

£ *million*	Year ended 30 June 2021	2020	% change
Performing book provisions	**(56.1)**	85.4	(>100)
NPL provision	**51.4**	31.3	64
Credit provision increase	**(4.7)**	116.7	(>100)
Modification	**1.9**	11.8	(84)
Gross write-off* and other	**64.8**	50.7	28
Post write-off recoveries	**(12.2)**	(5.8)	>100
Total impairment charge	**49.8**	173.4	(71)

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

The table below provides a segmental analysis of the group's normalised earnings.

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2021**	**% composition**	2020	% composition	% change
Retail	**9 862**	**37**	7 407	43	33
– FNB*	**8 810**		6 742		
– WesBank	**1 052**		665		
Commercial	**7 653**	**29**	5 664	33	35
– FNB	**7 470**		5 486		
– WesBank	**183**		178		
Corporate and investment banking	**7 071**	**27**	5 674	33	25
– RMB**	**7 071**		5 674		
UK operations#	**2 743**	**10**	865	5	>100
– Aldermore#,†	**1 764**		1 020		
– MotoNovo#	**979**		(155)		
Other	**(778)**	**(3)**	(2 345)	(14)	67
– FCC (including Group Treasury)**,#	**(178)**		(1 442)		
– Other equity instrument holders	**(600)**		(903)		
Normalised earnings	**26 551**	**100**	17 265	100	54

* *Includes FNB rest of Africa.*

** *Ashburton's results are now reflected in RMB, previously reported in FCC. Comparatives have been restated for this change.*

\# *During May 2019, a new legal entity, MotoNovo Finance Limited, was established under the Aldermore group where all new MotoNovo business since May 2019 has been originated (also referred to as the MotoNovo front book). In the UK operations management view, shown in the table above and on pages 45 and 46, Aldermore refers to Aldermore excluding MotoNovo front book and MotoNovo refers to the standalone performance of MotoNovo, which includes the front book and back book. This differs from the segment report disclosed on pages 36 to 43, as MotoNovo (front book) is included under Aldermore and MotoNovo (back book) is included in FCC (including Group Treasury).*

† *After the dividend on the contingent convertible securities of R177 million (£9 million) (2020: R242 million and £12 million).*

Segment report

for the year ended 30 June 2021

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	Total personal loans*	Retail other	Retail	Commercial	FNB rest of Africa	Total FNB
Net interest income before impairment of advances	5 036	2 993	6 573	6 981	**21 583**	12 555	3 825	**37 963**
Impairment charge	(577)	(1 428)	(3 600)	(1 302)	**(6 907)**	(1 307)	(865)	**(9 079)**
Net interest income after impairment of advances	4 459	1 565	2 973	5 679	**14 676**	11 248	2 960	**28 884**
Non-interest revenue	121	2 605	873	14 991	**18 590**	9 285	4 191	**32 066**
Income from operations	4 580	4 170	3 846	20 670	**33 266**	20 533	7 151	**60 950**
Operating expenses	(1 805)	(2 446)	(2 686)	(14 146)	**(21 083)**	(10 135)	(5 416)	**(36 634)**
Net income from operations	2 775	1 724	1 160	6 524	**12 183**	10 398	1 735	**24 316**
Share of profit of associates and joint ventures after tax	–	–	55	35	**90**	–	–	**90**
Income before tax	2 775	1 724	1 215	6 559	**12 273**	10 398	1 735	**24 406**
Indirect tax	(15)	(38)	(79)	(640)	**(772)**	(48)	(128)	**(948)**
Profit before tax	2 760	1 686	1 136	5 919	**11 501**	10 350	1 607	**23 458**
Income tax expense	(773)	(472)	(302)	(1 657)	**(3 204)**	(2 880)	(548)	**(6 632)**
Profit for the year	1 987	1 214	834	4 262	**8 297**	7 470	1 059	**16 826**
Attributable to								
Ordinary equityholders	1 987	1 214	834	4 262	**8 297**	7 470	513	**16 280**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	546	**546**
Profit for the year	1 987	1 214	834	4 262	**8 297**	7 470	1 059	**16 826**
Attributable earnings to ordinary equityholders	1 987	1 214	834	4 262	**8 297**	7 470	513	**16 280**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 987	1 214	834	4 262	**8 297**	7 470	513	**16 280**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity-related	–	–	–	–	**–**	–	–	**–**
Normalised earnings‡	1 987	1 214	834	4 262	**8 297**	7 470	513	**16 280**

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

* *Includes DirectAxis (R519 million earnings) and Covid-19 debt-relief loans (R442 million loss).*

** *Refer to additional segmental disclosure on page 44.*

Refer to additional segmental disclosure on page 45, which includes MotoNovo back book within FCC.

† *FCC represents group-wide functions.*

‡ *Normalised earnings for FNB, RMB and WesBank exclude the return on capital in the rest of Africa, the cost of preference shares and other capital, and therefore differ from the franchise normalised earnings reported on page 141.*

	Retail and commercial		Corporate and institutional					
	WesBank**	Retail and commercial	RMB	Aldermore#	FCC (including Group Treasury) and other†	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	4 814	**42 777**	**9 191**	**9 017**	3 526	**64 511**	(1 221)	**63 290**
	(2 074)	**(11 153)**	**(1 448)**	**(1 076)**	17	**(13 660)**	–	**(13 660)**
	2 740	**31 624**	**7 743**	**7 941**	3 543	**50 851**	(1 221)	**49 630**
	3 204	**35 270**	**11 432**	**713**	(3 867)	**43 548**	1 647	**45 195**
	5 944	**66 894**	**19 175**	**8 654**	(324)	**94 399**	426	**94 825**
	(4 592)	**(41 226)**	**(10 309)**	**(5 173)**	(634)	**(57 342)**	(214)	**(57 556)**
	1 352	**25 668**	**8 866**	**3 481**	(958)	**37 057**	212	**37 269**
	465	**555**	**1 356**	**15**	(494)	**1 432**	106	**1 538**
	1 817	**26 223**	**10 222**	**3 496**	(1 452)	**38 489**	318	**38 807**
	(68)	**(1 016)**	**(190)**	**(224)**	(86)	**(1 516)**	–	**(1 516)**
	1 749	**25 207**	**10 032**	**3 272**	(1 538)	**36 973**	318	**37 291**
	(490)	**(7 122)**	**(2 809)**	**(690)**	1 772	**(8 849)**	(132)	**(8 981)**
	1 259	**18 085**	**7 223**	**2 582**	234	**28 124**	186	**28 310**
	1 235	**17 515**	**7 071**	**2 405**	(440)	**26 551**	192	**26 743**
	–	**–**	**–**	**177**	600	**777**	–	**777**
	24	**570**	**152**	**–**	74	**796**	(6)	**790**
	1 259	**18 085**	**7 223**	**2 582**	234	**28 124**	186	**28 310**
	1 235	**17 515**	**7 071**	**2 405**	(440)	**26 551**	192	**26 743**
	–	**–**	**–**	**–**	–	**–**	207	**207**
	1 235	**17 515**	**7 071**	**2 405**	(440)	**26 551**	399	**26 950**
	–	**–**	**–**	**–**	–	**–**	(213)	**(213)**
	–	**–**	**–**	**–**	–	**–**	(66)	**(66)**
	–	**–**	**–**	**–**	–	**–**	(102)	**(102)**
	–	**–**	**–**	**–**	–	**–**	(18)	**(18)**
	1 235	**17 515**	**7 071**	**2 405**	(440)	**26 551**	–	**26 551**

Segment report continued

for the year ended 30 June 2021

R million	Retail and commercial							
	FNB							
	Retail							
	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial	FNB rest of Africa	**Total FNB**
Cost-to-income ratio (%)	35.0	43.7	35.8	64.3	**52.4**	46.4	67.6	**52.2**
Diversity ratio (%)	2.3	46.5	12.4	68.3	**46.4**	42.5	52.3	**45.9**
Credit loss ratio (%)	0.26	4.65	8.83	8.03	**2.21**	1.19	1.63	**1.91**
Stage 3/NPLs as a % of advances	5.92	12.91	19.00	15.86	**8.78**	5.74	6.99	**7.88**
Consolidated income statement includes								
Depreciation	(7)	(9)	(19)	(2 395)	**(2 430)**	(176)	(433)	**(3 039)**
Amortisation	–	(25)	(6)	(81)	**(112)**	–	(20)	**(132)**
Net impairment charges	–	–	1	9	**10**	(1)	(1)	**8**
Consolidated statement of financial position includes								
Advances (before impairments)	225 666	31 249	39 709	15 712	**312 336**	111 121	50 487	**473 944**
– Normal advances (AC and FV)	225 666	31 249	39 709	15 712	**312 336**	111 121	50 487	**473 944**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	13 356	4 034	7 546	2 492	**27 428**	6 378	3 527	**37 333**
Investment in associated companies	–	–	359	438	**797**	–	–	**797**
Investment in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	573	7 423	2	296 754	**304 752**	312 742	49 326	**666 820**
Total assets	221 417	26 679	31 745	42 116	**321 957**	107 558	53 184	**482 699**
Total liabilities†	220 895	26 644	33 087	27 399	**308 025**	103 073	51 583	**462 681**
Capital expenditure	2	17	39	1 881	**1 939**	185	450	**2 574**

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

* *Refer to additional segmental disclosure on page 44.*

** *Refer to additional segmental disclosure on page 45, which includes MotoNovo back book within FCC.*

FCC represents group-wide functions.

† *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank*	Retail and commercial	RMB	Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
54.1	52.4	46.9	53.1	(75.9)	52.4	–	52.3
43.3	45.6	58.2	7.5	>100	41.1	–	42.5
1.61	1.84	0.41	0.40	(0.03)	1.06	–	1.06
8.44	8.00	1.04	2.88	2.39	4.76	–	4.76
(906)	(3 945)	(135)	(218)	(12)	(4 310)	–	(4 310)
(67)	(199)	(200)	(42)	(475)	(916)	–	(916)
(18)	(10)	(19)	–	(209)	(238)	(155)	(393)
127 088	601 032	353 174	268 467	51 379	1 274 052	–	1 274 052
117 502	591 446	353 174	245 856	38 050	1 228 526	–	1 228 526
9 586	9 586	–	22 611	13 329	45 526	–	45 526
10 725	48 058	3 679	7 738	1 230	60 705	–	60 705
2 527	3 324	4 065	113	1 142	8 644	–	8 644
7	7	2 081	–	(17)	2 071	45	2 116
47	666 867	256 601	290 191	328 419	1 542 078	–	1 542 078
129 043	611 742	591 309	325 195	358 064	1 886 310	(30)	1 886 280
127 459	590 140	579 744	300 915	247 594	1 718 393	–	1 718 393
1 211	3 785	278	400	65	4 528	–	4 528

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages*	Card*	Total personal loans*,**	Retail other*	**Retail**	Commercial*	FNB rest of Africa	**Total FNB***
Net interest income before impairment of advances	4 819	2 729	7 146	7 246	**21 940**	11 543	4 340	**37 823**
Impairment charge	(1 411)	(1 997)	(4 899)	(1 666)	**(9 973)**	(2 949)	(1 569)	**(14 491)**
Net interest income after impairment of advances	3 408	732	2 247	5 580	**11 967**	8 594	2 771	**23 332**
Non-interest revenue	160	1 948	992	14 821	**17 921**	8 632	4 066	**30 619**
Income from operations	3 568	2 680	3 239	20 401	**29 888**	17 226	6 837	**53 951**
Operating expenses	(1 897)	(2 213)	(2 772)	(13 478)	**(20 360)**	(9 557)	(5 535)	**(35 452)**
Net income from operations	1 671	467	467	6 923	**9 528**	7 669	1 302	**18 499**
Share of profit of associates and joint ventures after tax	–	–	50	14	**64**	1	1	**66**
Income before tax	1 671	467	517	6 937	**9 592**	7 670	1 303	**18 565**
Indirect tax	(13)	(34)	(49)	(462)	**(558)**	(51)	(157)	**(766)**
Profit before tax	1 658	433	468	6 475	**9 034**	7 619	1 146	**17 799**
Income tax expense	(464)	(122)	(131)	(1 813)	**(2 530)**	(2 133)	(463)	**(5 126)**
Profit for the year	1 194	311	337	4 662	**6 504**	5 486	683	**12 673**
Attributable to								
Ordinary equityholders	1 194	311	337	4 662	**6 504**	5 486	238	**12 228**
Other equity instrument holders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	445	**445**
Profit for the year	1 194	311	337	4 662	**6 504**	5 486	683	**12 673**
Attributable earnings to ordinary equityholders	1 194	311	337	4 662	**6 504**	5 486	238	**12 228**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 194	311	337	4 662	**6 504**	5 486	238	**12 228**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity-related	–	–	–	–	**–**	–	–	**–**
Normalised earnings^	1 194	311	337	4 662	**6 504**	5 486	238	**12 228**

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

* *The segment has been restated. Please refer to pages 52 to 59 for additional information on internal restructures.*

** *Includes DirectAxis (R121 million earnings) and Covid-19 debt-relief loans (R293 million loss).*

Refer to additional segmental disclosure on page 44.

† *Refer to additional segmental disclosure on page 45, which includes MotoNovo back book within FCC.*

‡ *FCC represents group-wide functions.*

^ *Normalised earnings for FNB, RMB and WesBank exclude the return on capital in the rest of Africa, the cost of preference shares and other capital, and therefore differ from the franchise normalised earnings reported on page 141.*

Retail and commercial		Corporate and institutional					
WesBank#	Retail and commercial	RMB*	Aldermore†	FCC (including Group Treasury) and other*,‡	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
5 297	43 120	9 083	7 249	3 399	62 851	64	62 915
(3 023)	(17 514)	(3 354)	(2 577)	(938)	(24 383)	–	(24 383)
2 274	25 606	5 729	4 672	2 461	38 468	64	38 532
3 367	33 986	11 288	815	(3 842)	42 247	(556)	41 691
5 641	59 592	17 017	5 487	(1 381)	80 715	(492)	80 223
(4 296)	(39 748)	(9 252)	(4 307)	(2 349)	(55 656)	380	(55 276)
1 345	19 844	7 765	1 180	(3 730)	25 059	(112)	24 947
(73)	(7)	545	10	(341)	207	(178)	29
1 272	19 837	8 310	1 190	(4 071)	25 266	(290)	24 976
(46)	(812)	(197)	(234)	(105)	(1 348)	–	(1 348)
1 226	19 025	8 113	956	(4 176)	23 918	(290)	23 628
(343)	(5 469)	(2 272)	(200)	3 067	(4 874)	26	(4 848)
883	13 556	5 841	756	(1 109)	19 044	(264)	18 780
843	13 071	5 674	514	(1 994)	17 265	(244)	17 021
–	–	–	242	903	1 145	–	1 145
40	485	167	–	(18)	634	(20)	614
883	13 556	5 841	756	(1 109)	19 044	(264)	18 780
843	13 071	5 674	514	(1 994)	17 265	(244)	17 021
–	–	–	–	–	–	305	305
843	13 071	5 674	514	(1 994)	17 265	61	17 326
–	–	–	–	–	–	77	77
–	–	–	–	–	–	65	65
–	–	–	–	–	–	(118)	(118)
–	–	–	–	–	–	(85)	(85)
843	13 071	5 674	514	(1 994)	17 265	–	17 265

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages*	Card*	Total personal loans*	Retail other*	**Retail**	Commercial*	FNB rest of Africa	**Total FNB***
Cost-to-income ratio (%)	38.1	47.3	33.9	61.0	**51.0**	47.4	65.8	**51.7**
Diversity ratio (%)	3.2	41.7	12.7	67.2	**45.0**	42.8	48.4	**44.8**
Credit loss ratio (%)	0.64	6.85	12.06	9.62	**3.24**	2.77	2.83	**3.08**
Stage 3/NPLs as a % of advances	5.20	12.16	17.73	13.19	**7.97**	6.51	7.51	**7.59**
Consolidated income statement includes								
Depreciation	(7)	(10)	(26)	(2 221)	**(2 264)**	(165)	(478)	**(2 907)**
Amortisation	–	(15)	(18)	(95)	**(128)**	–	(6)	**(134)**
Net impairment charges	–	–	(1)	(7)	**(8)**	(1)	(3)	**(12)**
Consolidated statement of financial position includes								
Advances (before impairments)	224 404	30 210	41 874	16 732	**313 220**	107 916	55 868	**477 004**
– Normal advances (AC and FV)	224 404	30 210	41 874	16 732	**313 220**	107 916	55 868	**477 004**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
Stage 3/NPLs	11 662	3 675	7 424	2 207	**24 968**	7 030	4 197	**36 195**
Investment in associated companies	–	–	304	403	**707**	–	–	**707**
Investment in joint ventures	–	–	–	–	**–**	7	–	**7**
Total deposits (including non-recourse deposits)	559	5 683	5	279 314	**285 561**	287 561	49 632	**622 754**
Total assets	220 550	26 092	34 583	42 490	**323 715**	104 559	59 265	**487 539**
Total liabilities‡	220 870	26 931	37 727	29 738	**315 266**	101 597	58 417	**475 280**
Capital expenditure	7	22	64	2 397	**2 490**	208	357	**3 055**

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

* *The segment has been restated. Please refer to pages 52 to 59 for additional information on internal restructures.*

** *Refer to additional segmental disclosure on page 44.*

Refer to additional segmental disclosure on page 45, which includes MotoNovo back book within FCC.

† *FCC represents group-wide functions.*

‡ *Total liabilities are net of interdivisional balances.*

Retail and commercial		Corporate and institutional					
WesBank**	Retail and commercial	RMB*	Aldermore#	FCC (including Group Treasury) and other*,†	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
50.0	51.6	44.2	53.3	>100	52.9	–	52.8
38.3	44.1	56.6	10.2	(>100)	40.3	–	39.9
2.28	2.91	0.94	1.12	1.09	1.91	–	1.91
8.49	7.78	0.87	1.89	2.35	4.37	–	4.37
(884)	(3 791)	(138)	(171)	(10)	(4 110)	–	(4 110)
(52)	(186)	(130)	(66)	(454)	(836)	–	(836)
(21)	(33)	(28)	–	(203)	(264)	(342)	(606)
131 128	608 132	359 827	269 668	73 468	1 311 095	–	1 311 095
121 138	598 142	359 827	258 762	40 672	1 257 403	–	1 257 403
9 990	9 990	–	10 906	32 796	53 692	–	53 692
11 128	47 323	3 135	5 096	1 727	57 281	–	57 281
2 227	2 934	3 848	118	(18)	6 882	–	6 882
(4)	3	1 826	–	(18)	1 811	(62)	1 749
68	622 822	249 742	295 036	367 415	1 535 015	–	1 535 015
133 372	620 911	642 436	328 301	334 968	1 926 616	(77)	1 926 539
131 323	606 603	631 961	304 550	231 505	1 774 619	–	1 774 619
2 372	5 427	265	129	129	5 950	–	5 950

Additional segmental disclosure – WesBank

	Year ended 30 June 2021		
R million	**Retail**	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**4 236**	**578**	**4 814**
Impairment of advances	**(1 968)**	**(106)**	**(2 074)**
Normalised profit before tax	**1 495**	**254**	**1 749**
Normalised earnings	**1 052**	**183**	**1 235**
Advances	**100 102**	**26 986**	**127 088**
Stage 3/NPLs	**9 911**	**814**	**10 725**
Advances margin (%)	**3.58**	**2.06**	**3.26**
Stage 3/NPLs as a % of advances	**9.90**	**3.02**	**8.44**
Credit loss ratio (%)	**1.93**	**0.39**	**1.61**

	Year ended 30 June 2020		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 711	586	5 297
Impairment of advances	(2 774)	(249)	(3 023)
Normalised profit before tax	979	247	1 226
Normalised earnings	665	178	843
Advances	104 014	27 114	131 128
Stage 3/NPLs	10 254	874	11 128
Advances margin (%)	3.80	2.15	3.45
Stage 3/NPLs as a % of advances	9.86	3.22	8.49
Credit loss ratio (%)	2.64	0.90	2.28

Additional segmental disclosure – UK operations

In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the segmental disclosure provided here reflects the total operations of MotoNovo, which include the front book written since May 2019 within Aldermore group and the back book reported in FCC.

	Year ended 30 June 2021					
£ million	Commercial	Retail	Central functions	Aldermore	Total MotoNovo	Total UK operations
Net interest income before impairment of advances	145	173	–	318	166	484
Impairment charge	(11)	(16)	–	(27)	(23)	(50)
Net interest income after impairment of advances	134	157	–	291	143	434
Non-interest revenue	7	–	–	7	2	9
Income from operations	141	157	–	298	145	443
Operating expenses	(28)	(17)	(129)	(174)	(79)	(253)
Net income from operations	113	140	(129)	124	66	190
Share of profit of associates and joint ventures after tax	–	–	1	1	–	1
Income before tax	113	140	(128)	125	66	191
Indirect tax	(3)	(2)	–	(5)	(5)	(10)
Profit before tax	110	138	(128)	120	61	181
Income tax expense	–	–	(26)*	(26)	(14)	(40)
Profit for the year	110	138	(154)	94	47	141
Attributable to						
Ordinary equityholders	110	138	(163)	85	47	132
Other equity instrument holders	–	–	9	9	–	9
Non-controlling interests	–	–	–	–	–	–
Profit for the year	110	138	(154)	94	47	141
Consolidated statement of financial position includes						
Cash and cash equivalents	–	–	825	825	85	910
Derivative financial instruments	–	–	19	19	1	20
Investment securities	–	–	1 999	1 999	–	1 999
Advances	3 097	7 297	–	10 394	3 739	14 133
– Gross advances	3 165	7 345	–	10 510	3 871	14 381
– Impairment of advances	(68)	(48)	–	(116)	(132)	(248)
Other assets	8	–	28	36	140	176
Total assets	3 105	7 297	2 871	13 273	3 965	17 238
Derivative financial instruments	–	–	42	42	(1)	41
Total deposits	–	–	13 995	13 995	719	14 714
Other liabilities	2 996	7 157	(12 040)	(1 887)	3 100	1 213
Total liabilities	2 996	7 157	1 997	12 150	3 818	15 968
Stage 3/NPLs	107	238	–	345	110	455
Stage 3/NPLs as a % of advances	3.36	3.24	–	3.27	2.86	3.16
Credit loss ratio (%)	0.32	0.23	–	0.25	0.63	0.35
Advances margin (%)	4.55	2.37	–	3.00	4.40	3.36

* *Tax expense reflected in central functions.*

Additional segmental disclosure – UK operations continued

	Year ended 30 June 2020					
£ million	Commercial	Retail	Central functions	**Aldermore**	Total MotoNovo	**Total UK operations**
Net interest income before impairment of advances	150	177	(11)	**316**	166	**482**
Impairment charge	(62)	(13)	–	**(75)**	(98)	**(173)**
Net interest income after impairment of advances	88	164	(11)	**241**	68	**309**
Non-interest revenue	5	–	(8)	**(3)**	4	**1**
Income from operations	93	164	(19)	**238**	72	**310**
Operating expenses	(26)	(14)	(112)	**(152)**	(76)	**(228)**
Net income from operations	67	150	(131)	**86**	(4)	**82**
Share of profit of associates and joint ventures after tax	–	–	1	**1**	–	**1**
Income before tax	67	150	(130)	**87**	(4)	**83**
Indirect tax	(3)	(2)	–	**(5)**	(4)	**(9)**
Profit before tax	64	148	(130)	**82**	(8)	**74**
Income tax expense	–	–	(18)*	**(18)**	–	**(18)**
Profit for the year	64	148	(148)	**64**	(8)	**56**
Attributable to						
Ordinary equityholders	64	148	(160)	**52**	(8)	**44**
Other equity instrument holders	–	–	12	**12**	–	**12**
Non-controlling interests	–	–	–	**–**	–	**–**
Profit for the year	64	148	(148)	**64**	(8)	**56**
Consolidated statement of financial position includes						
Cash and cash equivalents	–	–	665	**665**	49	**714**
Derivative financial instruments	–	–	9	**9**	–	**9**
Investment securities	–	–	1 941	**1 941**	–	**1 941**
Advances	3 275	7 327	–	**10 602**	3 458	**14 060**
– Gross advances	3 347	7 360	–	**10 707**	3 586	**14 293**
– Impairment of advances	(72)	(33)	–	**(105)**	(128)	**(233)**
Other assets	–	–	178	**178**	106	**284**
Total assets	3 275	7 327	2 793	**13 395**	3 613	**17 008**
Derivative financial instruments	–	–	97	**97**	3	**100**
Total deposits	–	–	13 520	**13 520**	250	**13 770**
Other liabilities	3 212	7 179	(11 692)	**(1 301)**	3 372	**2 071**
Total liabilities	3 212	7 179	1 925	**12 316**	3 625	**15 941**
Stage 3/NPLs	72	151	–	**223**	87	**310**
Stage 3/NPLs as a % of advances	2.18	2.05	–	**2.09**	2.45	**2.18**
Credit loss ratio (%)	1.84	0.19	–	**0.72**	2.79	**1.24**
Advances margin (%)	4.40	2.49	–	**3.00**	4.79	**3.44**

* *Tax expense reflected in central functions.*

Additional segmental disclosure – insurance activities

TOTAL INSURANCE PBT

	Year ended 30 June		
R million	**2021**	2020	% change
FNB	**1 111**	1 646	(33)
– Credit life	**1 085**	1 187	(9)
– Core life (including funeral)	**259**	677	(62)
– Underwritten	**(132)**	(128)	(3)
– Commercial	**(22)**	(39)	43
– Short-term insurance	**(79)**	(51)	(55)
WesBank	**332**	491	(32)
– VAPS*	**332**	491	(32)
Rest of Africa	**239**	272	(12)
Other**	**156**	204	(24)
Total	**1 838**	2 613	(30)

* *VAPS include WesBank Motor and MotoVantage products.*

** *Other includes Aldermore and FNB insurance brokers.*

Total insurance PBT was down 30% year-on-year, reflecting the impact of the pandemic.

> The FNB funeral book showed strong growth in premiums, which was evident in good in-force APE growth year-on-year, offset by increased mortality claims paid and provisions raised.

> The FNB credit life book benefited from higher profit share received due to reserve releases on the DirectAxis credit life book. Premium growth in the credit life book was muted in line with growth in unsecured credit assets in the bank. The impact of the Covid-19-related provisions on the credit life book also contributed to lower profits.

> The FNB short-term insurance business launched homeowners' cover during the financial year.

> The value-added products and services (VAPS) portfolio profits in WesBank decreased as the impact of higher claims payments and reserves was felt in the MotoVantage business and related insurance partners.

Additional segmental disclosure – insurance activities continued

FNB

NEW BUSINESS APE

	Year ended 30 June		%
R million	**2021**	2020	change
Core life (including funeral)	**1 086**	894	21
Underwritten	**310**	383	(19)
Commercial	**13**	47	(72)
Standalone products	**1 409**	1 324	6
Credit life	**452**	546	(17)
Total	**1 861**	1 870	–

Funeral delivered strong growth in both value and volume, due to increased sales and higher margin policies written.

Credit life new business APE was down due to muted growth in unsecured credit life. This was offset by strong growth in secured credit life policies.

Underwritten life experienced lower sales volumes due to muted growth in limited underwriting products. This was partially offset by growth in fully underwritten products which target more affluent segments.

Commercial sales reduced as a result of lower business segment credit sales and lower footfall of business owners in branch.

VALUE OF NEW BUSINESS*

	Year ended 30 June		%
R million	**2021**	2020	change
Credit life	**241**	2	>100
Core life (including funeral)	**204**	198	3
Underwritten	**8**	17	(53)
Total	**453**	217	>100

* *Defined as the present value of expected post-tax profits for new business during the period.*

Significant growth in the value of new business (VNB) is attributable to resilient funeral sales, increased funeral premium rates and an improved outlook on retrenchment rates for the credit life book. The underwritten portfolio saw good in-force growth, but VNB was down due to a combination of lower new business APE and a higher mortality outlook.

EMBEDDED VALUE

	Year ended 30 June		%
R million	**2021**	2020	change
Total	**4 843**	3 753	29

VNB and EV are produced in accordance with the APN107 standard.

Embedded value (EV) growth was driven by positive profit generation, the improvement in the retrenchment outlook, resilient persistency and improved premium rates. This was somewhat offset by a higher mortality outlook.

NUMBER OF POLICIES

	Year ended 30 June		%
Thousands	**2021**	2020	change
Credit life	**2 198**	2 355	(7)
Core life (including funeral)	**1 670**	1 539	9
Underwritten	**151**	121	25
Commercial	**20**	16	25
Total	**4 039**	4 031	–

Policy volumes were impacted by lower credit life volumes.

IN-FORCE APE

	Year ended 30 June		%
R million	**2021**	2020	change
Credit life	**1 777**	1 725	3
Core life (including funeral)	**2 779**	2 439	14
Underwritten	**567**	444	28
Commercial	**52**	44	18
Total	**5 175**	4 652	11

In-force APE increased 11%, mainly due to strong growth in funeral, underwritten and business products. This was offset by lower growth in credit life APE due to subdued sales of policies in unsecured credit products.

SALES CHANNELS (STANDALONE LIFE)

	Year ended 30 June	
% of new business APE	**2021**	2020
Branches*	**65**	57
Call centres	**28**	35
Digital	**7**	8
Total	**100**	100

* *Branches include wealth managers, bankers and financial advisors.*

Standalone life new business APE increased by 6%. The table above shows the sales channel split of new business APE, and reflects strong growth in funeral sales in branches during the pandemic.

Additional segmental disclosure – insurance activities continued

WesBank

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

	MotoVantage (VAPS)			Retail VAF (credit life)		
	Year ended 30 June			Year ended 30 June		
	2021	2020	% change	**2021**	2020	% change
Number of policies (thousands)	**633**	694*	(9)	**43**	52	(17)
Gross written premium (R million)	**1 464**	1 516	(3)	**102**	119**	(14)

* *Prior year numbers have been restated following a revision of the active policy definition following migration to a new system.*

** *Prior year numbers have been restated following an update of the gross written premium definition.*

The decline in policies was driven by the non-renewal of certain third-party arrangements for shortfall and scratch-and-dent contracts.

VAPS CHANNELS

	Year ended 30 June	
% of sales	**2021**	2020
Point of sale	**61**	61
Telesales	**33**	31
Other	**6**	8
Total	**100**	100

Additional disclosure – investment management activities

Despite the difficult operating environment, FirstRand continues to make good progress in building out its investment management activities. The group recently consolidated them under a single structure to coordinate management capabilities across FNB, Ashburton Investments and RMB. The aim is to deliver investment solutions aligned to client needs across all segments off a scalable and efficient platform. The year-on-year growth reflects the progress that has been made in this regard.

Total AUM increased 11% year-on-year, mainly attributable to positive market growth and net inflows of R13 billion.

TOTAL ASSETS UNDER MANAGEMENT

	Year ended 30 June		%
R million	**2021**	2020	change
Multi-asset and equity	**21 588**	20 266	7
Structured products and index	**13 188**	11 959	10
Alternatives*	**34 414**	27 894	23
Fixed income	**42 691**	40 042	7
Private client portfolios	**59 374**	54 293	9
Total group AUM	**171 255**	154 454	11

* *Prior year includes an adjustment to align with industry reporting methodology.*

Investment management fees increased year-on-year, largely due to inflows into fixed income, alternatives and private client portfolios. Trust and estate income improved due to the reopening of the Master's office. Growth in brokerage income was driven by increased trade activity resulting from market volatility experienced over the past year. The increase in administration and other income was driven by growth of monthly account fees from online share trading sales. The decline in NII reflects lower interest rates and cash balances for stockbroking accounts. Advice fees were down year-on-year due to the effects of Covid-19 lockdowns on advisor-client engagement.

REVENUE BY TYPE

	Year ended 30 June		%
R million	**2021**	2020	change
Investment management fees	**741**	719	3
Advice fees	**261**	273	(4)
Trust and estate income	**253**	206	23
Brokerage income	**182**	142	28
Administration and other income	**158**	143	10
NII	**93**	111	(16)
Total revenue	**1 688**	1 594	6

Additional information on internal restructures

for the year ended 30 June 2020

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

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

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

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

R million	**Residential mortgages previously published**	Insurance move to retail other	**Residential mortgages after reallocation**	**Card previously published**	Insurance move to retail other	Other	**Card after reallocation**
Net interest income before impairment of advances	**4 819**	–	**4 819**	**2 728**	–	1	**2 729**
Impairment charge	**(1 411)**	–	**(1 411)**	**(1 997)**	–	–	**(1 997)**
Net interest income after impairment of advances	**3 408**	–	**3 408**	**731**	–	1	**732**
Non-interest revenue	**507**	(347)	**160**	**2 055**	(58)	(49)	**1 948**
Income from operations	**3 915**	(347)	**3 568**	**2 786**	(58)	(48)	**2 680**
Operating expenses	**(1 896)**	(1)	**(1 897)**	**(2 248)**	–	35	**(2 213)**
Net income from operations	**2 019**	(348)	**1 671**	**538**	(58)	(13)	**467**
Share of profit of associates and joint ventures after tax	**–**	–	**–**	**–**	–	–	**–**
Income before tax	**2 019**	(348)	**1 671**	**538**	(58)	(13)	**467**
Indirect tax	**(16)**	3	**(13)**	**(33)**	–	(1)	**(34)**
Profit before tax	**2 003**	(345)	**1 658**	**505**	(58)	(14)	**433**
Income tax expense	**(561)**	97	**(464)**	**(142)**	16	4	**(122)**
Profit for the year	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**
Attributable to							
Ordinary equityholders	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**
Other equity instrument holders	**–**	–	**–**	**–**	–	–	**–**
Non-controlling interests	**–**	–	**–**	**–**	–	–	**–**
Profit for the year	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**
Attributable earnings to ordinary equityholders	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**
Headline earnings adjustments	**–**	–	**–**	**–**	–	–	**–**
Headline earnings	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**
TRS and IFRS 2 liability remeasurement	**–**	–	**–**	**–**	–	–	**–**
Treasury shares	**–**	–	**–**	**–**	–	–	**–**
IAS 19 adjustment	**–**	–	**–**	**–**	–	–	**–**
Private equity-related	**–**	–	**–**	**–**	–	–	**–**
Normalised earnings	**1 442**	(248)	**1 194**	**363**	(42)	(10)	**311**

	Personal loans previously published	Insurance move to retail other	Other	Personal loans after reallocation	Retail other previously published	Insurance move	Reallocation of investment management activities from FCC	Updated cost recovery	Other	Retail other after reallocation
	7 147	–	(1)	7 146	7 244	–	–	–	2	7 246
	(4 899)	–	–	(4 899)	(1 666)	–	–	–	–	(1 666)
	2 248	–	(1)	2 247	5 578	–	–	–	2	5 580
	1 811	(820)	1	992	13 347	1 225	103	–	146	14 821
	4 059	(820)	–	3 239	18 925	1 225	103	–	148	20 401
	(2 708)	–	(64)	(2 772)	(12 950)	1	(178)	(243)	(108)	(13 478)
	1 351	(820)	(64)	467	5 975	1 226	(75)	(243)	40	6 923
	50	–	–	50	21	–	(7)	–	–	14
	1 401	(820)	(64)	517	5 996	1 226	(82)	(243)	40	6 937
	(50)	–	1	(49)	(466)	(3)	–	–	7	(462)
	1 351	(820)	(63)	468	5 530	1 223	(82)	(243)	47	6 475
	(379)	230	18	(131)	(1 547)	(343)	23	68	(14)	(1 813)
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662
	–	–	–	–	–	–	–	–	–	–
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	972	(590)	(45)	337	3 983	880	(59)	(175)	33	4 662

Additional information on internal restructures continued

for the year ended 30 June 2020

R million	Residential mortgages previously published	Insurance move to retail other	Residential mortgages after reallocation	Card previously published	Insurance move to retail other	Other	Card after reallocation
Cost-to-income ratio (%)	35.6		38.1	47.0			47.3
Diversity ratio (%)	9.5		3.2	43.0			41.7
Credit loss ratio (%)	0.64		0.64	6.85			6.85
Stage 3/NPLs as a percentage of advances	5.20		5.20	12.16			12.16
Consolidated income statement includes							
Depreciation	(7)	–	(7)	(5)	–	(5)	(10)
Amortisation	–	–	–	(15)	–	–	(15)
Net impairment charge	–	–	–	–	–	–	–
Consolidated statement of financial position includes							
Advances (before impairments)	224 404	–	224 404	30 210	–	–	30 210
– Normal advances (AC and FV)	224 404	–	224 404	30 210	–	–	30 210
– Securitised advances	–	–	–	–	–	–	–
Stage 3 NPLs	11 662	–	11 662	3 675	–	–	3 675
Investment in associated companies	–	–	–	–	–	–	–
Investment in joint ventures	–	–	–	–	–	–	–
Total deposits (including non-recourse deposits)	559	–	559	5 683	–	–	5 683
Total assets	220 627	(77)	220 550	26 062	–	30	26 092
Total liabilities	220 619	251	220 870	26 807	–	124	26 931
Capital expenditure	7	–	7	22	–	–	22

Personal loans previously published	Insurance move to retail other	Other	Personal loans after reallocation	Retail other previously published	Insurance move	Reallocation of investment management activities from FCC	Updated cost recovery	Other	Retail other after reallocation
30.1			**33.9**	**62.8**					**61.0**
20.7			**12.7**	**64.9**					**67.2**
12.06			**12.06**	**9.62**					**9.62**
17.73			**17.73**	**13.19**					**13.19**
(26)	–	–	**(26)**	**(2 211)**	–	–	–	(10)	**(2 221)**
(18)	–	–	**(18)**	**(95)**	–	–	–	–	**(95)**
(1)	–	–	**(1)**	**(7)**	–	–	–	–	**(7)**
41 874	–	–	**41 874**	**16 732**	–	–	–	–	**16 732**
41 874	–	–	**41 874**	**16 732**	–	–	–	–	**16 732**
–	–	–	**–**	**–**	–	–	–	–	**–**
7 424	–	–	**7 424**	**2 207**	–	–	–	–	**2 207**
304	–	–	**304**	**402**	–	–	–	1	**403**
–	–	–	**–**	**–**	–	–	–	–	**–**
5	–	–	**5**	**281 539**	–	(2 225)	–	–	**279 314**
35 083	–	(500)	**34 583**	**41 637**	77	327	–	449	**42 490**
37 239	428	60	**37 727**	**30 116**	(679)	179	–	122	**29 738**
64	–	–	**64**	**2 397**	–	–	–	–	**2 397**

Additional information on internal restructures continued

for the year ended 30 June 2020

R million	FNB commercial previously published	Updated cost recovery	Migration from RMB and other	FNB commercial after reallocation	FNB previously published	Reallocation of investment management activities from FCC	Migration from RMB and other	FNB after reallocation
Net interest income before impairment of advances	**11 528**	–	15	**11 543**	**37 806**	–	17	**37 823**
Impairment charge	**(2 949)**	–	–	**(2 949)**	**(14 491)**	–	–	**(14 491)**
Net interest income after impairment of advances	**8 579**	–	15	**8 594**	**23 315**	–	17	**23 332**
Non-interest revenue	**8 713**	–	(81)	**8 632**	**30 499**	103	17	**30 619**
Income from operations	**17 292**	–	(66)	**17 226**	**53 814**	103	34	**53 951**
Operating expenses	**(9 926)**	243	126	**(9 557)**	**(35 263)**	(178)	(11)	**(35 452)**
Net income from operations	**7 366**	243	60	**7 669**	**18 551**	(75)	23	**18 499**
Share of profit of associates and joint ventures	**1**	–	–	**1**	**73**	(7)	–	**66**
Income before tax	**7 367**	243	60	**7 670**	**18 624**	(82)	23	**18 565**
Indirect tax	**(44)**	–	(7)	**(51)**	**(766)**	–	–	**(766)**
Profit before tax	**7 323**	243	53	**7 619**	**17 858**	(82)	23	**17 799**
Income tax expense	**(2 050)**	(68)	(15)	**(2 133)**	**(5 142)**	23	(7)	**(5 126)**
Profit for the year	**5 273**	175	38	**5 486**	**12 716**	(59)	16	**12 673**
Attributable to								
Ordinary equityholders	**5 273**	175	38	**5 486**	**12 271**	(59)	16	**12 228**
Other equity instrument holders	**–**	–	–	**–**	**–**	–	–	**–**
Non-controlling interests	**–**	–	–	**–**	**445**	–	–	**445**
Profit for the year	**5 273**	175	38	**5 486**	**12 716**	(59)	16	**12 673**
Attributable earnings to ordinary equityholders	**5 273**	175	38	**5 486**	**12 271**	(59)	16	**12 228**
Headline earnings adjustments	**–**	–	–	**–**	**–**	–	–	**–**
Headline earnings	**5 273**	175	38	**5 486**	**12 271**	(59)	16	**12 228**
TRS and IFRS 2 liability remeasurement	**–**	–	–	**–**	**–**	–	–	**–**
Treasury shares	**–**	–	–	**–**	**–**	–	–	**–**
IAS 19 adjustment	**–**	–	–	**–**	**–**	–	–	**–**
Private equity-related	**–**	–	–	**–**	**–**	–	–	**–**
Normalised earnings	**5 273**	175	38	**5 486**	**12 271**	(59)	16	**12 228**

								Total restructure			
RMB previously published	Migration to FNB	Reallocation of investment management activities from FCC	**RMB after reallocation**	**Total FCC previously published**	Reallocation of investment management activities	Other	**FCC after reallocation**	FNB	RMB	FCC	FirstRand group
9 050	(16)	49	**9 083**	**3 449**	(49)	(1)	**3 399**	17	33	(50)	–
(3 354)	–	–	**(3 354)**	**(938)**	–	–	**(938)**	–	–	–	–
5 696	(16)	49	**5 729**	**2 511**	(49)	(1)	**2 461**	17	33	(50)	–
11 036	(5)	257	**11 288**	**(3 470)**	(360)	(12)	**(3 842)**	120	252	(372)	–
16 732	(21)	306	**17 017**	**(959)**	(409)	(13)	**(1 381)**	137	285	(422)	–
(8 784)	–	(468)	**(9 252)**	**(3 006)**	646	11	**(2 349)**	(189)	(468)	657	–
7 948	(21)	(162)	**7 765**	**(3 965)**	237	(2)	**(3 730)**	(52)	(183)	235	–
561	–	(16)	**545**	**(364)**	23	–	**(341)**	(7)	(16)	23	–
8 509	(21)	(178)	**8 310**	**(4 329)**	260	(2)	**(4 071)**	(59)	(199)	258	–
(194)	–	(3)	**(197)**	**(108)**	3	–	**(105)**	–	(3)	3	–
8 315	(21)	(181)	**8 113**	**(4 437)**	263	(2)	**(4 176)**	(59)	(202)	261	–
(2 329)	6	51	**(2 272)**	**3 140**	(74)	1	**3 067**	16	57	(73)	–
5 986	(15)	(130)	**5 841**	**(1 297)**	189	(1)	**(1 109)**	(43)	(145)	188	–
5 819	(15)	(130)	**5 674**	**(2 182)**	189	(1)	**(1 994)**	(43)	(145)	188	–
–	–	–	**–**	**903**	–	–	**903**	–	–	–	–
167	–	–	**167**	**(18)**	–	–	**(18)**	–	–	–	–
5 986	(15)	(130)	**5 841**	**(1 297)**	189	(1)	**(1 109)**	(43)	(145)	188	–
5 819	(15)	(130)	**5 674**	**(2 182)**	189	(1)	**(1 994)**	(43)	(145)	188	–
–	–	–	**–**	**–**	–	–	**–**	–	–	–	–
5 819	(15)	(130)	**5 674**	**(2 182)**	189	(1)	**(1 994)**	(43)	(145)	188	–
–	–	–	**–**	**–**	–	–	**–**	–	–	–	–
–	–	–	**–**	**–**	–	–	**–**	–	–	–	–
–	–	–	**–**	**–**	–	–	**–**	–	–	–	–
–	–	–	**–**	**–**	–	–	**–**	–	–	–	–
5 819	(15)	(130)	**5 674**	**(2 182)**	189	(1)	**(1 994)**	(43)	(145)	188	–

Additional information on internal restructures continued

for the year ended 30 June 2020

R million	**FNB commercial previously published**	Updated cost recovery	Migration from RMB and other	**FNB commercial after reallocation**	**FNB previously published**	Reallocation of investment management activities from FCC	Migration from RMB and other	**FNB after reallocation**
Cost-to-income ratio (%)	**49.0**			**47.4**	**51.6**			**51.7**
Diversity ratio (%)	**43.0**			**42.8**	**44.7**			**44.8**
Credit loss ratio (%)	**2.77**			**2.77**	**3.08**			**3.08**
Stage 3/NPLs as a percentage of advances	**6.51**			**6.51**	**7.59**			**7.59**
Consolidated income statement includes								
Depreciation	**(162)**	–	(3)	**(165)**	**(2 889)**	(18)	–	**(2 907)**
Amortisation	**–**	–	–	**–**	**(134)**	–	–	**(134)**
Net impairment charge	**(1)**	–	–	**(1)**	**(12)**	–	–	**(12)**
Consolidated statement of financial position includes								
Advances (before impairments)	**107 916**	–	–	**107 916**	**477 004**	–	–	**477 004**
– Normal advances (AC and FV)	**107 916**	–	–	**107 916**	**477 004**	–	–	**477 004**
– Securitised advances	**–**	–	–	**–**	**–**	–	–	**–**
Stage 3 NPLs	**7 030**	–	–	**7 030**	**36 195**	–	–	**36 195**
Investment in associated companies	**–**	–	–	**–**	**706**	–	1	**707**
Investment in joint ventures	**7**	–	–	**7**	**7**	–	–	**7**
Total deposits (including non-recourse deposits)	**285 448**	–	2 113	**287 561**	**622 866**	(2 225)	2 113	**622 754**
Total assets	**104 539**	–	20	**104 559**	**487 213**	327	(1)	**487 539**
Total liabilities	**101 898**	–	(301)	**101 597**	**475 096**	179	5	**475 280**
Capital expenditure	**208**	–	–	**208**	**3 055**	–	–	**3 055**

RMB previously published	Migration to FNB	Reallocation of investment management activities from FCC	RMB after reallocation	FCC previously published	Reallocation of investment management activities	Other	FCC after reallocation	Total restructure			
								FNB	RMB	FCC	FirstRand group
42.5			44.2	>100			>100				
56.2			56.6	(>100)			(>100)				
0.94			0.94	1.09			1.09				
0.87			0.87	2.35			2.35				
(137)	–	(1)	(138)	(29)	19	–	(10)	(18)	(1)	19	–
(130)	–	–	(130)	(454)	–	–	(454)	–	–	–	–
(19)	–	(9)	(28)	(212)	9	–	(203)	–	(9)	9	–
359 704	–	123	359 827	73 591	(123)	–	73 468	–	123	(123)	–
359 704	–	123	359 827	40 795	(123)	–	40 672	–	123	(123)	–
–	–	–	–	32 796	–	–	32 796	–	–	–	–
3 135	–	–	3 135	1 727	–	–	1 727	–	–	–	–
3 848	–	–	3 848	(17)	–	(1)	(18)	1	–	(1)	–
1 826	–	–	1 826	(18)	–	–	(18)	–	–	–	–
244 786	(2 113)	7 069	249 742	372 259	(4 844)	–	367 415	(112)	4 956	(4 844)	–
632 755	–	9 681	642 436	344 975	(10 008)	1	334 968	326	9 681	(10 007)	–
622 289	–	9 672	631 961	241 361	(9 851)	(5)	231 505	184	9 672	(9 856)	–
263	–	2	265	131	(2)	–	129	–	2	(2)	–

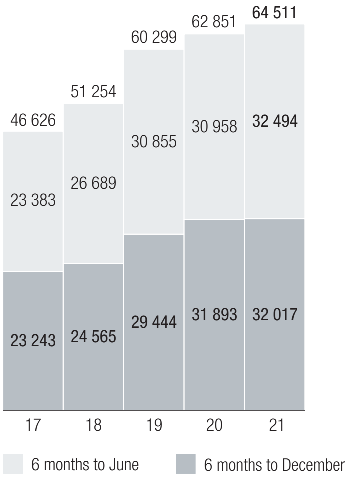
analysis of results

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

Net interest income

R million

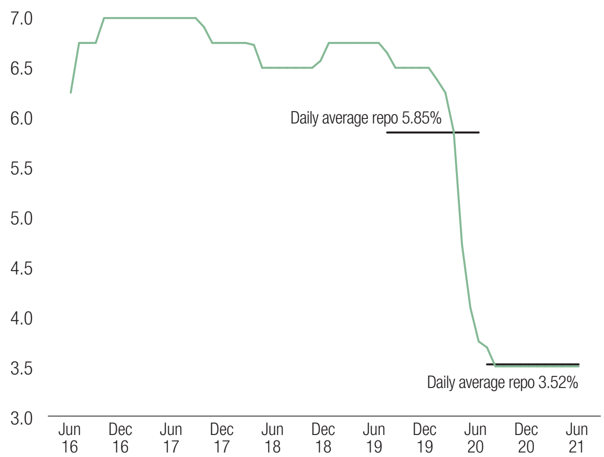
CAGR 8%



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

Repo rate – South Africa

%



Note: The average endowment book for the year was R286 billion excluding UK operations (the average endowment book for the UK operations was £5.9 billion). Rates were lower by 233 bps on average in the current year, which translated into a negative endowment impact of approximately R6.7 billion (R6.9 billion including UK operations) on an unmitigated basis (i.e. gross impact).

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets (%)	Year ended 30 June 2021	2020
Opening normalised margin including UK operations	**4.45**	4.75
UK operations	**0.46**	0.36
Opening normalised margin excluding UK operations	**4.91**	5.11
Change in asset base*	**(0.19)**	(0.38)
Capital endowment	**(0.14)**	0.02
– Volume	**0.07**	0.09
– Average rate	**(0.21)**	(0.07)
Lending interest-earning assets	**(0.02)**	0.12
– Change in volume and mix	**0.05**	0.12
– Asset pricing	**(0.04)**	0.11
– Interest suspended	**(0.03)**	(0.11)
Liabilities	**0.04**	0.10
– Deposit endowment	**(0.16)**	(0.07)
– Change in composition and volume	**0.20**	0.27
– Deposit pricing	**–**	(0.10)
Group Treasury activities	**0.26**	(0.08)
– Accounting mismatches (MTM vs accrual on term issuance)	**0.03**	(0.01)
– Financial resource pricing and management	**0.09**	(0.08)
– ALM (interest rate and FX management)	**0.14**	0.01
FNB Africa	**(0.05)**	0.02
Normalised operating margin excluding UK operations	**4.81**	4.91
Impact of UK operations on margin	**(0.46)**	(0.46)
– MotoNovo (back book)	**(0.01)**	(0.02)
– MotoNovo (front book)	**–**	(0.01)
– Aldermore	**(0.45)**	(0.43)
Closing normalised margin including UK operations	**4.35**	4.45

* *Calculated as follows:*

R million	*Net interest income*	*Average balance sheet*	*% NIM*
June 2020 NII excluding UK operations	*53 448*	*1 088 802*	*4.91*
Average balance sheet increase		*43 490*	*(0.19)*
June 2020 margin rebased	*53 448*	*1 132 292*	*4.72*

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2021**	2020*	% change
Net interest income			
Lending	**22 025**	22 349	(1)
Transactional**	**17 685**	17 284	2
Deposits	**3 595**	3 521	2
Capital endowment	**4 391**	5 927	(26)
Group Treasury	**2 849**	47	>100
FNB rest of Africa	**3 825**	4 340	(12)
Other (negative endowment, e.g. fixed assets)	**139**	(20)	>100
Total net interest income excluding UK operations	**54 509**	53 448	2
UK operations	**10 002**	9 403	6
– Aldermore	**6 572**	6 158	7
– MotoNovo (front book)	**2 445**	1 091	>100
– MotoNovo (back book)	**985**	2 154	(54)
Total net interest income including UK operations	**64 511**	62 851	3

* *2020 numbers were restated to improve the attribution of NII by nature of activity.*

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

KEY DRIVERS
> Overall group NII growth of 3% reflects contraction in gross advances of 3%. Despite strong growth of 6% in the deposit franchise, overall deposit growth was flat (2% up excluding the currency impact of UK operations), reflecting lower institutional deposits. > NII was also affected by the lower average interest rates year-on-year following the 300 bps cuts since December 2019 resulting in a decrease of 233 bps in the average repo rate for the year. This resulted in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes and further benefited from Group Treasury's ALM mitigation strategies. > Lending NII decreased 1%. CIB margins were up, FNB commercial margins were flat. Retail lending margins, however, decreased due to Covid-19 relief loans with lower pricing compared to the pre-pandemic back book, as well as risk cuts in unsecured lending and a marginal increase in suspended interest on the back of higher NPLs. This resulted in a decrease of 6 bps on FNB SA advance margins. > Average advances in FNB's rest of Africa portfolio decreased 5% year-on-year. Zambia and Botswana advances declined significantly, impacted by decreased lending volumes and write-offs, with further declines in the growing subsidiaries. This was offset by an increase in Ghana advances as a result of the GHL mortgage book acquisition in May 2020. Margins increased 14 bps for the portfolio. > WesBank's retail VAF margins decreased 22 bps due to competitive pricing since the onset of the pandemic, lower customer rates, higher acquisition costs and higher suspended interest from elevated NPL levels. Together with WesBank Corporate overall margins decreased 19 bps. > RMB's NII increased 1%, benefiting from a decrease in funding costs and risk repricing in the early part of the financial year, as well as strong average deposit growth, albeit at lower margins following the rate cuts. > FNB SA deposit margins decreased, affected by negative endowment (after the benefit of the ALM mitigation), growth in lower-margin deposit products and increased competition for term deposits. Average deposits benefited from strong growth in cash investments and transactional product deposits of 14%. These factors mitigated some of the margin reduction, with overall FNB SA deposit NII declining 14%. > FNB rest of Africa's average deposit growth was strong at 13%, but the incremental contribution to NII was largely offset by the negative endowment impact which resulted in deposit margins decreasing 95 bps. > Group Treasury margin was impacted by the following factors: – Improvements in market liquidity conditions due to lower credit growth and strong deposit growth resulted in a reduction in institutional funding requirements and lower market funding spreads. – There was an increase in short-term liquidity instruments, particularly treasury bills and reverse repos. This supported NII albeit at a lower margin. – The group's ALM strategies provided some protection against the negative endowment impact. > UK operations margins declined 8 bps in pound terms (although increased 5 bps in rand terms). Total MotoNovo advances margin reduced in the year as origination pivoted towards lower margin and better credit quality business following the launch of the MotoRate risk-based pricing proposition. Aldermore's net interest margin remained flat year-on-year due to improved funding costs, as the group actively responded to market demand and benefited from the low interest rate environment, offset the impact of higher yielding business being replaced with lower yielding business in the year.

Net interest income (before impairment of advances) continued

	2021			2020		
	Average balance R million	**Interest income/ (expense)**	**Average rate %**	Average balance R million	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS						
Average prime rate			**7.02**			9.35
Balances with central banks	**31 690**	**–**		29 710	–	
Cash and cash equivalents	**40 104**	**979**	**2.44**	36 088	1 581	4.38
Liquid assets portfolio*	**250 901**	**11 466**	**4.57**	186 859	13 099	7.01
Loans and advances to customers (Note 1)	**809 597**	**66 676**	**8.24**	836 145	86 297	10.32
Interest-earning assets	**1 132 292**	**79 121**	**6.99**	1 088 802	100 977	9.27
INTEREST-BEARING LIABILITIES						
Average JIBAR			**3.64**			6.51
Deposits due to customers (Note 2)	**(836 485)**	**(21 404)**	**2.56**	(736 042)	(31 281)	4.25
Group Treasury funding	**(309 175)**	**(13 937)**	**4.51**	(384 529)	(24 879)	6.47
Interest-bearing liabilities	**(1 145 660)**	**(35 341)**	**3.08**	(1 120 571)	(56 160)	5.01
ENDOWMENT AND TRADING BOOK						
Other assets**	**287 948**	**–**	**–**	295 680	–	–
Other liabilities#	**(141 588)**	**–**	**–**	(139 130)	–	–
NCNR preference shareholders	**(8 825)**	**–**	**–**	(7 298)	–	–
Equity	**(124 167)**	**–**	**–**	(117 483)	–	–
Endowment and trading book	**13 368**	**10 729**	**80.26**	31 769	8 631	27.17
Total interest-bearing liabilities, endowment and trading book	**(1 132 292)**	**(24 612)**	**2.17**	(1 088 802)	(47 529)	4.37
Net interest margin on average interest-earning assets	**1 132 292**	**54 509**	**4.81**	1 088 802	53 448	4.91
MotoNovo back book	**23 347**	**985**	**4.22**	48 632	2 154	4.43
MotoNovo front book	**50 731**	**2 445**	**4.82**	23 464	1 091	4.65
Aldermore NIM on average interest-earning assets	**274 952**	**6 572**	**2.39**	251 464	6 158	2.45
UK operations NIM on average interest-earning assets	**349 030**	**10 002**	**2.87**	323 560	9 403	2.91
Net interest margin on average interest-earning assets – including Aldermore	**1 481 322**	**64 511**	**4.35**	1 412 362	62 851	4.45

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

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

Includes trading liabilities.

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	2021		2020	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**7.02**		9.35
ADVANCES				
Retail – secured	**327 621**	**2.43**	329 710	2.45
Residential mortgages	**226 274**	**1.91**	224 054	1.81
VAF	**101 347**	**3.58**	105 656	3.80
Retail – unsecured	**88 373**	**10.91**	92 805	11.21
Card	**31 108**	**7.70**	33 604	7.23
Personal loans	**41 524**	**14.17**	41 398	15.50
Retail other	**15 741**	**8.64**	17 803	8.73
Corporate and commercial	**340 282**	**2.62**	357 497	2.51
FNB commercial	**105 958**	**3.55**	105 232	3.55
– Mortgages	**29 154**	**2.23**	27 885	2.27
– Overdrafts	**36 215**	**5.27**	39 401	5.03
– Term loans	**40 589**	**2.98**	37 946	2.95
WesBank corporate	**26 493**	**2.06**	28 756	2.15
RMB CIB*	**207 831**	**2.22**	223 509	2.06
FNB rest of Africa	**53 321**	**4.29**	56 133	4.15
Total advances excluding UK operations	**809 597**	**3.56**	836 145	3.56
UK operations	**292 414**	**3.40**	279 211	3.35
– Aldermore	**218 336**	**3.01**	207 115	2.97
– MotoNovo front book	**50 731**	**4.82**	23 464	4.65
– MotoNovo back book	**23 347**	**3.90**	48 632	4.33
Total advances including UK operations	**1 102 011**	**3.51**	1 115 356	3.51

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

** *UK operations advances margin is shown net of cost of funds.*

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

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

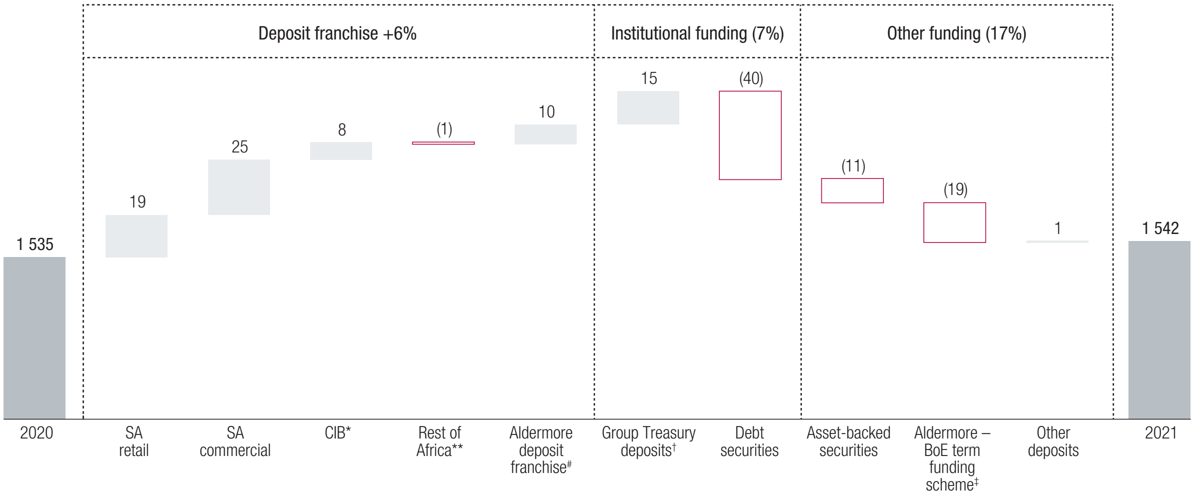
The group operates a transfer pricing framework that incorporates base interest rate, statutory costs, liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of the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

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

Net interest income (before impairment of advances) continued

Deposits – up 0.5%

Deposit growth by segment
R billion



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

** Rest of Africa deposits include CIB deposits related to the rest of Africa subsidiaries.

\# The Aldermore deposit franchise increased 14% to £12 billion.

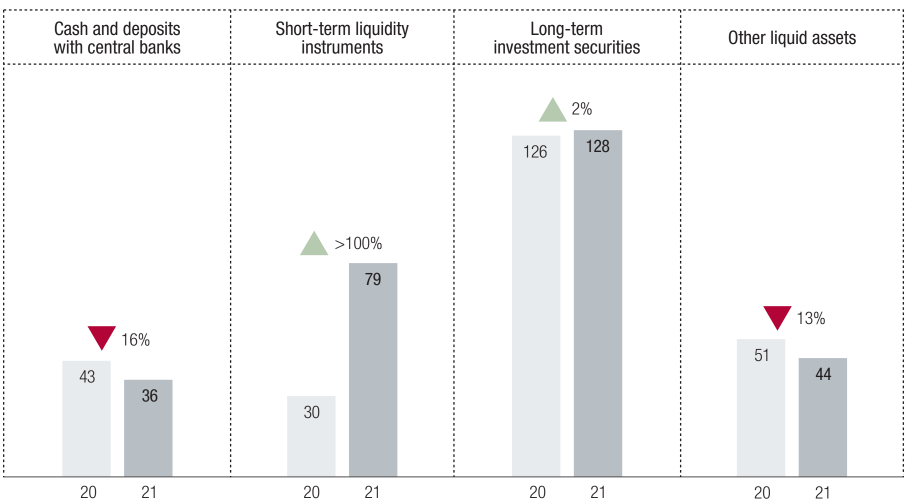
† Group Treasury deposits include the funding facility related to the South African Covid-19 government-guaranteed loan scheme.

‡ Aldermore's utilisation of the Bank of England (BoE) term funding scheme decreased 21% to £2 billion.

LIQUIDITY MANAGEMENT

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

Liquidity management by investment type
R billion



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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2021		June 2020*	
	Average balance	**Average margin %**	Average balance	Average margin %
Average JIBAR		**3.64**		6.51
DEPOSITS				
Retail	**271 846**	**1.45**	241 859	2.04
Current and savings	**77 041**	**3.49**	66 530	5.26
Call	**105 975**	**0.81**	91 624	0.88
Term	**88 830**	**0.44**	83 705	0.74
Commercial	**314 276**	**1.84**	272 715	2.32
Current and savings	**119 413**	**3.35**	98 578	4.80
Call	**98 746**	**1.40**	88 937	1.33
Term	**96 117**	**0.42**	85 200	0.48
CIB	**199 403**	**0.94**	176 426	1.13
Current and savings	**100 026**	**1.35**	90 010	1.55
Call	**57 102**	**0.66**	50 227	0.89
Term	**42 275**	**0.36**	36 189	0.41
FNB rest of Africa	**50 960**	**2.30**	45 042	3.25
Total deposits excluding UK operations	**836 485**	**1.53**	736 042	2.00
UK operations**	**292 613**	**–**	246 865	–
Total deposits including UK operations	**1 129 098**	**1.13**	982 907	1.50

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

*** The net UK operations margin is shown in the previous table under advances.*

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

Net interest income (before impairment of advances) continued

KEY DRIVERS

- FNB's deposit base grew 8% (excluding FNB rest of Africa):
  - Retail deposits in premium increased due to growth in the customer base and better economic conditions in the second half of the financial year with the easing of lockdown measures. Premium cash investment growth was driven by savings products with improved customer experience. Premium fixed and notice deposit growth also reflects a positive response to repricing.
  - Retail cash investment deposit growth was supported by ongoing new client acquisition and specific interventions to encourage customers to continue to save. Reduced cumulative spending and lower withdrawals from notice products since the pandemic also contributed to growth.
  - FNB continues to hold the largest market share of household deposits per the June 2021 BA900 returns.
  - Commercial deposits (excluding the public sector) increased due to product innovation, proactive client engagement and digitisation. Deposit growth also benefited from customer demand for liquidity available during the pandemic.
  - Public sector deposit growth was driven by an increase in deposits from new customer acquisition as well as higher deposit balances from existing customers.
- The growth in RMB CIB's core deposits reflects the continued strategic focus on the implementation of the deposit strategy, which focuses on deposit relevance to main-banked and focus clients through new products and compelling rates designed to target these client sets in order to further entrench them in the FirstRand ecosystem. Average core deposits increased 13% year-on-year.
- In pound terms, Aldermore customer deposits grew throughout the Covid-19 crisis, which supported lending activities. Aldermore continues to broaden and diversify its funding base.
- The overall decline in institutional funding was a result of continued optimisation of the group's funding profile, which benefited from improved retail and commercial deposit growth and lower advances growth as a direct consequence of the Covid-19 crisis resulting in:
  - reduced appetite for institutional funding leading to lower issuance of negotiable certificates of deposit (NCDs) and floating rate notes (FRNs); and
  - marginally lower debt issuance.
- The reduction in other funding was primarily due to ongoing amortisation of structured funding issuances over the year.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June 2021	2020	% change
Total gross advances	1 on p.86	**1 274 052**	1 311 095	(3)
– Stage 1		**1 101 949**	1 131 513	(3)
– Stage 2		**111 398**	122 301	(9)
– Stage 3/NPLs	3 on p.100	**60 705**	57 281	6
Stage 3/NPLs as a % of advances	3 on p.100	**4.76**	4.37	
Advances (net of impairment)		**1 223 434**	1 261 715	(3)
Impairment charge	5 on p.108	**13 660**	24 383	(44)
Credit loss ratio (%)	5 on p.108	**1.06**	1.91	
Impairment charge excluding UK operations	5 on p.108	**12 630**	20 982	(40)
Credit loss ratio excluding UK operations (%)	5 on p.108	**1.27**	2.10	
Total impairments	4 on p.106	**50 618**	49 380	3
Portfolio impairments	2 on p.98	**23 142**	24 707	(6)
– Stage 1		**10 451**	11 335	(8)
– Stage 2		**12 691**	13 372	(5)
Stage 3 impairments		**27 476**	24 673	11
Specific coverage ratio (%)*		**45.3**	43.1	
Total impairment coverage ratio (%)**	4 on p.106	**83.4**	86.2	
Performing book coverage ratio (%)#	2 on p.98	**1.91**	1.97	

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

** *Total impairments as a % of stage 3/NPLs.*

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

In summary

The group's credit performance reflects positive underlying trends. Advances growth remained muted across most portfolios as a cautious underwriting approach was followed for most of the financial year. There were pockets of advances growth in selected products and industries. Refer to pages 72 and 73 for more detail on advances growth.

The stage distribution of the book deteriorated marginally from stage 1 into stage 2 and 3 as the group followed a conservative approach to stage 2 migration and rolls into stage 3, which was expected as relief periods expired and economic strain continued, exacerbated by declining advances. However, 79% of retail and commercial stage 2 advances are paying and paying NPLs increased. Operational NPLs reflect ongoing strong collections and higher write-offs. Refer to page 76 and 77 for more information.

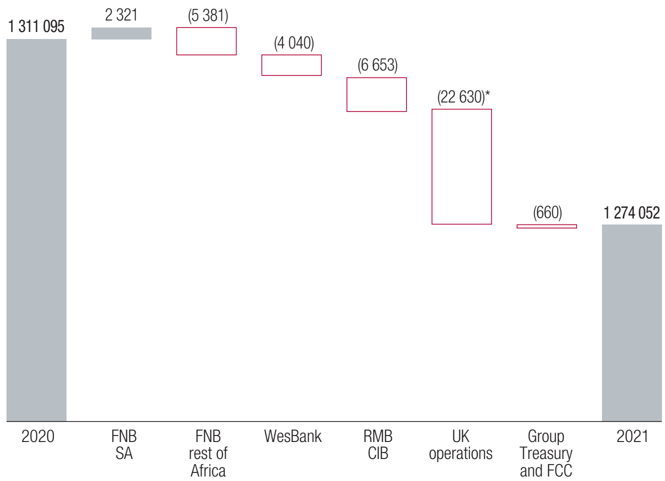
Impairment coverage remains prudent across stages, with the incorporation of an additional temporary short-term stress scenario and other post-model adjustments to capture the uncertain environment and lag effects. Refer to pages 78 and 79 for a detailed analysis.

The group's credit loss ratio continues to reduce with all segments at or approaching through-the-cycle levels. Refer to pages 80 and 81 for additional insight.

Credit continued

Gross advances – down 3%

Gross advances growth by business
R million



* *UK operations decline is impacted by the rand appreciation, excluding which advances grew £88 million (1%).*

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

R million	As at 30 June 2021	As at 30 June 2020	% change	As at 31 December 2020	% change Jun 2021 vs Dec 2020
Total advances	**1 274 052**	1 311 095	(3)	1 275 510	–
Assets under agreements to resell	**(65 584)**	(26 964)	>100	(56 525)	16
Total	**1 208 468**	1 284 131	(6)	1 218 985	(1)
UK operations and dollar cross-border book currency impact*	**32 906**	–	–	28 293	16
Core advances	**1 241 374**	1 284 131	(3)	1 247 278	–

* *If the current exchange rate (pound: R19.72 and dollar: R14.24) had remained unchanged from 30 June 2020 (pound: R21.43 and dollar: R17.36). For further information on exchange rates, refer to page 198.*

Advances growth

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

FNB SA advances increased marginally with 1% growth in residential mortgages offset by a 2% decline in unsecured advances, specifically the 8% contraction in the personal loans portfolio, excluding the Covid-19 relief advances. This was primarily due to the cautious underwriting approach maintained throughout most of the financial year, with a moderate easing in the last quarter of the financial year. In residential mortgages, the moderate easing in the fourth quarter, coupled with service propositions and the base impact of lockdown in the prior year, resulted in instruction levels being 16% higher than in the comparable period in 2019. The personal loans book run-down outpaced the origination given a more cautious approach against the backdrop of unemployment and income uncertainty. In the direct marketing channels, lower response rates also contributed to the decline. Card advances grew 3%, with stronger growth in the second half of the financial year as consumer card spending recovered. Retail other contracted due to lower overdraft advances.

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

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

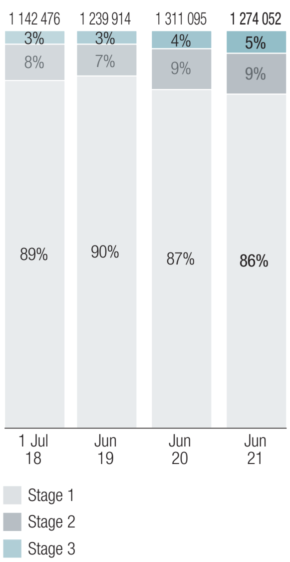
RMB's core advances declined 13% year-on-year. This reflects the stabilisation of clients' liquidity needs during the current financial year following significant Covid-19-related support provided to clients after the first lockdown in March 2020, which resulted in a reduction in Covid-19 relief provided to clients from R58 billion at 30 June 2020 to R19 billion at 30 June 2021. In addition, large settlements were received on various local and cross-border exposures during the year. The rand appreciated 18% against the dollar, contributing to the RMB cross-border advances book declining 35% in rand terms (21% in dollar terms). RMB continued its cautious approach to new origination, in part reflecting the economy's slow recovery, the ongoing pressure in sectors of the economy hardest hit by the pandemic, and the ongoing focus on protecting the return profile from new business origination given significant market-driven margin pressure in the latter half of the financial year.

Rest of Africa advances contracted 9%, impacted by the devaluation of local currencies, continued low risk appetite and higher write-offs. Namibia's advances grew 1% due to macroeconomic improvement, especially in the last quarter of the 2021 financial year. Botswana's advances declined 16% (6% in pula terms), reflecting the weak macroeconomic environment, cautious lending approach and increased competition in high-value schemes. Zambia's advances reduced 36% (2% in kwacha terms), reflecting the ongoing weak economic environment as well as accelerated write-offs in retail and commercial books. Tanzania net advances are still classified as held for sale and not included in advances following the group's decision to exit operations in Tanzania.

Advances grew 1% in the UK operations (7% contraction in rand terms) supported by 8% growth in MotoNovo, reflecting strong growth in the months immediately following the first lockdown. Other portfolios were affected by Covid-19 restrictions for large parts of the year.

Gross advances by stages

R million



Credit continued

Stage distribution

STAGE 2

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

Given the unprecedented event-driven uncertainty in South Africa's already fragile economy, and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the pandemic, combined with the recent social and political unrest, the group applied a short-term stress scenario at 30 June 2021 as a temporary measure to capture this extreme uncertainty. Refer to pages 178 to 184 for more detailed macroeconomic information. The application of this stress scenario resulted in an additional R1.2 billion of SA retail advances migrating out of stage 1 into stage 2. The short-term stress scenario was only applied to South Africa. Refer to page 109 for the product-specific information of the stage 2 migration.

Residential mortgage stage 2 advances increased R1.0 billion (7%), reflecting the above, however, of the advances that received extended relief at 31 December 2020, R2.7 billion either cured to stage 1 or rolled into stage 3 out of stage 2. Card stage 2 advances and personal loan stage 2 advances increased 22% and 15%, respectively, with card increasing 14% and personal loans decreasing 4% since December 2020 reflecting the improvement in the last half of the financial year. WesBank VAF stage 2 increased 9%, primarily due to the refined SICR indicators and the stress scenario.

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

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

STAGE 2 ADVANCES

	As at 31 June 2021				As at 30 June 2020			
R million	**Stage 2 arrears**	**Covid-19 relief in a current status**	**Other stage 2 advances in current status**	**Total stage 2**	Stage 2 arrears	Covid-19 relief in a current status	Other stage 2 advances in current status	Total stage 2
Residential mortgages	**3 209**	**2 957**	**9 769**	**15 935**	2 646	3 058	9 193	14 897
WesBank VAF	**3 642**	**1 865**	**7 281**	**12 788**	6 111	996	4 474	11 581
FNB card	**488**	**621**	**1 553**	**2 662**	444	221	1 518	2 183
Personal loans	**1 814**	**893**	**4 280**	**6 987**	2 048	1 128	2 903	6 079
Retail other	**445**	**210**	**1 986**	**2 641**	827	101	718	1 646
Total SA retail	**9 598**	**6 546**	**24 869**	**41 013**	12 076	5 504	18 806	36 386
FNB commercial	**1 053**	**694**	**8 478**	**10 225**	1 785	826	5 634	8 245
WesBank corporate	**470**	**328**	**1 200**	**1 998**	1 051	61	743	1 855
Total SA commercial	**1 523**	**1 022**	**9 678**	**12 223**	2 836	887	6 377	10 100
Total SA retail and commercial	**11 121**	**7 568**	**34 547**	**53 236**	14 912	6 391	25 183	46 486

RMB corporate and investment banking stage 2 advances decreased R8.1 billion, reflecting the benefit of partial settlements and the curing to stage 1 of a number of counterparties partially offset by the migration of a limited number of counterparties to stage 3.

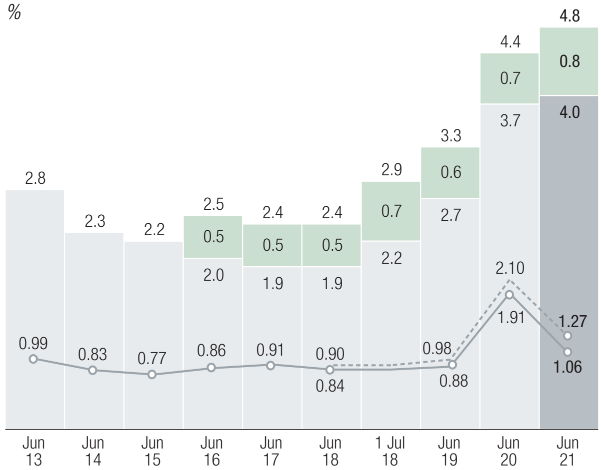
Rest of Africa stage 2 advances increased 33% in FNB and 61% in RMB, impacted by the devaluation of local currencies and the ongoing economic strain in many jurisdictions.

Stage 2 advances in the UK operations contracted 28% in pound terms (33% in rand) reflecting the improved economic environment and the migration to stage 3.

Non-performing loans

NPL and impairment history

%



Stage 3/NPLs as a % of advances

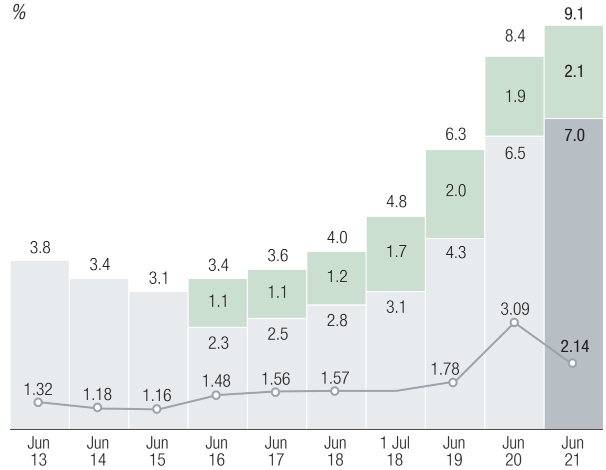
Restructured debt-review accounts and technical cures (performing accounts which are classified as stage 3/NPLs because they have defaulted in the past and do not meet the stringent cure definition of performance for 12 consecutive months) included in stage 3/NPLs as a % of advances

Impairment charge as a % of average advances

Impairment charge as a % of average advances, excluding UK operations

SA retail NPLs and impairments

%



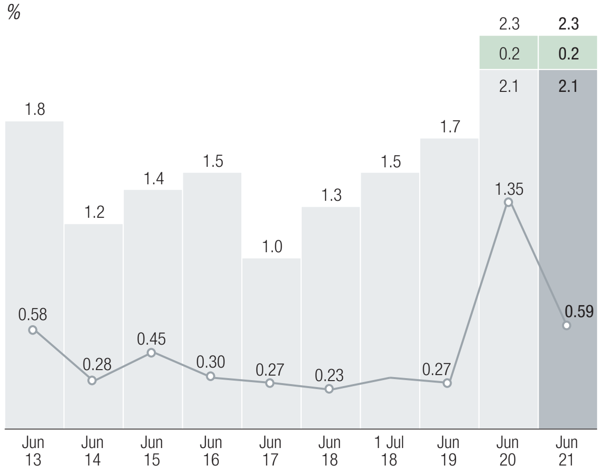
Stage 3/NPLs as a % of advances

Restructured debt-review accounts and technical cures included in stage 3/NPLs

Impairment charge as a % of average advances

SA corporate and commercial NPLs and impairments

%



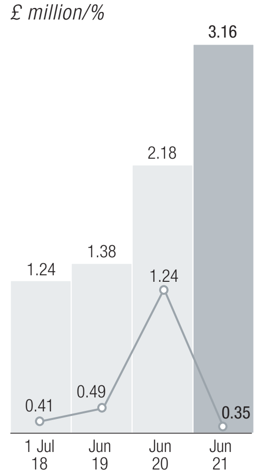
Stage 3/NPLs as a % of advances

Restructured debt-review accounts and technical cures included in stage 3/NPLs

Impairment charge as a % of average advances

UK operations NPLs and impairments

£ million/%



Stage 3/NPLs as a % of advances

Impairment charge as a % of average advances

Note: 2013 to 2018 figures are based on IAS 39 and 1 July 2018 to 2021 on IFRS 9.

Credit continued

INCREASE IN NPLs

	30 June 2021 vs 30 June 2020			30 June 2021 vs 31 December 2020		
	R million	**% change**	**Percentage point contribution to overall NPL increase**	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	**(1 559)**	**(4)**	**(3)**	(1 797)	(5)	(3)
Covid-19 relief paying NPLs**	**1 855**	**79**	**3**	776	23	1
Other paying NPLs#	**840**	**10**	**2**	(172)	(2)	–
NPLs (excluding UK operations)	**1 136**	**2**	**2**	(1 193)	(2)	(2)
UK operations	**2 288**	**34**	**4**	613	7	1
Total group NPLs	**3 424**	**6**	**6**	(580)	(1)	(1)

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

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

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

SA retail NPLs increased 6% from R35.2 billion in June 2020 to R37.3 billion at June 2021 (December 2020: R37.3 billion), but remained flat since December 2020. NPLs as a percentage of advances increased to 9.05% (2020: 8.44%) largely due to contracting advances. Operational NPLs decreased, primarily driven by work-out of NPLs as backlogs in legal processes started to clear after court closures during the lockdown, tightening of lending criteria leading to lower new business origination, curing of Covid-19 relief clients and improved collection performance. There was an increase in paying advances classified as stage 3 (technical cures, being customers who are paying and are <90 days in arrears but have not yet met the 12-month consecutive payment cure definition), with the largest increase resulting from advances previously making use of relief.

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

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

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

RMB corporate and investment banking NPLs increased 17% to 1.13% of advances (2020: 0.95%), reflecting the migration of a limited number of loans to private equity investee companies to NPL due to stress events in the particular industries, offset by a decrease of 22% on lending NPLs following partial settlement and write-off of large exposures.

The rest of Africa NPL ratio decreased from 6.32% to 5.84%, a R670 million contraction. Namibia's NPLs increased whilst Botswana's and Zambia's NPLs decreased, driven by write-offs and a slowdown in new inflows.

UK operations NPLs increased 47% in pound terms. This is reflective of the environment as well as relief customers requesting a third payment holiday (when they had already taken payment relief of at least six months) being viewed as a default event. This was a conservative policy decision and a large number of these customers are now in probation. Approximately 98% of customers who received payment relief have resumed full repayment. In addition, the UK ban on motor repossessions until January 2021 stalled the work-out of NPLs in MotoNovo.

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

BALANCE SHEET IMPAIRMENT

	30 June 2021				30 June 2020			
R million	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	Total	Stage 1	Stage 2	Stage 3
Balance sheet impairments as at 1 July	**49 380**	**11 335**	**13 372**	**24 673**	34 162	7 916	7 751	18 495
Transfers between stages	**–**	**996**	**(4 316)**	**3 320**	-	499	(2 238)	1 739
ECL provided on new business*	**4 800**	**2 321**	**1 287**	**1 192**	8 436	3 052	2 210	3 174
ECL provided/(released) on back book*	**13 531**	**(4 140)**	**2 434**	**15 237**	20 439	(391)	5 433	15 397
Gross write-off** and other*	**(17 576)**	**(314)**	**(272)**	**(16 990)**	(13 657)	259	216	(14 132)
Temporary stress scenario	**483**	**253**	**186**	**44**	–	–	–	–
Balance sheet impairments as at 30 June	**50 618**	**10 451**	**12 691**	**27 476**	49 380	11 335	13 372	24 673

* *Net interest recognised on stage 3 advances of R3 369 million (2020: R3 125 million) is included in the ECL provided/(released) amounts, but is excluded from write-off and other.*

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

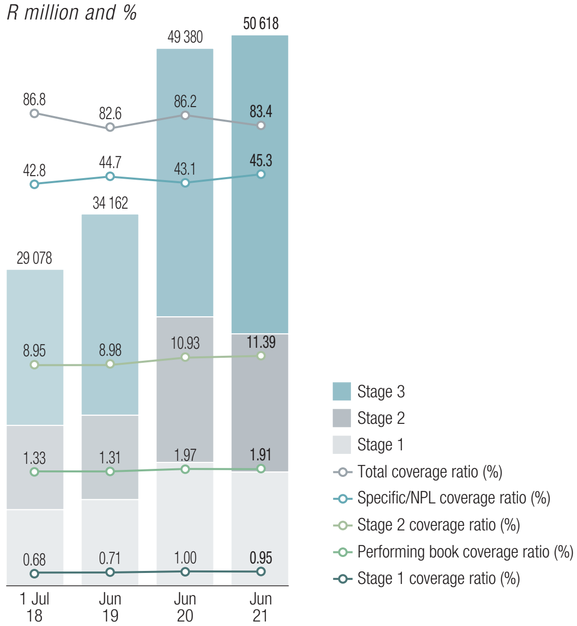
Note: The basis of preparation of this reconciliation can be found in Note 11 – Advances in the annual financial statements.

Credit continued

Balance sheet impairments and coverage

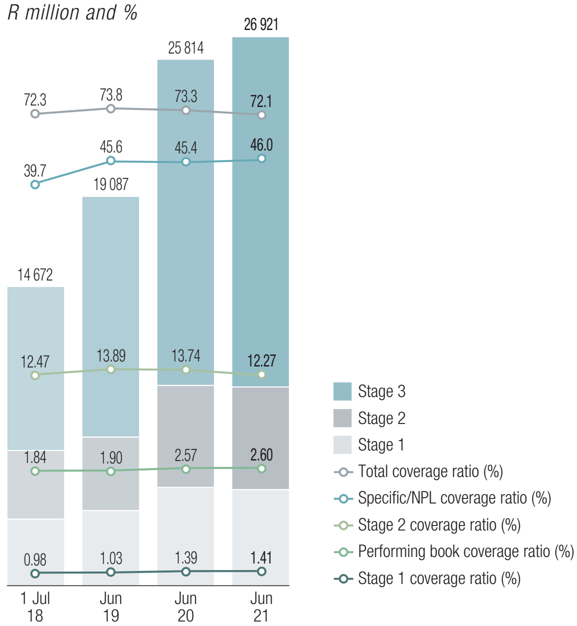
Balance sheet impairments and coverage ratios

R million and %



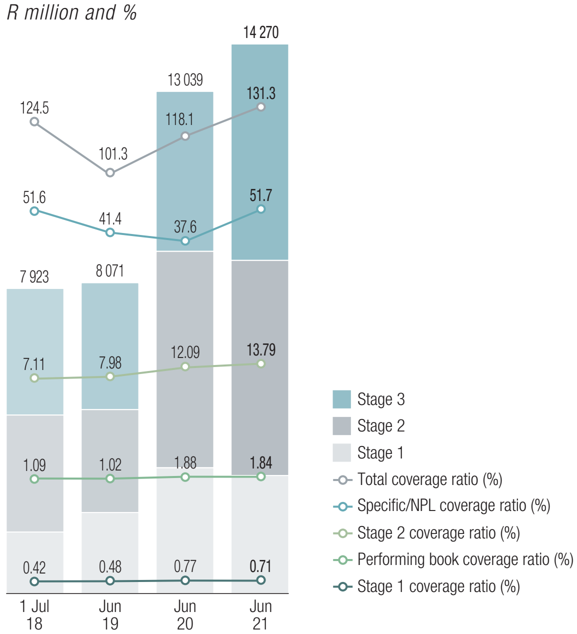
SA retail balance sheet impairments and coverage ratios

R million and %



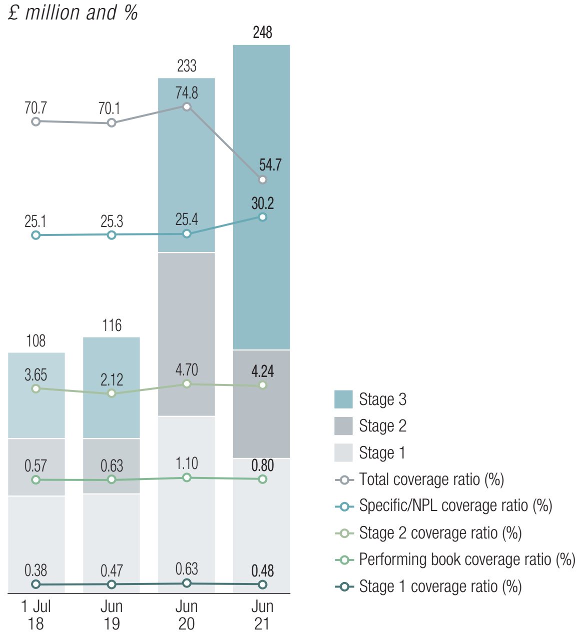
SA corporate and commercial balance sheet impairments and coverage ratios

R million and %



UK operations balance sheet impairments and coverage ratios

£ million and %



PERFORMING COVERAGE

The SA retail performing impairment coverage ratio (stage 1 and 2) marginally increased (2.60% in the current year vs 2.57% in the prior year), reflecting the group's continued prudent approach to balance sheet provisioning. Coverage was maintained due to the uncertainty in the current environment, which was incorporated through the application of refined SICR indicators and the severe stress scenario, as explained previously on page 74. This was partially offset by the unwind of the Covid-19 relief related provisions as relief periods expired and the general improvement in the macroeconomic FLI and LGD levels in the secured portfolios. The severe stress scenario increased portfolio provisions by R291 million (R131 million at stage 1 and R160 million at stage 2).

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

Corporate performing coverage was impacted by R36.5 billion (>100%) growth in agreements to resell, which have no coverage due to their short-term and highly collateralised nature. Corporate performing coverage, excluding this repo book, increased from 1.86% to 2.07%, reflecting deterioration of certain counterparties and increased coverage on exposures in high-risk industries, such as hotel and leisure (including gaming) and certain sectors in real estate (office, hospitality and rental). This was partially offset by the improved macro forecast, which resulted in lower modelled provisions and partial settlements.

Performing coverage in the UK operations declined 30 bps to 0.80%, largely driven by the reduction in MotoNovo's performing coverage, which decreased from 2.57% to 1.44% given the improvement in macro environment and change in FLI, hence performing coverage also declined. The lower coverage in both portfolios reflects the reduction in the Covid-19 relief related provisions as the majority of active payment holiday periods expire, early stage arrears improve and the macroeconomic forward-looking view becomes more favourable.

STAGE 3 COVERAGE

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

In December 2020, some loans to private equity investee entities were classified as NPLs due to material risks in the respective industries. For the six months to June 2021, additional coverage was raised for these entities, with one investee company now fully provided for, partially offset by the write-off of a real estate counterparty.

Stage 3 coverage in the UK operations increased from 25.4% to 30.2%, reflecting the combination of the ongoing impact of Covid-19 as balances migrate into stage 3 and increased coverage on long-outstanding accounts.

Credit continued

Impairment charge

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

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended				Jun 21	Dec 20	Jun 20
R million	**30 June 2021**	31 December 2020	30 June 2020	31 December 2019	vs Dec 20 % change	vs Jun 20 % change	vs Dec 19 % change
Performing book provisions	**(2 228)**	663	8 950	90	(>100)	(93)	>100
NPL provision	**(544)**	3 347	4 868	1 310	(>100)	(31)	>100
Credit provision (decrease)/ increase	**(2 772)**	4 010	13 818	1 400	(>100)	(71)	>100
Modification loss	**348**	294	513	494	18	(43)	4
Gross write-off* and other**	**7 940**	6 267	5 115	5 417	27	23	(6)
Post write-off recoveries	**(1 270)**	(1 157)	(997)	(1 377)	10	16	(28)
Total impairment charge	**4 246**	9 414	18 449	5 934	(55)	(49)	>100
Credit loss ratio (%)	**0.67**	1.46	2.87	0.95			
Credit loss ratio excluding UK operations (%)	**0.90**	1.64	3.15	1.06			

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

** *Net interest recognised on stage 3 advances of R3 369 million (June 2020: R3 125 million) is excluded from write-off and other and included in the NPL provision.*

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

The WesBank retail VAF credit loss ratio (CLR) decreased from 2.64% to 1.86%, reflecting a significant improvement in arrears on the back of collection initiatives, offset by higher levels of write-offs.

As explained on page 180, in light of South Africa's fragile macroeconomic backdrop, the group applied a short-term stress scenario at 30 June 2021 as a temporary measure to capture the extreme uncertainty, which added R483 million (SA retail R335 million and commercial R148 million) to the impairment charge.

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

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

> Change in stage 1 coverage, which is calculated as the difference in coverage multiplied by the 30 June 2021 advances, decreased in total. Coverage increased in SA retail and the rest of Africa to capture the increased uncertain environment offset by lower stage 1 coverage in commercial and the UK operations as the improved FLIs have a larger impact, with the UK in particular driven by the significantly improving forward-looking macros driven by the vaccination success.

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

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

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

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

> Write-offs and other reflect the gross advances written off and increased R3.7 billion (35%) to R14.2 billion (2020: R10.5 billion). The increase was due to the backlog from the court process starting to clear, the earlier write-off point applied to the Covid-19 relief loans (R395 million written off) and a clean-up of long-outstanding NPLs in the rest of Africa. This amount is not reduced by provisions previously held as the impact of these provisions are held within total NPLs.

Credit continued

INCOME STATEMENT ANALYSIS

R million	Year ended 30 June 2021				
	Volume change in stage 1	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**	
SA retail	**(306)**	**199**	**354**	**(322)**	
– Secured	**(38)**	**121**	**178**	**(341)**	
– Unsecured	**(268)**	**(53)**	**176**	**(141)**	
– Temporary stress scenario	**–**	**131**	**–**	**160**	
Commercial	**189**	**(432)**	**317**	**(97)**	
Corporate	**34**	**8**	**(1 275)**	**1 021**	
Rest of Africa	**(128)**	**113**	**381**	**(421)**	
UK operations	**79**	**(539)**	**(626)**	**(20)**	
FCC	**27**	**(128)**	**20**	**(13)**	
Total	**(105)**	**(779)**	**(829)**	**148**	

R million	Year ended 30 June 2020				
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage	
SA retail	(344)	1 475	1 731	(329)	
– Secured	(50)	364	454	(186)	
– Unsecured	(294)	1 111	1 277	(143)	
– Temporary stress scenario	–	–	–	–	
Commercial	(3)	686	(12)	619	
Corporate	(34)	513	769	1 570	
Rest of Africa	7	193	292	(115)	
UK operations	202	733	726	406	
FCC	(98)	89	(33)	(3)	
Total	(270)	3 689	3 473	2 148	

* *Write-off of gross balances excluding prior year provisions held. Net interest recognised on stage 3 advances of R3 369 million (2020: R3 125 million) is excluded from write-off and other.*

	Year ended 30 June 2021					
	Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Gross write-off and other***	**Post write-off recoveries**	**Total**
	1 182	**1 107**	**610**	**9 090**	**(1 932)**	**8 875**
	457	**377**	**169**	**2 240**	**(312)**	**2 474**
	681	**395**	**441**	**6 850**	**(1 620)**	**6 066**
	44	**335**	**–**	**–**	**–**	**335**
	354	**331**	**(8)**	**1 185**	**(95)**	**1 413**
	1 112	**900**	**–**	**534**	**(6)**	**1 428**
	(677)	**(732)**	**–**	**1 761**	**(144)**	**885**
	1 014	**(92)**	**40**	**1 334**	**(252)**	**1 030**
	(182)	**(276)**	**–**	**303**	**2**	**29**
	2 803	**1 238**	**642**	**14 207**	**(2 427)**	**13 660**

	Year ended 30 June 2020					
	Change in stage 3 provisions	**Credit provision increase**	Modification loss	Gross write-off and other*	Post write-off recoveries	**Total**
	4 194	6 727	756	7 196	(1 932)	12 747
	2 298	2 880	37	1 673	(405)	4 185
	1 896	3 847	719	5 523	(1 527)	8 562
	–	–	–	–	–	–
	1 094	2 384	1	894	(81)	3 198
	(234)	2 584	–	739	(30)	3 293
	293	670	19	1 087	(146)	1 630
	835	2 902	231	382	(114)	3 401
	(4)	(49)	–	234	(71)	114
	6 178	15 218	1 007	10 532	(2 374)	24 383

Update on Covid-19 relief

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

Refer to pages 90 to 97 for more detail on advances where relief was provided, which includes detail of the underlying advance, the staging and the coverage. Sixteen per cent of retail Covid-19 advances that received relief were in stage 2 and 16% were in stage 3. Additional information on the paying stage 3 relief advances is provided on pages 102 and 103. Ten per cent of commercial advances that received relief are in stage 2, and 3% are in stage 3. Forty-three per cent of retail and 29% of commercial stage 3 Covid-19 relief advances are paying customers who have not yet qualified for migration to stage 2 due to the 12-month curing rule.

	As at 30 June 2021				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio under relief
Retail**	199.5	676.1	61 406	462 925	13
Commercial	17.3	31.1	22 627	138 107	16
Corporate	#	#	19 084	353 174	5
UK operations	76.2	76.2	63 946	283 616	23
– Active relief	8.8	8.8	1 880	–	–
– Closed relief	67.4	67.4	62 066	–	–
Total group	293.0	783.4	167 063	1 274 052	13

* *Total group portfolio includes FCC advances.*

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

\# *Fewer than 100.*

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

Because corporate relief was provided largely through covenant waivers, facility increases or new advances, corporate reflects only active relief. The inflow of Covid-19 relief applications dropped significantly, with the relief portfolio dropping from c. R58 billion (142 active counters) to c. R19 billion (33 active counters) at 30 June 2021.

In the UK, the last payment holidays were granted in March 2021(for up to six months).

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

	As at 30 June 2020				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio under relief
	203.3	674.3	68 834	473 102	15
	16.7	31.0	30 832	135 030	23
	#	#	58 083	359 827	16
	86.7	86.7	71 889	306 246	23
	86.7	86.7	71 889	306 246	23
	–	–	–	–	–
	306.7	792.0	229 638	1 311 095	18

Credit continued

Note 1: Analysis of advances

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June			As at 30 June		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
SA RETAIL	**412 438**	417 234	(1)	**334 086**	**41 013**	**37 339**
Retail – secured	**325 768**	328 418	(1)	**273 889**	**28 612**	**23 267**
Residential mortgages	**225 666**	224 404	1	**196 375**	**15 935**	**13 356**
WesBank VAF	**100 102**	104 014	(4)	**77 514**	**12 677**	**9 911**
Retail – unsecured	**86 670**	88 816	(2)	**61 409**	**11 189**	**14 072**
FNB card	**31 249**	30 210	3	**24 553**	**2 662**	**4 034**
Personal loans	**39 709**	41 874	(5)	**25 176**	**6 987**	**7 546**
– FNB and DirectAxis*	**36 574**	39 546	(8)	**22 993**	**6 450**	**7 131**
– Covid-19 relief	**3 135**	2 328	35	**2 183**	**537**	**415**
Retail other	**15 712**	16 732	(6)	**11 680**	**1 540**	**2 492**
Temporary stress scenario	**–**	–	–	**(1 212)**	**1 212**	**–**
SA CORPORATE AND COMMERCIAL	**481 415**	484 345	(1)	**430 032**	**40 512**	**10 871**
FNB commercial	**111 121**	107 916	3	**94 518**	**10 225**	**6 378**
– FNB commercial	**109 522**	107 571	2	**93 046**	**10 126**	**6 350**
– SME government-guaranteed loan scheme	**1 599**	345	>100	**1 571**	**–**	**28**
– Temporary stress scenario	**–**	–	–	**(99)**	**99**	**–**
WesBank corporate	**26 986**	27 114	–	**24 174**	**1 998**	**814**
RMB corporate and investment banking,#**	**326 459**	329 295	(1)	**294 491**	**28 289**	**3 679**
– Lending	**318 838**	321 110	(1)	**289 891**	**26 533**	**2 414**
– Loans to private equity investee companies	**7 621**	8 185	(7)	**4 600**	**1 756**	**1 265**
HQLA corporate advances[#,†]	**16 849**	20 020	(16)	**16 849**	**–**	**–**
REST OF AFRICA	**60 353**	66 380	(9)	**49 976**	**6 850**	**3 527**
FNB	**50 487**	55 868	(10)	**41 497**	**5 463**	**3 527**
RMB (corporate and investment banking)[#]	**9 866**	10 512	(6)	**8 479**	**1 387**	**–**
FCC (INCLUDING GROUP TREASURY)	**36 230**	36 890	(2)	**36 179**	**51**	**–**
Securitisation notes	**25 363**	26 419	(4)	**25 363**	**–**	**–**
Other	**10 867**	10 471	4	**10 816**	**51**	**–**
Total advances excluding UK operations	**990 436**	1 004 849	(1)	**850 273**	**88 426**	**51 737**
UK operations (£ million)	**14 381**	14 293	1	**12 761**	**1 165**	**455**
Aldermore retail	**7 345**	7 360	–	**6 514**	**593**	**238**
Aldermore commercial	**3 165**	3 347	(5)	**2 694**	**364**	**107**
Total MotoNovo	**3 871**	3 586	8	**3 553**	**208**	**110**
– MotoNovo (front book)	**3 103**	1 879	65	**2 926**	**129**	**48**
– MotoNovo (back book)	**768**	1 707	(55)	**627**	**79**	**62**
UK operations (R million)	**283 616**	306 246	(7)	**251 676**	**22 972**	**8 968**
Total advances including UK operations[‡]	**1 274 052**	1 311 095	(3)	**1 101 949**	**111 398**	**60 705**
Total advances excluding currency impact of UK operations and RMB cross-border^	**1 306 958**	1 311 095	–	**1 129 725**	**115 750**	**61 482**
Of which:						
Accrual book	**1 177 722**	1 240 659	(5)	**1 009 147**	**108 055**	**60 520**
Fair value book	**96 330**	70 436	37	**92 802**	**3 343**	**185**

Advances			
As at 30 June			% composition 2021
2020			
Stage 1	Stage 2	Stage 3	
345 626	36 386	35 222	**32**
280 024	26 478	21 916	**26**
197 845	14 897	11 662	**18**
82 179	11 581	10 254	**8**
65 602	9 908	13 306	**6**
24 352	2 183	3 675	**2**
28 371	6 079	7 424	**3**
26 043	6 079	7 424	**3**
2 328	–	–	**–**
12 879	1 646	2 207	**1**
–	–	–	**–**
426 828	46 478	11 039	**38**
92 641	8 245	7 030	**9**
92 333	8 208	7 030	**9**
308	37	–	**–**
–	–	–	**–**
24 385	1 855	874	**2**
289 782	36 378	3 135	**26**
284 784	33 224	3 102	**25**
4 998	3 154	33	**1**
20 020	–	–	**1**
57 210	4 973	4 197	**5**
47 560	4 111	4 197	**4**
9 650	862	–	**1**
36 702	45	143	**3**
26 419	–	–	**2**
10 283	45	143	**1**
866 366	87 882	50 601	**78**
12 376	1 607	310	
6 535	674	151	
2 715	560	72	
3 126	373	87	
1 743	122	14	
1 383	251	73	
265 147	34 419	6 680	**22**
1 131 513	122 301	57 281	**100**
1 131 513	122 301	57 281	
1 065 670	117 896	57 093	**92**
65 843	4 405	188	**8**

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

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

\# *Corporate and investment banking including HQLA advances of R353.2 billion (2020: R359.8 billion).*

† *Managed by the Group Treasurer.*

‡ *Included in advances are assets under agreements to resell of R65.6 billion (2020: R27.0 billion).*

^ *If the exchange rate had remained unchanged from 30 June 2020.*

Credit continued

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			% composition
R million	2021	2020	% change	2021
RMB corporate and investment banking core advances	**267 782**	307 072	(13)	**75**
– South Africa	**229 078**	247 715	(8)	**64**
– Cross-border (rest of Africa) – $ million	**2 715**	3 420	(21)	
– Cross-border (rest of Africa)	**38 704**	59 357	(35)	**11**
HQLA corporate advances*	**16 849**	20 020	(16)	**5**
RMB rest of Africa (in-country)	**9 866**	10 512	(6)	**3**
CIB total core advances	**294 497**	337 604	(13)	**83**
CIB total lending advances	**286 876**	329 419	(13)	**81**
CIB shareholder loans to private equity investee companies	**7 621**	8 185	(7)	**2**
CIB total core advances	**294 497**	337 604	(13)	**83**
CIB core advances – South Africa**	**245 927**	267 735	(8)	**67**
CIB core advances – rest of Africa#	**48 570**	69 869	(30)	**16**
CIB total core advances	**294 497**	337 604	(13)	**83**
Assets under agreements to resell	**58 677**	22 223	>100	**17**
CIB total advances	**353 174**	359 827	(2)	**100**
Total advances excluding currency impact of RMB cross-border†	**47 115**	59 357	(21)	

* *Managed by the Group Treasurer.*

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

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

† *If the exchange rate had remained unchanged from 30 June 2020.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			% composition
R million	**2021**	2020	% change	**2021**
Sector analysis				
Agriculture	**44 062**	45 598	(3)	**3**
Banks	**42 931**	16 439	>100	**3**
Financial institutions*	**160 715**	157 250	2	**13**
Building and property development	**73 988**	76 619	(3)	**6**
Government, Land Bank and public authorities	**22 928**	22 862	–	**2**
Individuals	**632 731**	655 763	(4)	**50**
Manufacturing and commerce	**130 911**	141 949	(8)	**10**
Mining	**9 048**	24 535	(63)	**1**
Transport and communication	**29 238**	32 340	(10)	**2**
Other services	**127 500**	137 740	(7)	**10**
Total advances including UK operations	**1 274 052**	1 311 095	(3)	**100**
Geographical analysis				
South Africa	**837 912**	853 596	(2)	**66**
Rest of Africa	**89 937**	113 038	(20)	**7**
UK	**323 861**	316 360	2	**25**
Other Europe	**12 039**	13 919	(14)	**1**
North America	**2 760**	6 052	(54)	**–**
South America	**2**	3	(33)	**–**
Australasia	**89**	152	(41)	**–**
Asia	**7 452**	7 975	(7)	**1**
Total advances including UK operations	**1 274 052**	1 311 095	(3)	**100**

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

Credit continued

DISTRIBUTION OF ADVANCES BETWEEN RELIEF PROVIDED AND NO RELIEF PROVIDED

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

> advances for which no relief was provided; and

> advances which received relief.

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	354 271	294 338	31 861	28 072
Residential mortgages	195 749	173 125	12 021	10 603
WesBank VAF	87 699	69 899	10 048	7 752
FNB card	26 573	21 635	1 896	3 042
Personal loans	31 407	20 788	5 597	5 022
Retail other	12 843	8 891	2 299	1 653

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	58 167	39 748	9 152	9 267
Residential mortgages	29 917	23 250	3 914	2 753
WesBank VAF	12 403	7 504	2 740	2 159
FNB card	4 676	2 918	766	992
Personal loans	5 167	2 205	853	2 109
Personal loans – Covid-19 relief*	3 135	2 183	537	415
Retail other	2 869	1 688	342	839

Total retail advances	412 438	334 086	41 013	37 339

* *Coverage based on EAD.*

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
21 239	8 129	13 110	75.7	2.49	46.7
3 693	1 212	2 481	34.8	0.65	23.4
5 064	1 623	3 441	65.3	2.03	44.4
3 708	1 243	2 465	121.9	5.28	81.0
6 227	2 710	3 517	124.0	10.27	70.0
2 547	1 341	1 206	154.1	11.98	73.0

Balance sheet impairments			Coverage			Liquidity facility	
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	Utilised	Committed undrawn
5 682	1 614	4 068	61.3	3.30	43.9	3 135	–
611	275	336	22.2	1.01	12.2	558	–
857	266	591	39.7	2.60	27.4	353	–
975	272	703	98.3	7.38	70.9	751	–
1 809	367	1 442	85.8	12.00	68.4	621	–
594	256	338	143.1	9.41	81.5	–	–
836	178	658	99.6	8.77	78.4	852	–

26 921	9 743	17 178	72.1	2.60	46.0

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

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

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

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

Total commercial advances	138 107	118 692	12 223	7 192

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

Balance sheet impairments			Coverage			SME government-guaranteed loan scheme			
Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions	Total coverage
304	177	127	64.4	1.16	26.9	1 599	35	103	6.3
17	9	8	154.5	4.11	72.7	–	–	–	–
4	3	1	13.8	0.41	3.5	–	–	–	–
90	41	49	62.9	1.81	34.3	–	–	–	–
39	29	10	354.5	1.94	90.9	301	26	19	5.8
153	94	59	55.0	0.92	21.2	–	–	–	–
1	1	–	–	0.35	–	1 298	9	84	6.4
84	48	36	83.2	0.70	35.6	–	–	–	–
388	225	163	67.7	1.02	28.5	1 599	35	103	6.3

6 865	2 935	3 930	95.5	2.24	54.6

Credit continued

CORPORATE AND INVESTMENT BANKING ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	324 357	299 762	20 916	3 679

CORPORATE AND INVESTMENT BANKING ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Corporate and investment banking	18 951	11 578	7 373	–

Total corporate and investment banking	343 308	311 340	28 289	3 679

REST OF AFRICA ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Rest of Africa	56 981	47 097	6 384	3 500
FNB	47 248	38 751	4 997	3 500
RMB	9 733	8 346	1 387	–

REST OF AFRICA ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Rest of Africa	3 372	2 879	466	27
FNB	3 239	2 746	466	27
RMB	133	133	–	–

Total rest of Africa	60 353	49 976	6 850	3 527

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
	6 513	4 823	1 690	177.0	1.50	45.9

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	892	892	–	–	4.71	–	3 627	109	12 754
	7 405	5 715	1 690	201.3	1.68	45.9	3 627	109	12 754

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
	3 822	1 858	1 964	109.1	3.47	56.1
	3 549	1 585	1 964	101.3	3.62	56.1
	273	273	–	–	2.80	–

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	79	75	4	292.6	2.24	14.8	512	–	–
	78	74	4	288.9	2.30	14.8	–	–	–
	1	1	–	–	0.75	–	512	–	–
	3 901	1 933	1 968	110.5	3.40	55.8	512	–	–

Credit continued

UK OPERATIONS ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
£ million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
UK operations	11 138	10 314	680	144
Aldermore retail	5 191	4 750	359	79
Aldermore commercial	2 420	2 176	219	25
Total MotoNovo	3 527	3 385	102	40

UK OPERATIONS ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
£ million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
UK operations	3 243	2 447	485	311
Aldermore retail	2 154	1 761	234	159
Aldermore commercial	745	518	145	82
Total MotoNovo	344	168	106	70
Total UK operations	14 381	12 761	1 165	455

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
	122	71	51	84.7	0.65	35.4
	25	10	15	31.6	0.20	19.0
	30	24	6	120.0	1.00	24.0
	67	37	30	167.5	1.06	75.0

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impair-ments	Stage 3	Total coverage	Performing coverage	Stage 3
	126	39	87	40.2	1.30	27.9
	23	11	12	14.2	0.53	7.6
	38	12	26	45.5	1.77	31.2
	65	16	49	93.7	5.78	70.8
	248	110	138	54.7	0.80	30.2

Credit continued

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

R million	Total portfolio impairments As at 30 June 2021	2020	% change	As at 30 June 2021 Stage 1	Stage 2
SA RETAIL	**9 743**	9 818	(1)	**4 710**	**5 033**
Retail – secured	**3 311**	3 391	(2)	**1 389**	**1 922**
Residential mortgages	**1 487**	1 508	(1)	**646**	**841**
WesBank VAF	**1 824**	1 883	(3)	**743**	**1 081**
Retail – unsecured	**6 141**	6 427	(4)	**3 190**	**2 951**
FNB card	**1 515**	1 479	2	**861**	**654**
Personal loans	**3 333**	3 465	(4)	**1 611**	**1 722**
– FNB and DirectAxis*	**3 077**	3 081	–	**1 520**	**1 557**
– Covid-19 relief	**256**	384	(33)	**91**	**165**
Retail other	**1 293**	1 483	(13)	**718**	**575**
Temporary stress scenario	**291**	–	–	**131**	**160**
SA CORPORATE AND COMMERCIAL	**8 650**	8 885	(3)	**3 065**	**5 585**
FNB commercial	**2 705**	2 733	(1)	**1 157**	**1 548**
– FNB commercial	**2 481**	2 685	(8)	**957**	**1 524**
– SME government-guaranteed loan scheme	**76**	48	58	**76**	**–**
– Temporary stress scenario	**148**	–	–	**124**	**24**
WesBank corporate	**230**	225	2	**108**	**122**
RMB corporate and investment banking**	**5 715**	5 927	(4)	**1 800**	**3 915**
– Lending	**4 626**	4 150	11	**1 718**	**2 908**
– Loans to private equity investee companies	**1 089**	1 777	(39)	**82**	**1 007**
HQLA corporate advances	**–**	–	–	**–**	**–**
REST OF AFRICA	**1 933**	1 988	(3)	**992**	**941**
FNB	**1 659**	1 679	(1)	**882**	**777**
RMB (corporate and investment banking)	**274**	309	(11)	**110**	**164**
FCC (INCLUDING GROUP TREASURY)	**623**	717	(13)	**464**	**159**
Securitisation notes	**24**	20	20	**24**	**–**
Other	**599**	697	(14)	**440**	**159**
Total portfolio impairments excluding UK operations	**20 949**	21 408	(2)	**9 231**	**11 718**
UK operations	**2 193**	3 299	(34)	**1 220**	**973**
Aldermore retail	**422**	334	26	**233**	**189**
Aldermore commercial	**703**	1 035	(32)	**415**	**288**
Total MotoNovo	**1 068**	1 930	(45)	**572**	**496**
– MotoNovo (front book)	**900**	1 063	(15)	**537**	**363**
– MotoNovo (back book)	**168**	867	(81)	**35**	**133**
Total portfolio impairments including UK operations	**23 142**	24 707	(6)	**10 451**	**12 691**

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

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

Total portfolio impairments							
As at 30 June		Performing book coverage ratios (% of performing advances)					
2020		As at 30 June					
Stage 1	Stage 2	**2021**	**Stage 1**	**Stage 2**	2020	Stage 1	Stage 2
4 817	5 001	**2.60**	**1.41**	**12.27**	2.57	1.39	13.74
1 306	2 085	**1.09**	**0.51**	**6.72**	1.11	0.47	7.87
731	777	**0.70**	**0.33**	**5.28**	0.71	0.37	5.22
575	1 308	**2.02**	**0.96**	**8.53**	2.01	0.70	11.29
3 511	2 916	**8.46**	**5.19**	**26.37**	8.51	5.35	29.43
917	562	**5.57**	**3.51**	**24.57**	5.57	3.77	25.74
1 812	1 653	**10.36**	**6.40**	**24.65**	10.06	6.39	27.19
1 428	1 653	**10.45**	**6.61**	**24.14**	9.59	5.48	27.19
384	–	**9.41**	**4.17**	**30.73**	16.49	16.49	–
782	701	**9.78**	**6.15**	**37.34**	10.21	6.07	42.59
–	–	**–**	**–**	**–**	–	–	–
3 266	5 619	**1.84**	**0.71**	**13.79**	1.88	0.77	12.09
1 394	1 339	**2.58**	**1.22**	**15.14**	2.71	1.50	16.24
1 350	1 335	**2.40**	**1.03**	**15.05**	2.67	1.46	16.26
44	4	**4.84**	**4.84**	**–**	13.91	14.29	10.81
–	–	**–**	**–**	**–**	–	–	–
114	111	**0.88**	**0.45**	**6.11**	0.86	0.47	5.98
1 758	4 169	**1.77**	**0.61**	**13.84**	1.82	0.61	11.46
1 664	2 486	**1.46**	**0.59**	**10.96**	1.30	0.58	7.48
94	1 683	**17.13**	**1.78**	**57.35**	21.80	1.88	53.36
–	–	**–**	**–**	**–**	–	–	–
1 007	981	**3.40**	**1.98**	**13.74**	3.20	1.76	19.73
907	772	**3.53**	**2.13**	**14.22**	3.25	1.91	18.78
100	209	**2.78**	**1.30**	**11.82**	2.94	1.04	24.25
565	152	**1.72**	**1.28**	**311.76**	1.95	1.54	337.78
20	–	**0.09**	**0.09**	**–**	0.08	0.08	–
545	152	**5.51**	**4.07**	**311.76**	6.75	5.30	337.78
9 655	11 753	**2.23**	**1.09**	**13.25**	2.24	1.11	13.37
1 680	1 619	**0.80**	**0.48**	**4.24**	1.10	0.63	4.70
171	163	**0.30**	**0.18**	**1.62**	0.22	0.12	1.13
564	471	**1.17**	**0.78**	**4.02**	1.48	0.97	3.93
945	985	**1.44**	**0.82**	**12.08**	2.57	1.41	12.35
626	437	**1.49**	**0.93**	**14.22**	2.66	1.68	16.71
319	548	**1.21**	**0.28**	**8.57**	2.48	1.08	10.22
11 335	13 372	**1.91**	**0.95**	**11.39**	1.97	1.00	10.93

Credit continued

Note 3: Analysis of stage 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs				Stage 3/NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	**2021**	2020	% change	**2021**	**2021**	2020
SA RETAIL	**37 339**	35 222	6	**61**	**9.05**	8.44
Retail – secured	**23 267**	21 916	6	**38**	**7.14**	6.67
Residential mortgages	**13 356**	11 662	15	**22**	**5.92**	5.20
WesBank VAF	**9 911**	10 254	(3)	**16**	**9.90**	9.86
Retail – unsecured	**14 072**	13 306	6	**23**	**16.24**	14.98
FNB card	**4 034**	3 675	10	**7**	**12.91**	12.16
Personal loans	**7 546**	7 424	2	**13**	**19.00**	17.73
– FNB and DirectAxis*	**7 131**	7 424	(4)	**12**	**19.50**	18.77
– Covid-19 relief	**415**	–	–	**1**	**13.24**	–
Retail other	**2 492**	2 207	13	**3**	**15.86**	13.19
Temporary stress scenario	**–**	–	–	**–**	**–**	–
SA CORPORATE AND COMMERCIAL	**10 871**	11 039	(2)	**18**	**2.26**	2.28
FNB commercial	**6 378**	7 030	(9)	**10**	**5.74**	6.51
– FNB commercial	**6 350**	7 030	(10)	**10**	**5.80**	6.54
– SME government-guaranteed loan scheme	**28**	–	–	**–**	**1.75**	–
– Temporary stress scenario	**–**	–	–	**–**	**–**	–
WesBank corporate	**814**	874	(7)	**1**	**3.02**	3.22
RMB corporate and investment banking**	**3 679**	3 135	17	**6**	**1.13**	0.95
– Lending	**2 414**	3 102	(22)	**4**	**0.76**	0.97
– Loans to private equity investee companies	**1 265**	33	>100	**2**	**16.60**	0.40
HQLA corporate advances#	**–**	–	–	**–**	**–**	–
REST OF AFRICA	**3 527**	4 197	(16)	**6**	**5.84**	6.32
FNB	**3 527**	4 197	(16)	**6**	**6.99**	7.51
RMB (corporate and investment banking)	**–**	–	–	**–**	**–**	–
FCC (INCLUDING GROUP TREASURY)	**–**	143	(100)	**–**	**–**	0.39
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	143	(100)	**–**	**–**	1.37
Total stage 3/NPLs excluding UK operations	**51 737**	50 601	2	**85**	**5.22**	5.04
UK operations	**8 968**	6 680	34	**15**	**3.16**	2.18
Aldermore retail	**4 688**	3 238	45	**8**	**3.24**	2.05
Aldermore commercial	**2 096**	1 562	34	**3**	**3.36**	2.18
Total MotoNovo	**2 184**	1 880	16	**4**	**2.86**	2.45
– MotoNovo (front book)	**954**	296	>100	**2**	**1.56**	0.74
– MotoNovo (back book)	**1 230**	1 584	(22)	**2**	**8.12**	4.33
Total stage 3/NPLs including UK operations	**60 705**	57 281	6	**100**	**4.76**	4.37
Of which:						
Accrual book	**60 520**	57 093	6	**100**	**5.14**	4.60
Fair value book	**185**	188	(2)	**–**	**0.19**	0.27

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

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

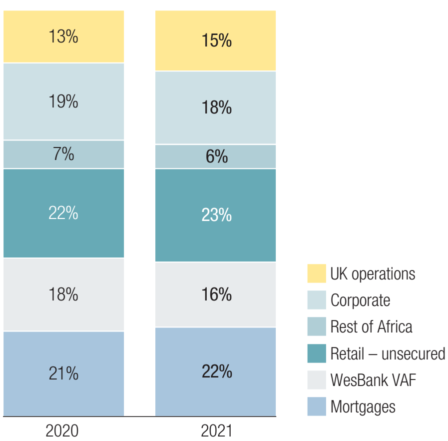
Managed by the Group Treasurer.

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs				Stage 3/NPLs as % of advances	
	As at 30 June			% composition	As at 30 June	
R million	**2021**	2020	% change	**2021**	**2021**	2020
Sector analysis						
Agriculture	**1 982**	2 909	(32)	**3**	**4.50**	6.38
Financial institutions*	**1 565**	306	>100	**3**	**0.97**	0.19
Building and property development	**1 839**	2 418	(24)	**3**	**2.49**	3.16
Government, Land Bank and public authorities	**826**	1 192	(31)	**1**	**3.60**	5.21
Individuals	**43 609**	40 001	9	**73**	**6.89**	6.10
Manufacturing and commerce	**5 013**	3 977	26	**8**	**3.83**	2.80
Mining	**111**	137	(19)	**–**	**1.23**	0.56
Transport and communication	**1 396**	1 216	15	**2**	**4.77**	3.76
Other services	**4 364**	5 125	(15)	**7**	**3.42**	3.72
Total stage 3/NPLs including UK operations	**60 705**	57 281	6	**100**	**4.76**	4.37
Geographical analysis						
South Africa	**47 879**	46 155	4	**79**	**5.71**	5.41
Rest of Africa	**3 682**	4 356	(15)	**6**	**4.09**	3.85
UK	**8 969**	6 680	34	**15**	**2.77**	2.11
Other Europe	**4**	1	>100	**–**	**0.03**	0.01
North America	**1**	–	–	**–**	**0.04**	–
Australasia	**85**	–	–	**–**	**95.51**	–
Asia	**85**	89	(4)	**–**	**1.14**	1.12
Total stage 3/NPLs including UK operations	**60 705**	57 281	6	**100**	**4.76**	4.37

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

NPL distribution



Credit continued

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

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs[#]	Total NPLs
June 2021				
Residential mortgages	8 031	1 362	3 963	13 356
WesBank VAF	5 718	1 356	2 837	9 911
FNB card	3 139	237	658	4 034
Personal loans	5 675	895	976	7 546
Retail other	2 053	171	268	2 492
Total SA retail NPLs	**24 616**	**4 021**	**8 702**	**37 339**
FNB commercial	5 651	116	611	6 378
WesBank corporate	522	53	239	814
Total SA commercial	**6 173**	**169**	**850**	**7 192**
Total SA retail and commercial	**30 789**	**4 190**	**9 552**	**44 531**

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

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

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

R million	Operational NPLs*	Covid-19 relief paying NPLs**	Other paying NPLs#	Total NPLs
June 2020				
Residential mortgages	8 188	289	3 185	11 662
WesBank VAF	7 542	129	2 583	10 254
FNB card	2 887	270	518	3 675
Personal loans	5 391	892	1 141	7 424
Retail other	1 361	330	516	2 207
Total SA retail NPLs	25 369	1 910	7 943	35 222
FNB commercial	6 061	425	544	7 030
WesBank corporate	649	–	225	874
Total SA commercial	6 710	425	769	7 904
Total SA retail and commercial	32 079	2 335	8 712	43 126

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

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

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

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 30 June 2021			As at 30 June 2020		
R million	**Stage 3/ NPLs**	**Security held and expected recoveries**	**Specific impairment**	Stage 3/ NPLs	Security held and expected recoveries	Specific impairment
SA RETAIL	**37 339**	**20 161**	**17 178**	35 222	19 226	15 996
Retail – secured	**23 267**	**16 424**	**6 843**	21 916	15 530	6 386
Residential mortgages	**13 356**	**10 539**	**2 817**	11 662	9 254	2 408
WesBank VAF	**9 911**	**5 885**	**4 026**	10 254	6 276	3 978
Retail – unsecured	**14 072**	**3 781**	**10 291**	13 306	3 696	9 610
FNB card	**4 034**	**866**	**3 168**	3 675	953	2 722
Personal loans	**7 546**	**2 249**	**5 297**	7 424	2 192	5 232
– FNB and DirectAxis	**7 131**	**2 172**	**4 959**	7 424	2 192	5 232
– Covid-19 relief	**415**	**77**	**338**	–	–	–
Retail other	**2 492**	**666**	**1 826**	2 207	551	1 656
Temporary stress scenario	**–**	**(44)**	**44**	–	–	–
SA CORPORATE AND COMMERCIAL	**10 871**	**5 251**	**5 620**	11 039	6 885	4 154
FNB commercial	**6 378**	**2 773**	**3 605**	7 030	3 735	3 295
– FNB commercial	**6 350**	**2 773**	**3 577**	7 030	3 735	3 295
– SME government-guaranteed loan scheme	**28**	**–**	**28**	–	–	–
– Temporary stress scenario	**–**	**–**	**–**	–	–	–
WesBank corporate	**814**	**489**	**325**	874	593	281
RMB corporate and investment banking*	**3 679**	**1 989**	**1 690**	3 135	2 557	578
– Lending	**2 414**	**1 935**	**479**	3 102	2 547	555
– Loans to private equity investee companies	**1 265**	**54**	**1 211**	33	10	23
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
REST OF AFRICA	**3 527**	**1 559**	**1 968**	4 197	1 552	2 645
FNB	**3 527**	**1 559**	**1 968**	4 197	1 552	2 645
RMB (corporate and investment banking)	**–**	**–**	**–**	–	–	–
FCC (INCLUDING GROUP TREASURY)	**–**	**–**	**–**	143	(39)	182
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	143	(39)	182
Total excluding UK operations	**51 737**	**26 971**	**24 766**	50 601	27 624	22 977
UK operations	**8 968**	**6 258**	**2 710**	6 680	4 984	1 696
Aldermore retail	**4 688**	**4 153**	**535**	3 238	2 855	383
Aldermore commercial	**2 096**	**1 467**	**629**	1 562	1 055	507
Total MotoNovo	**2 184**	**638**	**1 546**	1 880	1 074	806
– MotoNovo (front book)	**954**	**352**	**602**	296	162	134
– MotoNovo (back book)	**1 230**	**286**	**944**	1 584	912	672
Total including UK operations	**60 705**	**33 229**	**27 476**	57 281	32 608	24 673

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

** *Managed by the Group Treasurer.*

Stage 3/ NPLs % change	Specific impairment % change	Coverage ratios (% of stage 3/NPLs) As at 30 June 2021	2020
6	7	**46.0**	45.4
6	7	**29.4**	29.1
15	17	**21.1**	20.6
(3)	1	**40.6**	38.8
6	7	**73.1**	72.2
10	16	**78.5**	74.1
2	1	**70.2**	70.5
(4)	(5)	**69.5**	70.5
–	–	**81.4**	–
13	10	**73.3**	75.0
–	–	**–**	–
(2)	35	**51.7**	37.6
(9)	9	**56.5**	46.9
(10)	9	**56.3**	46.9
–	–	**100.0**	–
–	–	**–**	–
(7)	16	**39.9**	32.2
17	>100	**45.9**	18.4
(22)	(14)	**19.8**	17.9
>100	>100	**95.7**	69.7
–	–	**–**	–
(16)	(26)	**55.8**	63.0
(16)	(26)	**55.8**	63.0
–	–	**–**	–
(100)	(100)	**–**	127.3
–	–	**–**	–
(100)	(100)	**–**	127.3
2	8	**47.9**	45.4
34	60	**30.2**	25.4
45	40	**11.4**	11.8
34	24	**30.0**	32.5
16	92	**70.8**	42.9
>100	>100	**63.1**	45.3
(22)	40	**76.7**	42.4
6	11	**45.3**	43.1

Credit continued

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

	Balance sheet impairments					
	As at 30 June			As at 30 June		
				2021		
R million	2021	2020	% change	Stage 1	Stage 2	Stage 3
SA RETAIL	**26 921**	25 814	4	**4 710**	**5 033**	**17 178**
Retail – secured	**10 154**	9 777	4	**1 389**	**1 922**	**6 843**
Residential mortgages	**4 304**	3 916	10	**646**	**841**	**2 817**
WesBank VAF	**5 850**	5 861	–	**743**	**1 081**	**4 026**
Retail – unsecured	**16 432**	16 037	2	**3 190**	**2 951**	**10 291**
FNB card	**4 683**	4 201	11	**861**	**654**	**3 168**
Personal loans	**8 630**	8 697	(1)	**1 611**	**1 722**	**5 297**
– FNB and DirectAxis*	**8 036**	8 313	(3)	**1 520**	**1 557**	**4 959**
– Covid-19 relief	**594**	384	55	**91**	**165**	**338**
Retail other	**3 119**	3 139	(1)	**718**	**575**	**1 826**
Temporary stress scenario	**335**	–	–	**131**	**160**	**44**
SA CORPORATE AND COMMERCIAL	**14 270**	13 039	9	**3 065**	**5 585**	**5 620**
FNB commercial	**6 310**	6 028	5	**1 157**	**1 548**	**3 605**
– FNB commercial	**6 058**	5 980	1	**957**	**1 524**	**3 577**
– SME government-guaranteed loan scheme	**104**	48	>100	**76**	**–**	**28**
– Temporary stress scenario	**148**	–	–	**124**	**24**	**–**
WesBank corporate	**555**	506	10	**108**	**122**	**325**
RMB corporate and investment banking**	**7 405**	6 505	14	**1 800**	**3 915**	**1 690**
– Lending	**5 105**	4 705	9	**1 718**	**2 908**	**479**
– Loans to private equity investee companies	**2 300**	1 800	28	**82**	**1 007**	**1 211**
HQLA corporate advances#	**–**	–	–	**–**	**–**	**–**
REST OF AFRICA	**3 901**	4 633	(16)	**992**	**941**	**1 968**
FNB	**3 627**	4 324	(16)	**882**	**777**	**1 968**
RMB (corporate and investment banking)	**274**	309	(11)	**110**	**164**	**–**
FCC (INCLUDING GROUP TREASURY)	**623**	899	(31)	**464**	**159**	**–**
Securitisation notes	**24**	20	20	**24**	**–**	**–**
Other	**599**	879	(32)	**440**	**159**	**–**
Total impairments excluding UK operations	**45 715**	44 385	3	**9 231**	**11 718**	**24 766**
UK operations	**4 903**	4 995	(2)	**1 220**	**973**	**2 710**
Aldermore retail	**957**	717	33	**233**	**189**	**535**
Aldermore commercial	**1 332**	1 542	(14)	**415**	**288**	**629**
Total MotoNovo	**2 614**	2 736	(4)	**572**	**496**	**1 546**
– MotoNovo (front book)	**1 502**	1 197	25	**537**	**363**	**602**
– MotoNovo (back book)	**1 112**	1 539	(28)	**35**	**133**	**944**
Total impairments including UK operations	**50 618**	49 380	3	**10 451**	**12 691**	**27 476**

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

** *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			As at 30 June	
Stage 1	Stage 2	Stage 3	**2021**	2020
4 817	5 001	15 996	**72.1**	73.3
1 306	2 085	6 386	**43.6**	44.6
731	777	2 408	**32.2**	33.6
575	1 308	3 978	**59.0**	57.2
3 511	2 916	9 610	**116.8**	120.5
917	562	2 722	**116.1**	114.3
1 812	1 653	5 232	**114.4**	117.1
1 428	1 653	5 232	**112.7**	112.0
384	–	–	**143.1**	–
782	701	1 656	**125.2**	142.2
–	–	–	**–**	–
3 266	5 619	4 154	**131.3**	118.1
1 394	1 339	3 295	**98.9**	85.7
1 350	1 335	3 295	**95.4**	85.1
44	4	–	**371.4**	–
–	–	–	**–**	–
114	111	281	**68.2**	57.9
1 758	4 169	578	**201.3**	207.5
1 664	2 486	555	**211.5**	151.7
94	1 683	23	**181.8**	>1000
–	–	–	**–**	–
1 007	981	2 645	**110.6**	110.4
907	772	2 645	**102.8**	103.0
100	209	–	**–**	–
565	152	182	**–**	628.7
20	–	–	**–**	–
545	152	182	**–**	614.7
9 655	11 753	22 977	**88.4**	87.7
1 680	1 619	1 696	**54.7**	74.8
171	163	383	**20.4**	22.1
564	471	507	**63.5**	98.7
945	985	806	**119.7**	145.5
626	437	134	**157.4**	404.4
319	548	672	**90.4**	97.2
11 335	13 372	24 673	**83.4**	86.2

Credit continued

Note 5: Analysis of income statement credit impairments

R million	Total impairment charge			As a % of average advances	
	Year ended 30 June			Year ended 30 June	
	2021	2020	% change	**2021**	2020
SA RETAIL	**8 875**	12 747	(30)	**2.14**	3.09
Retail – secured	**2 474**	4 185	(41)	**0.76**	1.28
Residential mortgages	**577**	1 411	(59)	**0.26**	0.64
WesBank VAF	**1 897**	2 774	(32)	**1.86**	2.64
Retail – unsecured	**6 066**	8 562	(29)	**6.91**	9.83
FNB card	**1 428**	1 997	(28)	**4.65**	6.85
Personal loans	**3 600**	4 899	(27)	**8.83**	12.06
– FNB and DirectAxis*	**2 999**	4 515	(34)	**7.88**	11.44
– Covid-19 relief	**601**	384	57	**22.00**	32.99
Retail other	**1 038**	1 666	(38)	**6.40**	9.62
Temporary stress scenario	**335**	–	–	**–**	–
SA CORPORATE AND COMMERCIAL	**2 841**	6 491	(56)	**0.59**	1.35
FNB commercial	**1 307**	2 949	(56)	**1.19**	2.77
– FNB commercial	**1 103**	2 901	(62)	**1.02**	2.73
– SME government-guaranteed loan scheme	**56**	48	17	**5.76**	27.83
– Temporary stress scenario	**148**	–	–	**–**	–
WesBank corporate	**106**	249	(57)	**0.39**	0.90
RMB corporate and investment banking**	**1 428**	3 293	(57)	**0.44**	1.00
– Lending	**925**	2 314	(60)	**0.29**	0.72
– Loans to private equity investee companies	**503**	979	(49)	**6.36**	12.95
HQLA corporate advances#	**–**	–	–	**–**	–
REST OF AFRICA	**885**	1 630	(46)	**1.40**	2.49
FNB	**865**	1 569	(45)	**1.63**	2.83
RMB (corporate and investment banking)	**20**	61	(67)	**0.20**	0.61
FCC (INCLUDING GROUP TREASURY)	**29**	114	(75)	**0.08**	0.28
Securitisation notes	**5**	(2)	(>100)	**0.02**	(0.01)
Other	**24**	116	(79)	**0.22**	1.08
Total impairment charge excluding UK operations	**12 630**	20 982	(40)	**1.27**	2.10
UK operations	**1 030**	3 401	(70)	**0.35**	1.23
Aldermore retail	**334**	257	30	**0.22**	0.18
Aldermore commercial	**218**	1 229	(82)	**0.33**	1.83
Total MotoNovo	**478**	1 915	(75)	**0.62**	2.76
– MotoNovo (front book)	**524**	1 091	(52)	**1.03**	4.65
– MotoNovo (back book)	**(46)**	824	(>100)	**(0.18)**	1.80
Total impairment charge including UK operations	**13 660**	24 383	(44)	**1.06**	1.91
Of which:					
Portfolio impairments charge	**2 435**	10 613	(77)	**0.19**	0.83
Specific impairments charge	**11 225**	13 770	(18)	**0.87**	1.08

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

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

\# *Managed by the Group Treasurer.*

TOTAL TEMPORARY STRESS SCENARIO

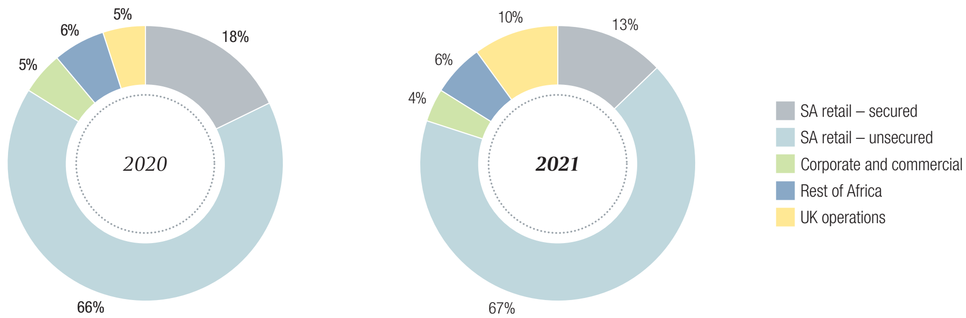
R million	As at June 2021						Year ended 30 June 2021
	Advances	Balance sheet impairments					
	Migration from 1 to 2	Total	Total portfolio	Stage 1	Stage 2	Stage 3	Impairment charge
Total temporary stress scenario	**1 311**	**483**	**439**	**255**	**184**	**44**	483
Covid-19 forward-looking uncertainty	**1 212**	**335**	**291**	**131**	**160**	**44**	335
Residential mortgages	**735**	**96**	**59**	**20**	**39**	**37**	96
WesBank VAF	**111**	**71**	**65**	**25**	**40**	**6**	71
FNB card	**88**	**68**	**68**	**37**	**31**	**–**	68
Personal loans	**248**	**66**	**66**	**29**	**37**	**–**	66
– FNB and DirectAxis	**248**	**58**	**58**	**24**	**34**	**–**	58
– Covid-19 relief	**–**	**8**	**8**	**5**	**3**	**–**	8
Retail other	**29**	**34**	**33**	**20**	**13**	**1**	34
FNB commercial	**99**	**148**	**148**	**124**	**24**	**–**	148

Credit continued

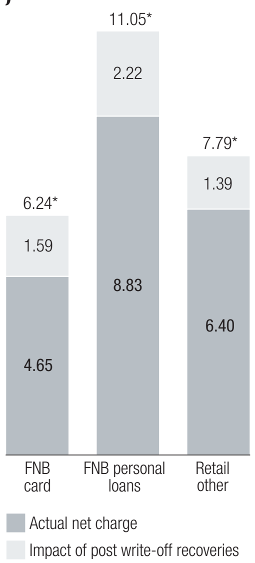
Impact of post write-off recoveries

Post write-off recoveries amounted to R2 427 million (2020: R2 374 million), primarily emanating from the unsecured retail lending portfolios, specifically personal loans and FNB card.

Post write-off recoveries

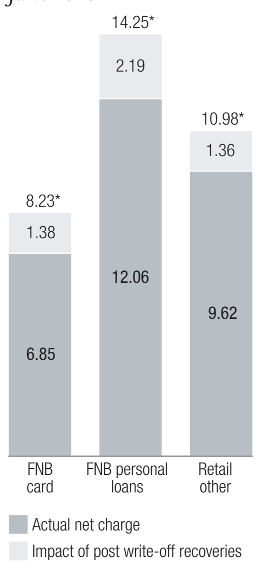


SA retail unsecured credit loss ratios and recoveries
%
June 2021



* *Gross of recoveries (%)*

SA retail unsecured credit loss ratios and recoveries
%
June 2020



* *Gross of recoveries (%)*

Credit overview – total UK operations

£ million	Total UK operations	Aldermore retail	Aldermore commercial	Total MotoNovo	MotoNovo (front book)	MotoNovo (back book)
Year ended 30 June 2021						
Total gross advances	**14 381**	**7 345**	**3 165**	**3 871**	**3 103**	**768**
– Stage 1	**12 761**	**6 514**	**2 694**	**3 553**	**2 926**	**627**
– Stage 2	**1 165**	**593**	**364**	**208**	**129**	**79**
– Stage 3/NPLs	**455**	**238**	**107**	**110**	**48**	**62**
Stage 3/NPLs as a % of advances*	**3.16**	**3.24**	**3.36**	**2.86**	**1.56**	**8.12**
Impairment charge	**50**	**16**	**11**	**23**	**25**	**(2)**
Credit loss ratio (%)*	**0.35**	**0.23**	**0.32**	**0.63**	**1.46**	**(0.12)**
Total impairments	**248**	**48**	**68**	**132**	**76**	**56**
– Portfolio impairments	**110**	**21**	**36**	**53**	**45**	**8**
– Stage 1	**61**	**12**	**21**	**28**	**27**	**1**
– Stage 2	**49**	**9**	**15**	**25**	**18**	**7**
– Stage 3 impairments	**138**	**27**	**32**	**79**	**31**	**48**
Specific coverage ratio (%)*	**30.2**	**11.4**	**30.0**	**70.8**	**63.1**	**76.7**
Total impairment coverage ratio (%)*	**54.7**	**20.4**	**63.5**	**119.7**	**157.4**	**90.4**
Performing book coverage ratio (%)*	**0.80**	**0.30**	**1.17**	**1.44**	**1.49**	**1.21**
– Stage 1 (%)*	**0.48**	**0.18**	**0.78**	**0.82**	**0.93**	**0.28**
– Stage 2 (%)*	**4.24**	**1.62**	**4.02**	**12.08**	**14.22**	**8.57**
Year ended 30 June 2020						
Total gross advances	14 293	7 360	3 347	3 586	1 879	1 707
– Stage 1	12 376	6 535	2 715	3 126	1 743	1 383
– Stage 2	1 607	674	560	373	122	251
– Stage 3/NPLs	310	151	72	87	14	73
Stage 3/NPLs as a % of advances*	2.18	2.05	2.18	2.45	0.74	4.33
Impairment charge	173	13	62	98	56	42
Credit loss ratio (%)*	1.24	0.19	1.84	2.79	4.96	1.76
Total impairments	233	33	72	128	56	72
– Portfolio impairments	154	15	48	91	50	41
– Stage 1	80	7	27	46	30	16
– Stage 2	74	8	21	45	20	25
– Stage 3 impairments	79	18	24	37	6	31
Specific coverage ratio (%)*	25.4	11.8	32.5	42.9	45.3	42.4
Total impairment coverage ratio (%)*	74.8	22.1	98.7	145.5	404.4	97.2
Performing book coverage ratio (%)*	1.10	0.22	1.48	2.57	2.66	2.48
– Stage 1 (%)*	0.63	0.12	0.97	1.41	1.68	1.08
– Stage 2 (%)*	4.70	1.13	3.93	12.35	16.71	10.22

* *Ratios are calculated using the actual number designated in pounds. Amounts above are rounded to the closest million pounds.*

Credit continued

Lending to energy and fossil fuel sectors

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

The group has placed limits on the financing of new coal-fired power stations and new coal mines. These limits have been updated and are available on FirstRand's website in the group's policy on energy and fossil fuels financing. Other fossil fuels, such as oil and gas, are subject to internal prudential limits that take into account transition risk as well as other sector-specific risk characteristics.

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

RMB has also been active in the facilitation of mergers and acquisitions of oil and gas companies as the market consolidates in response to changes in the global energy landscape. Renewable energy remains a focus for the group, and RMB is actively looking for opportunities in this space, both in South Africa and other African markets. A more comprehensive view of the group's exposure to sectors that are impacted by high and elevated levels of climate transition risk will be provided in FirstRand's Task Force on Climate-related Financial Disclosures (TCFD) disclosures.

	2021		2020	
R million	**Drawn exposure**	**% of total group loans**	Drawn exposure	% of total group loans
Upstream oil and gas*	**2 883**	**0.2**	7 651	0.6
Down- and midstream oil and gas*	**5 757**	**0.4**	9 843	0.8
Thermal coal mines**	**2 009**	**0.2**	1 756	0.1
Fossil fuels excluding natural gas	**10 649**	**0.8**	19 250	1.5
Natural gas	**933**	**0.1**	783	–
Total fossil fuels	**11 582**	**0.9**	20 033	1.5
Solar	**10 342**	**0.8**	10 042	0.8
Wind#	**4 933**	**0.4**	7 396	0.5
Hydro	**162**	**–**	166	–
Diversified portfolios and operations	**123**	**–**	–	–
Total renewable energy	**15 560**	**1.2**	17 604	1.3
Electricity utilities	**5 870**	**0.5**	8 723	0.7

* *The decline in exposures is primarily driven by settlements and prepayments of several large client facilities.*

** *Defined as companies where the consolidated revenue derived from thermal coal mining exceeds 30% of total revenue. Changes in exposure reflect movements in the general liquidity needs of clients as well as industry consolidation activity.*

The decrease in exposure is primarily due to a portfolio sale facilitated for an investment fund.

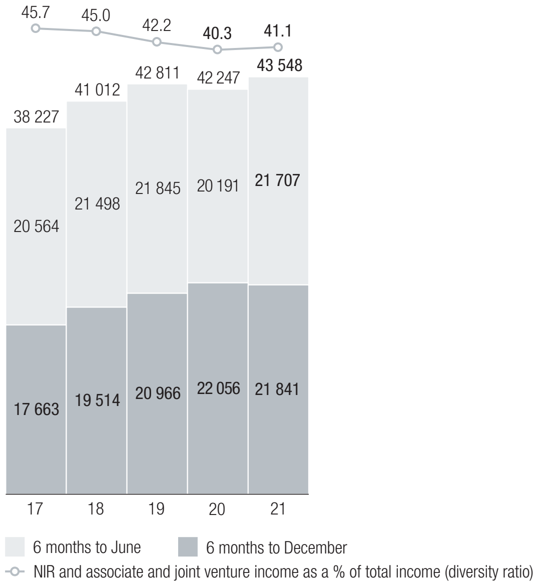
Note: The identification and categorisation of climate exposures have been refined, including the reclassification of certain diversified counterparts based on a reassessment of their underlying operations. Comparative periods have been restated accordingly.

Non-interest revenue

Total non-interest revenue – up 6%

OPERATIONAL NON-INTEREST REVENUE – UP 3%

*Operational non-interest revenue and diversity ratio**
R million
NIR CAGR 3%



* *Excluding income from associates and joint ventures.*
Note: 2017 and 2018 figures are based on IAS 39 and 2019 to 2021 figures on IFRS 9.

ANALYSIS OF OPERATIONAL NIR*

R million	Notes	**2021**	2020	% change
Net fee, commission and insurance income		**35 021**	33 999	3
– Fee and commission income	1	**31 686**	30 058	5
– Insurance income	2	**3 335**	3 941	(15)
Trading and other fair value income	3	**4 885**	4 788	2
Investment income	4	**321**	535	(40)
Other non-interest revenue	5	**3 321**	2 925	14
Operational non-interest revenue		**43 548**	42 247	3

* *Excluding income from associates and joint ventures.*

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – UP 5%

R million	2021	2020	% change
Bank fee and commission income	**32 853**	31 696	4
– Card commissions	**5 069**	4 943	3
– Cash deposit fees	**1 798**	1 720	5
– Electronic transaction fees*	**3 387**	2 817	20
– Bank charges	**22 599**	22 216	2
– Commitment fees	**1 500**	1 466	2
– Other bank charges**	**21 099**	20 750	2
Knowledge-based fees	**1 118**	1 161	(4)
Management and fiduciary fees	**2 526**	2 472	2
– Investment management fees	**1 611**	1 537	5
– Management fees from associates and joint ventures	**752**	789	(5)
– Other management and brokerage fee income	**163**	146	12
Other non-bank commissions	**965**	915	5
Gross fee and commission income	**37 462**	36 244	3
Fee and commission expenditure	**(5 776)**	(6 186)	(7)
– Transaction-related fees	**(1 369)**	(1 430)	(4)
– Commission paid	**(302)**	(320)	(6)
– Customer loyalty programmes	**(1 874)**	(2 160)	(13)
– Cash sorting, handling and transportation charges	**(1 090)**	(1 074)	1
– Card- and cheque book-related	**(485)**	(445)	9
– Other	**(656)**	(757)	(13)
Net fee and commission income	**31 686**	30 058	5

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

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

KEY DRIVERS

- FNB NIR increased 5%, reflecting a recovery in transaction volumes and growth of 5% in the customer base.
- Card commissions operationally increased 10% given the rebound in overall customer activity to pre-Covid-19 levels. However, the 2020 financial year included fee-related income of c. R350 million on Discovery card (the profit share payment is recognised in operating expenses), hence a net 3% increase.
- FNB did not increase headline fees in both the 2020 and 2021 financial years.
- Pandemic-related fee relief granted in the previous financial year was not repeated.
- ATM fees were lowered in the current financial year.
- Although there was a strong increase in digital transactions, the lower fees associated with digital transactions slowed fee income growth.
- FNB transaction volumes increased 6%. Electronic volumes grew 6%, whilst manual volumes declined 3%. Branch and cash centre transaction volumes decreased 44% and 18%, respectively.

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

- RMB domestic transactional volumes for EFT and cash trended down whilst merchant services improved, reflecting the macroeconomic environment and slow emergence from the pandemic. Rest of Africa transactional volumes showed good growth given new client acquisition.
- Knowledge-based fees declined 4%, a resilient performance considering the tough operating environment. Structuring revenue remained muted given slower new deal origination.
- The group’s management and fiduciary fee income was impacted by 12% growth in AUM, partially offset by subdued market performance and a switch by customers to new-generation products with lower fees.
- The decline in fee and commission expenses reflected lower customer rewards as a consequence of a change in mix of transaction volumes, updates to the reward earn rules and a reduction in SLOW lounge costs, partly offset by higher cash handling fees.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – DOWN 15%

R million	**2021**	2020	% change
Commissions, brokerage and cell captives	**1 478**	1 626	(9)
Insurance risk-related income	**1 857**	2 315	(20)
– Insurance premiums received	**4 848**	4 411	10
– Reinsurance expenses	**(368)**	(206)	79
– Insurance benefits and claims paid	**(2 387)**	(1 404)	70
– Reinsurance recoveries	**217**	100	>100
– Transfers to policyholder liabilities (gross)	**(631)**	(640)	(1)
– Transfers from policyholder liabilities (reinsurance)	**178**	54	>100
Total insurance income	**3 335**	3 941	(15)

KEY DRIVERS

- The 15% reduction in insurance income was mainly due to the ongoing economic impact of the pandemic, resulting in an increase in mortality and retrenchment claims and claims provisions.
- Commission, brokerage and cell captive income is derived from all other insurance businesses and arrangements in the group entered into by WesBank, MotoVantage, FNB and the group's subsidiaries in the rest of Africa.
- The FNB credit life book benefited from higher profit share received due to reserve releases on the DirectAxis credit life book. Premium growth in the credit life book was muted in line with growth in unsecured credit assets in the bank. The impact of the Covid-19-related provisions on the credit life book also contributed to lower profits.
- Insurance risk-related income arises from insurance business written on group licences. Insurance income significantly decreased mainly due to death and retrenchment claims paid of R2.2 billion (2020: R1.3 billion) and an increase in provisions for mortality and credit life business of R540 million (R340 million).
- A retrospective claims provision of R1.3 billion (2020: R0.9 billion) has been recognised. In addition, an adjustment to the prospective claims reserve of R1.4 billion (2020: R1.7 billion) was recognised for Covid-19-related mortality, retrenchment, lapse and expense impacts. However, because FirstRand does not recognise the insurance margin asset (i.e. zerorise the negative liability), the prospective reserve and any future releases do not impact the income statement or balance sheet.

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 2%

R million	2021	2020	% change
Trading income	**4 943**	4 519	11
– Equities	**49**	97	(>100)
– Commodities	**446**	431	3
– Fixed income	**2 315**	1 525	47
– Currencies	**2 133**	2 466	(14)
Other fair value income	**(58)**	269	(>100)
– RMB banking activities and other	**434**	331	14
– Aldermore fair value hedge	**(10)**	(158)	94
– Group Treasury economic hedges and other	**(482)**	96	(>100)
Total trading and other fair value income	**4 885**	4 788	2

KEY DRIVERS

- Despite the tough operating environment, RMB's trading activities delivered another strong performance.
- Trading income was supported by:
  - The commodities business performance, which was driven by increased gold demand from India together with revenue earned from the hedging of client flows.
  - A significant rebound from fixed income and specifically the inflation desk, which benefited from the normalisation of market conditions, market making and client facilitation.
- Rest of Africa currencies reflect a significant decrease in Nigeria's in-country performance as the London corridor flow dried up.
- RMB banking activities' fair value income includes a gain on the realisation of a principal investment in the renewable energy portfolio.
- The Aldermore fair value hedge portfolio incurred a loss of £0.5 million, compared to a £8.1 million loss in the prior year. This improvement is due to a relatively less volatile macroeconomic environment.
- Group Treasury economic hedges and other fair value income included FX losses of c. R360 million as a result of the strengthening of the rand against major currencies. Mark-to-market losses on economic hedges amounting to c. R110 million are expected to pull-to-par over the life of these instruments.

Non-interest revenue continued

NOTE 4 – INVESTMENT INCOME – DOWN 40%

R million	2021	2020	% change
Private equity realisations and dividends received	**8**	489	(98)
– Profit on realisation of private equity investments	**–**	486	(100)
– Dividends received	**8**	3	>100
Other investment income	**313**	46	>100
– Profit/(loss) on assets held against employee liabilities	**209**	(192)	(>100)
– Other investment income	**104**	238	(56)
Total investment income	**321**	535	(40)

KEY DRIVERS

> Private equity realisations income is reflected in share of profits from associates and joint ventures as the transaction was in an investee company. New private equity acquisitions of c. R260 million were made in the current financial year (2020: R400 million). The unrealised value in the portfolio was c. R4.4 billion at June 2021 (2020: R3.3 billion).

> The performance of the group's post-retirement employee liability asset portfolio improved from the prior year, largely due to market value increases in the bond and equity portfolios following the volatility in the prior year.

NOTE 5 – OTHER NON-INTEREST REVENUE – UP 14%

KEY DRIVERS

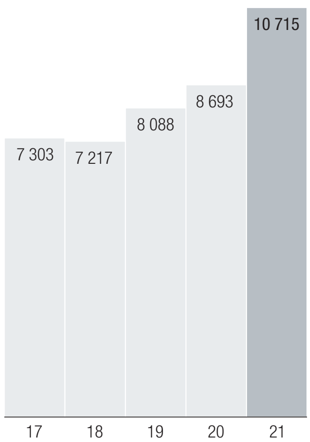
> Rental income represents 55% (2020: 62%) of other NIR.

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

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

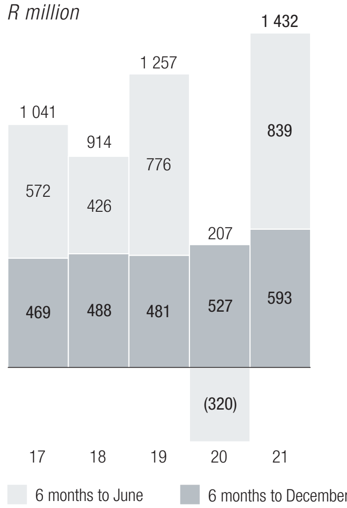
Shares of profits from associates and joint ventures – up >100%

Investments in associates and joint ventures
R million



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

Share of profits from associates and joint ventures
R million



SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

R million	2021	2020	% change
Private equity associates and joint ventures	**1 245**	1 049	19
– Equity-accounted income	**1 324**	1 051	26
– Impairments	**(79)**	(2)	>100
Other operational associates and joint ventures	**707**	(468)	(>100)
– TFS	**168**	(14)	(>100)
– VWFS	**250**	(100)	(>100)
– RMB Morgan Stanley	**157**	148	6
– Other*	**132**	(502)	(>100)
Share of profits from associates and joint ventures before tax	**1 952**	581	>100
Tax on profits from associates and joint ventures	**(520)**	(374)	39
Share of profits from associates and joint ventures after tax	**1 432**	207	>100

* *Other includes impairments on clients in distressed industries.*

KEY DRIVERS

> The increase in share of profits from associates and joint ventures from the RMB private equity portfolio is due to realisation income and resilient annuity income, benefiting from a strong performance from older vintages as well as positive contributions from new investments.

> Subsequent to the pre-pandemic credit appetite amendments, VWFS had a swift rebound based on the underlying portfolio mix. Whilst TFS rebounded, it was slightly subdued due to the underlying portfolio mix, which includes exposures to taxis, juristics and self-employed clients.

> Although the JSE equity value traded declined year-on-year, RMB Morgan Stanley's performance was driven by improved activity in both equity derivatives and capital markets.

Non-interest revenue continued

TOTAL INCOME FROM PRIVATE EQUITY ACTIVITIES (PRIVATE EQUITY DIVISION AND OTHER PRIVATE EQUITY-RELATED ACTIVITIES)

RMB earns private equity-related income primarily from its private equity business, however, other areas in RMB also engage in or hold private equity-related investments (as defined in *Circular 01/2021 Headline Earnings*), which are not reported as part of RMB private equity's results. The underlying nature of the various private equity-related income streams are reflected below.

R million	2021	2020	% change
RMB private equity division	**1 253**	1 538	(19)
Income from associates and joint ventures	**1 245**	1 049	19
– Equity-accounted income*	**1 324**	1 051	26
– Impairments*	**(79)**	(2)	>100
Realisations and dividends**	**8**	489	(98)
Other business units	**(38)**	(737)	(95)
Income from associates and joint ventures and other investments	**(2)**	(591)	(100)
– Equity-accounted income*	**(85)**	(143)	(41)
– Reversals of impairments/(impairments)*,#	**39**	(493)	(>100)
– Other investment income**	**44**	45	(2)
Consolidated other income#	**(36)**	(146)	(75)
Private equity activities before tax	**1 215**	801	52
Tax on equity-accounted private equity investments	**(322)**	(314)	3
Private equity activities after tax	**893**	487	83

* *Refer to analysis of income from associates and joint ventures on page 119.*

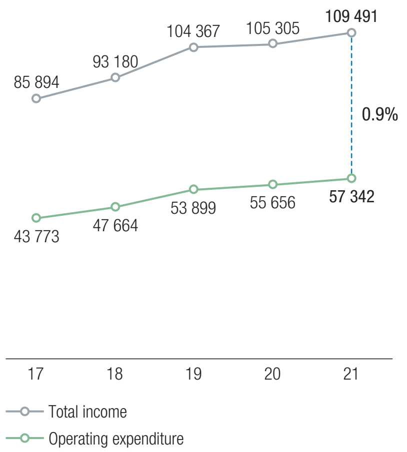
** *Refer to investment income analysis on page 118.*

Included in NII, credit impairment charge and other NIR, depending on the underlying nature of the item.

Operating expenses

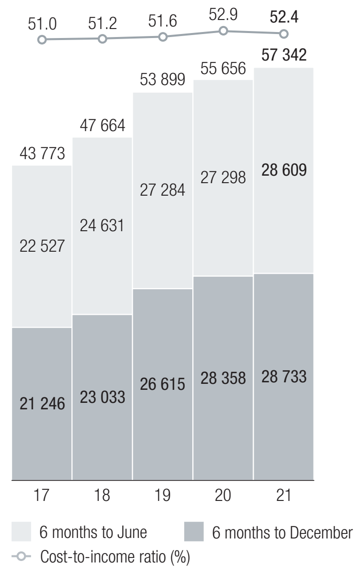
Operating expenses – up 3%

Operating jaws
R million



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

Operating efficiency
R million



Operating expenses continued

R million	**2021**	2020	% change
Staff expenditure	**34 311**	32 815	5
– Direct staff expenditure	**26 037**	25 322	3
– Variable staff expenditure*	**5 739**	4 487	28
– Short-term incentive expenses	**4 768**	3 596	33
– Long-term incentive expenses	**971**	891	9
– Other staff-related expenditure*	**2 535**	3 006	(16)
Depreciation of property and equipment	**4 310**	4 110	5
Amortisation of intangible assets	**916**	836	10
Advertising and marketing	**1 566**	1 871	(16)
Insurance	**109**	91	20
Lease charges	**472**	530	(11)
Professional fees	**2 328**	2 418	(4)
Audit fees	**544**	480	13
Computer expenses	**4 296**	3 334	29
Repairs and maintenance	**1 313**	1 320	(1)
Telecommunications	**621**	569	9
Cooperation agreements and joint ventures**	**(24)**	508	(>100)
Property	**1 126**	1 143	(1)
Business travel	**108**	414	(74)
Assets costing less than R7 000	**306**	346	(12)
Stationery and printing	**132**	170	(22)
Donations	**258**	309	(17)
Loss on disposal group held for sale (Tanzania exit)	**208**	202	3
Legal fees	**933**	618	51
Other expenditure	**3 509**	3 572	(2)
Total operating expenses	**57 342**	55 656	3

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

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

IT SPEND

The group's income statement is presented on a nature basis, but to better illustrate the composition of IT spend, the table below reflects the breakdown on a functional basis.

FUNCTIONAL PRESENTATION OF IT SPEND

R million	**2021**	2020	% change
IT-related staff cost	**4 839**	4 581	6
Non-staff IT-related costs	**8 193**	7 077	16
– Computer expenses	**4 296**	3 334	29
– Professional fees	**1 127**	1 151	(2)
– Repairs and maintenance	**453**	451	–
– Depreciation of equipment	**1 182**	1 181	–
– Amortisation of software	**377**	364	4
– Other expenditure	**758**	596	27
Total IT spend	**13 032**	11 658	12

Operating expenses continued

KEY DRIVERS

- > Cost growth of 3% includes the overall 5% increase in staff costs and the investment cost of new initiatives, technology and platforms, offset by the continued decline of certain expenses as a result of the extended pandemic and various levels of lockdown.
- > Staff costs comprise 60% (2020: 59%) of the group's operating expenses.

	% CHANGE	REASONS
Direct staff costs	3	Annual salary increases averaged 4.2%, with a 3% decrease in staff complement across the group. Including the reduction in the intake for the FirstJobs initiative, headcount reduced 4%, however FirstJobs had an insignificant impact on total staff cost.
Short-term incentive expenses	33	With the improvement in NIACC (the group's measure of economic profit) and earnings growth of 54%, the overall short-term incentive pool increased 45%. This is below earnings growth, reflective of the group not yet being at 2019 earnings levels. The cost growth is also impacted by certain timing differences, including when deferred payments are expensed.
Long-term incentive expenses	9	The 2018 long-term incentive (LTI) awards did not vest in the current year, however, the current year release was lower due to the Covid-19 LTI award retention scheme. In addition, with the 2017 LTI awards not vesting, the current year related cost was nil for the first quarter.
Other staff-related expenditure	(16)	Temporary staff costs declined year-on-year given the group's focus on cost containment. Additionally, staff took leave given the easing of lockdown, hence a year-on-year lower leave provision expense.

- > The 10% increase in amortisation of intangible assets was due to software capitalisation across the operating businesses following ongoing technology and platform investment.
- > Lease charges declined 11% due to reduced branch sizes and fewer self-service devices.
- > Advertising and marketing costs declined 16% due to decreased marketing events and sports sponsorships as a result of the ongoing pandemic and related restrictions.
- > The increase in audit fees reflects inflation, scope increases, overruns and special audits following the additional audit requirements brought on by Covid-19.
- > Computer expenses grew 29%, reflecting continued investment in technology and platform projects across the group.
- > Cooperation agreements and joint venture costs decreased substantially due to the migration of Discovery card, which was completed in July 2020.
- > Business travel was down significantly given the continuing Covid-19 travel restrictions and the transition to virtual meetings and conferences.
- > The 17% decrease in donations was driven by the lower level of prior year earnings with the payment to the FirstRand Foundation being a fixed percentage of the group's South Africa-based earnings.
- > The increase in legal fees was due to higher debt collection and related fees, and other settlements.
- > Other expenditure includes various items such as provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions and membership fees.

financial resource management

Economic view of the balance sheet

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

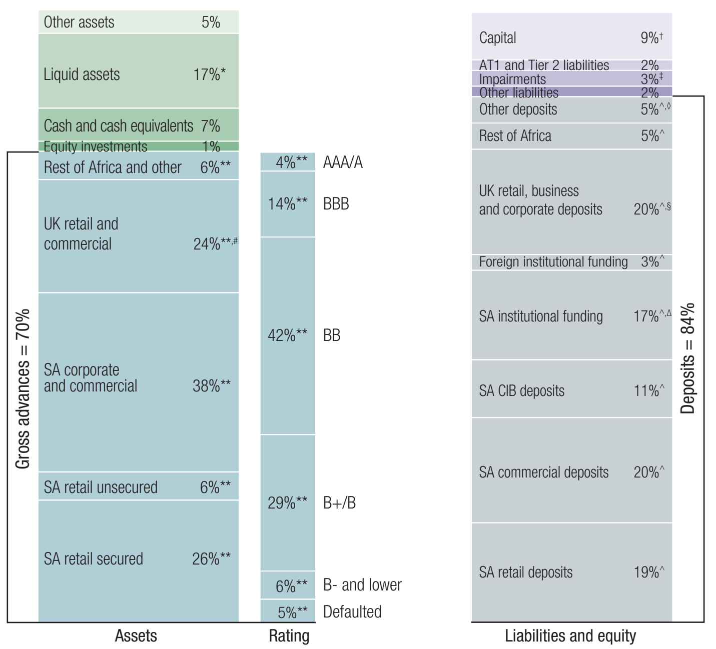
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a diversified advances portfolio, which constitutes 70% of total assets. The composition of the gross advances portfolio consists of SA retail secured (26%), SA retail unsecured (6%), SA corporate and commercial (38%), UK retail and commercial (24%), and rest of Africa and other (6%). At June 2021, the group reported total NPLs of R60 705 million (4.76% of advances) and a credit loss ratio of 106 bps.

Cash and cash equivalents, and liquid assets represent 7% and 17%, respectively, of total assets. The group's equity investments relate primarily to RMB's private equity activities.

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

The group remained appropriately capitalised with a CET1 ratio of 13.5%, a Tier 1 ratio of 14.1% and a total capital adequacy ratio of 16.3%. Gearing decreased to 13.2 times (2020: 13.4 times), driven by 8% growth in average total equity, while average total assets increased 6%.

Economic view of the balance sheet



* *Consist of government securities and treasury bills.*

** *As a proportion of gross advances.*

\# *Include advances originated in MotoNovo, Aldermore and the London branch.*

† *Includes ordinary equity, non-controlling interests and NCNR preference shares.*

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

^ *As a proportion of deposits.*

◊ *Consist of liabilities relating to other SPVs and securitisations.*

§ *Deposits raised in Aldermore and Guernsey branch (FNB Channel Islands).*

Δ *Includes CIB institutional funding.*

Note: Non-recourse deposits have been netted off against assets. Derivative, securities lending and short trading position assets and liabilities have been netted off.

Funding and liquidity

Funding and liquidity management approach

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

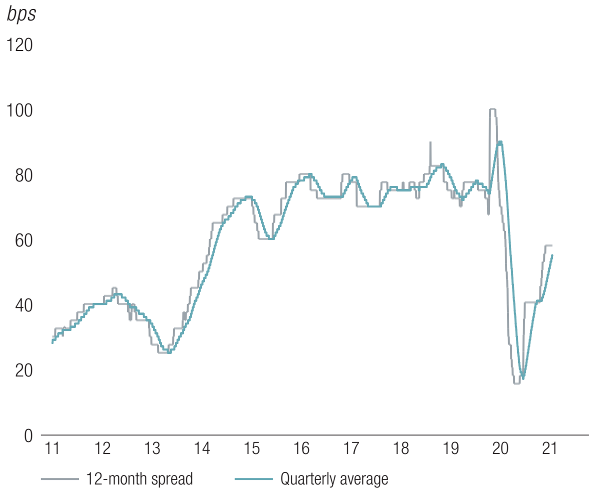
Funding conditions

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

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

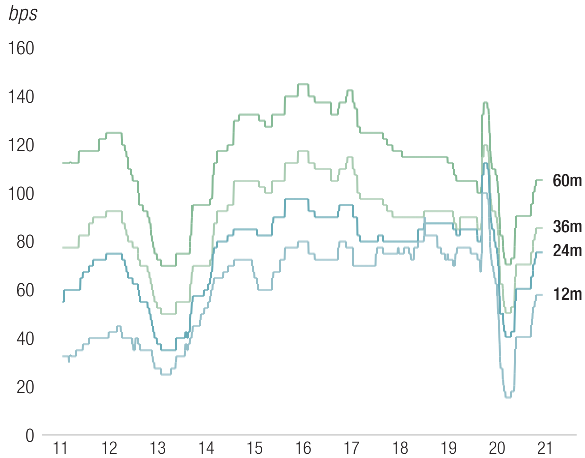
Longer dated funding spreads were influenced by similar factors and it remains the group's view that these are currently influenced by liquidity demand more than risk premia.

12-month mid-market funding spread



Sources: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads



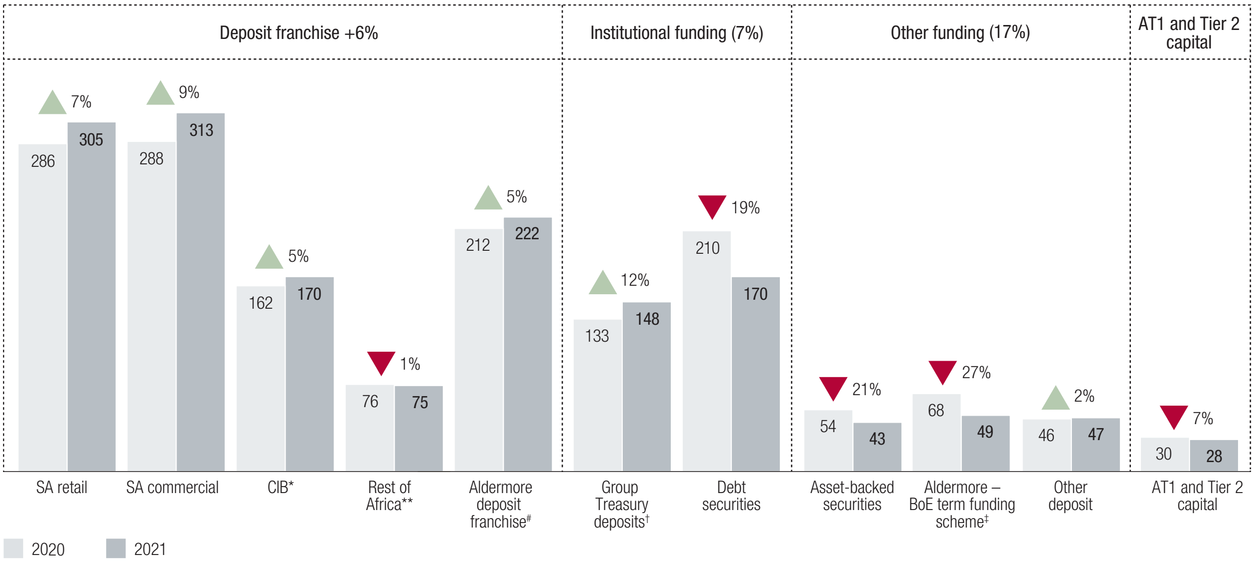
Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

FUNDING MEASUREMENT AND ACTIVITY

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

Funding portfolio growth
R billion



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

Note 2: Asset-backed securities include Aldermore's securitisation transactions.

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

** *Rest of Africa deposits include CIB deposits related to the rest of Africa subsidiaries.*

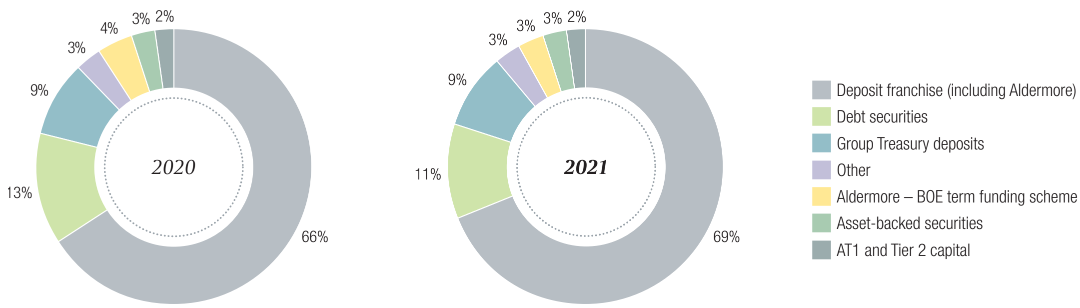
\# *The Aldermore deposit franchise increased 14% to £12 billion.*

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

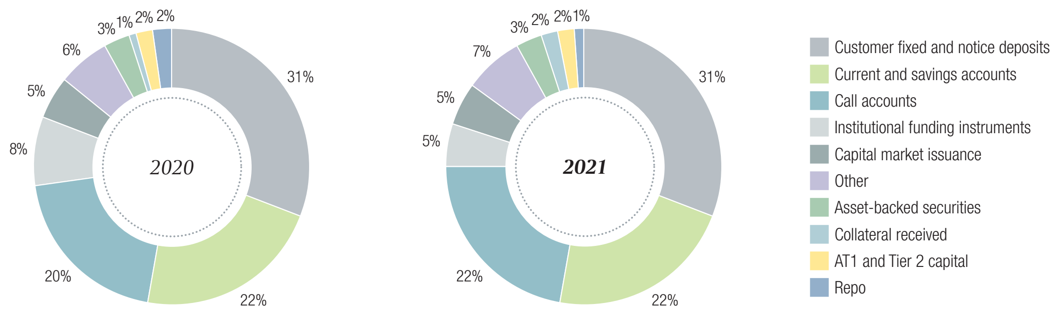
‡ *Aldermore's utilisation of the BoE term funding scheme decreased 21% to £2 billion.*

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

Funding mix



Funding by instrument type



Funding and liquidity continued

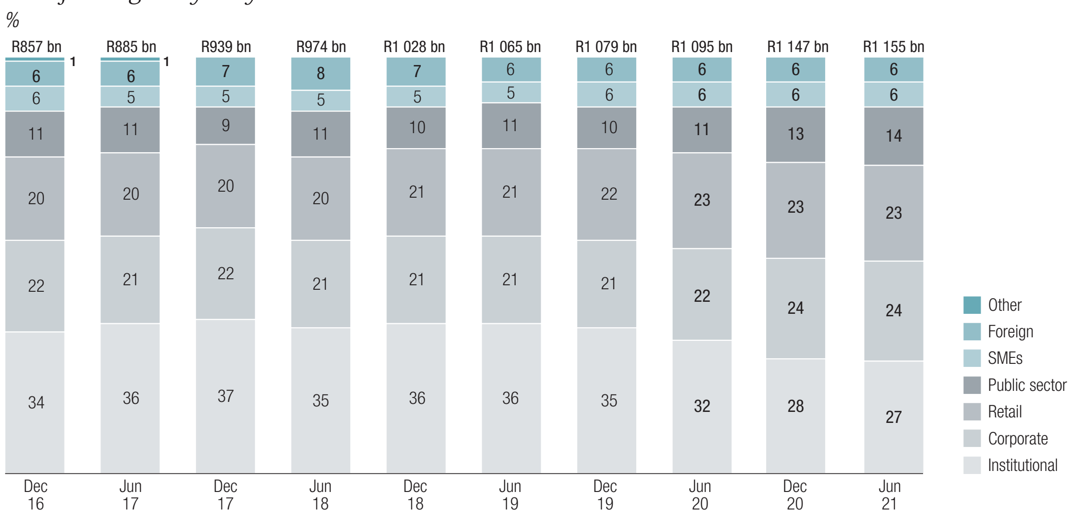
The group's focus on growing main-banked transactional accounts and investment deposits naturally results in a significant proportion of contractually short-dated funding. Although these deposits are cyclical in nature, reflecting each customer's individual transactional and savings requirements, when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

BANK COUNTERPARTY FUNDING ANALYSIS*

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

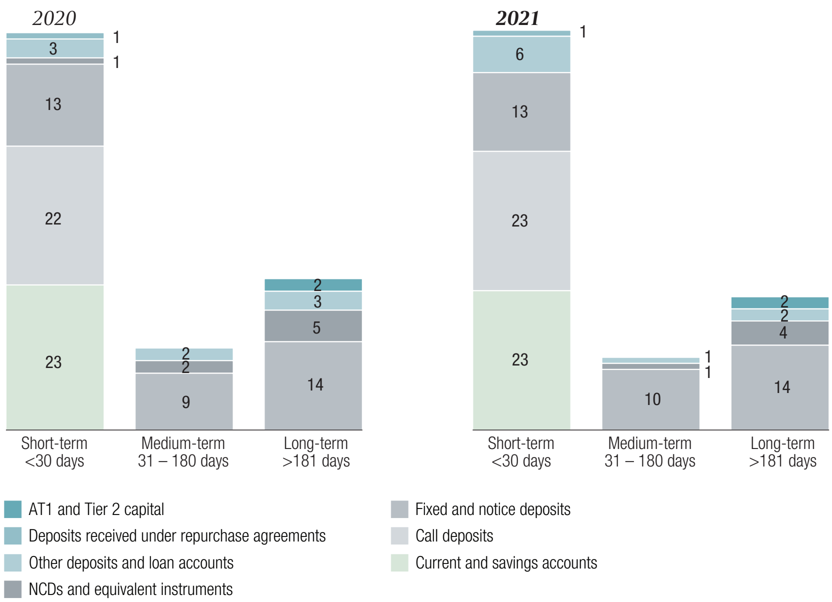
* *Excluding foreign branches.*

*Bank funding analysis by source**



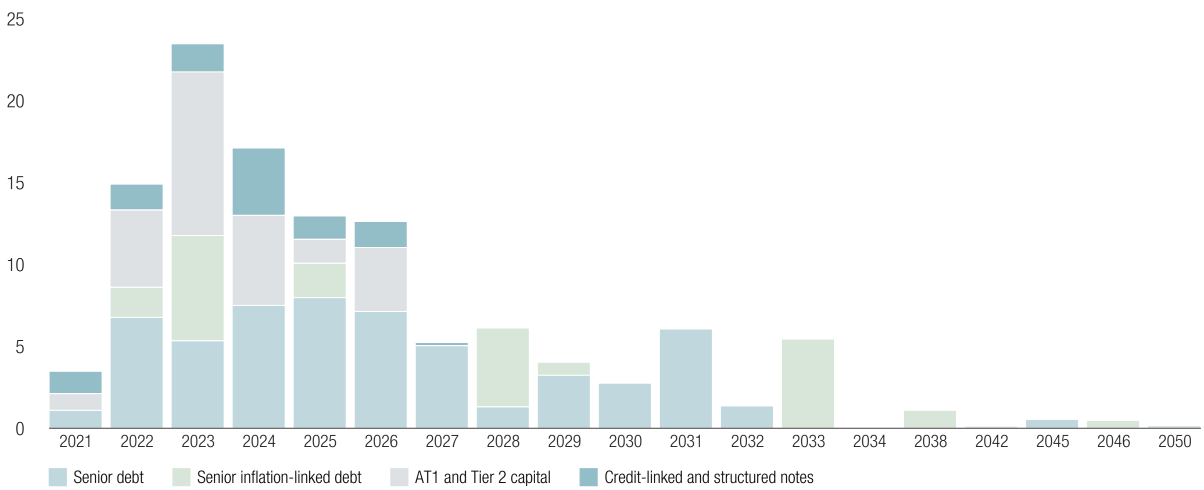
* *Excluding foreign branches.*

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

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



* *Including foreign branches.*

Funding and liquidity continued

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.

ALDERMORE

Aldermore has a diversified and flexible funding strategy and is predominantly funded by retail, business and corporate deposits. These account for approximately 84% of total funding, with the deposit franchise totalling over £12 billion at June 2021.

Aldermore's funding strategy is complemented by its continued access to institutional funding, looking to the capital markets as and when opportunities arise to optimise its funding profile and cost of funds.

Aldermore's liquid asset composition remains prudent with an LCR well in excess of the regulatory minimum, and a liquidity risk position managed to stringent internal parameters. Aldermore has maintained a diverse portfolio of HQLA, which has been managed within risk appetite throughout the year.

MOTONOVO

MotoNovo has been fully integrated with Aldermore and is now supported by Aldermore's funding platform, with new business funded via a combination of on-balance sheet deposits and institutional and structured funding. In October 2020, Aldermore successfully issued the first auto loan securitisation for the MotoNovo front book. With strong investor appetite, Turbo Finance 9 ultimately closed with an issuance of £584 million.

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.

Liquidity risk position

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

COMPOSITION OF LIQUID ASSETS*

	As at 30 June	
R billion	**2021**	2020
Cash and deposits with central banks	**51**	60
Government bonds and bills	**218**	169
Other liquid assets	**44**	51
Total liquid assets	**313**	280

* *The composition of liquid assets is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2021 for FirstRand Bank South Africa and the London branch, as well as Botswana and Namibia. The remaining banking entities, including Aldermore, and the India and Guernsey branches, are based on the quarter-end values.*

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

LIQUIDITY RATIOS

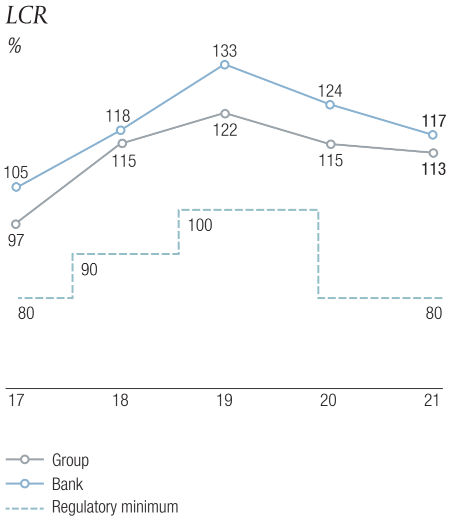
	Group*		**Bank***	
%	**LCR****	**NSFR**	**LCR****	**NSFR**
Regulatory minimum[#]	**80**	**100**	**80**	**100**
Actual	**113**	**123**	**117**	**122**

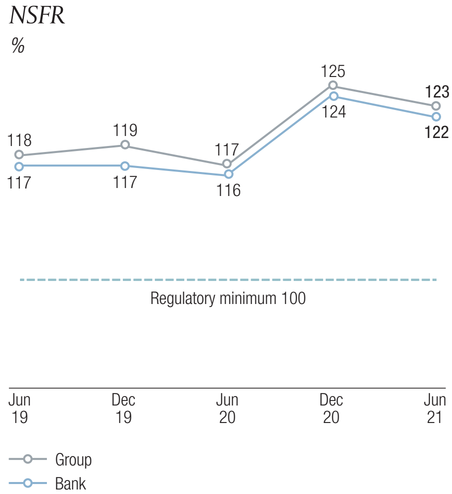
* *The group's LCR and NSFR includes FirstRand Bank (including foreign branches) and all other banking subsidiaries. The bank's LCR and NSFR reflect South African operations only.*

** *The LCR is calculated as a simple average of 91 days of daily observations over the period ended 30 June 2021 for FirstRand Bank South Africa and the London branch, as well as Botswana and Namibia. The remaining banking entities, including Aldermore, and the India and Guernsey branches, are based on the quarter-end values. The figures are based on the regulatory submissions to the PA.*

[#] *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 group's and bank's liquidity ratios.





Capital

Capital management approach

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

Year under review

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

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	8.0	10.0	12.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits**				
2021	**13.5**	**14.1**	**16.3**	**7.7**
2020	11.5	12.1	14.5	7.1

* *Excluding the individual capital requirement (Pillar 2B). The D-SIB requirement for the group is 1.5%. The group's countercyclical buffer requirement remained at 0%.*

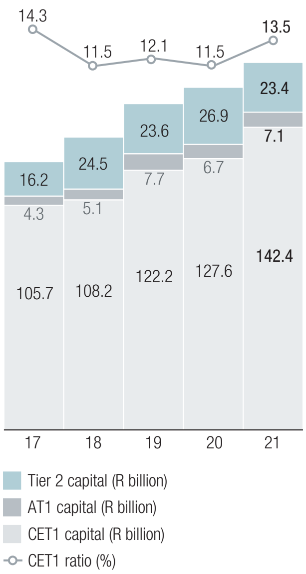
** *Refer to the Basel Pillar 3 report at www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for ratios excluding unappropriated profits.*

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

The group continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitments to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the year under review, the group remained appropriately capitalised to meet its economic capital requirements and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.6 times on a post-diversified basis.

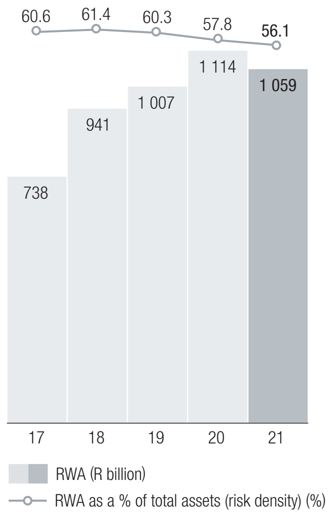
The graphs below provide a historical overview of the group's capital adequacy, RWA and leverage positions.

*Capital adequacy**



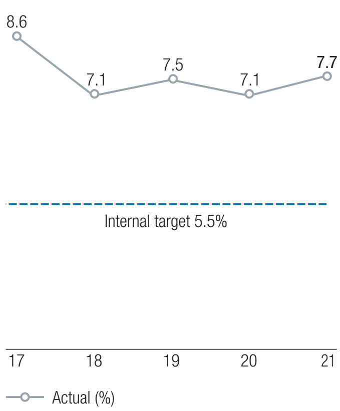
* *Including unappropriated profits.*

RWA history



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

*Leverage**



* *Including unappropriated profits.*

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

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

Capital continued

Supply of capital

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2021**	2020
CET1 capital	**142 436**	127 647
Tier 1 capital	**149 527**	134 312
Total qualifying capital	**172 967**	161 256

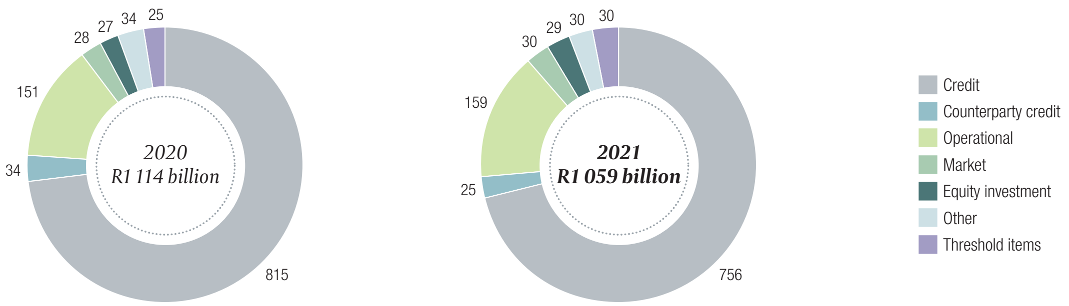
* *Including unappropriated profits. Refer to the Basel Pillar 3 report at www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional detail on the composition of capital.*

KEY DRIVERS		
CET1	▲	> Positive earnings partly offset by the payment of an interim dividend for the 2021 financial year. > Capital preservation measures introduced by the PA in 2020. > A decrease in the foreign currency translation reserve given the rand appreciation and IFRS 9 transitional impact.
AT1	▲	> AT1 issuance (R1.4 billion) in December 2020, partly offset by the additional 10% haircut on the group's NCNR preference shares.
Tier 2	▼	> Redemptions in July 2020 and April and June 2021 totalling R4.7 billion and appreciation of the rand, partly offset by Tier 2 issuances in April 2021 (R3.1 billion).

Additional detail on the group's capital instruments is included on page 202.

Demand of capital

RWA analysis



KEY DRIVERS		
Credit	▼	> Decrease due to the appreciation of the rand. > Reduced risk migration and lower volume. > Model updates and capital optimisation.
Counterparty credit	▼	> Decreased risk positions and mark-to-market movements. > Implementation of the standardised approach for measuring counterparty credit risk in January 2021.
Operational	▲	> An increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach. > Movement in gross income for entities on basic approaches (basic indicator and the standardised approach).
Market	▲	> Increased risk positions and refinement of methodologies.
Equity investment	▲	> Fair value movements and implementation of the equity investment in funds regulations in January 2021, partly offset by realisations and impairment of investments.
Other	▼	> Decrease in other assets, and property and equipment.
Threshold items	▲	> Increase in the deferred income tax assets and investments in financial, banking and insurance entities.

Capital continued

Capital adequacy positions of FirstRand and its regulated entities

	As at 30 June		
	2021		2020
	Total minimum requirement	**Total capital adequacy**	Total capital adequacy
BANKING (%)			
Basel III (PA regulations)			
FirstRand*		**16.3**	14.5
FirstRand Bank*,**		**17.8**	15.7
FirstRand Bank South Africa*	**12.0**	**17.6**	15.5
FirstRand Bank London		**22.0**	15.9
FirstRand Bank India		**82.9**	31.8
FirstRand Bank Guernsey		**27.5**	12.9
Basel III (local regulations)			
Aldermore Bank	**12.0**	**18.1**	16.6
FNB Namibia	**10.0**	**19.5**	17.6
Basel II (local regulations)			
FNB Mozambique	**12.0**	**23.7**	27.2
RMB Nigeria	**10.0**	**49.4**	44.9
FNB Botswana	**12.5**	**18.0**	21.4
FNB Eswatini	**8.0**	**20.4**	22.1
First National Bank Ghana	**11.5**	**38.4**	51.4
Basel I (local regulations)			
FNB Tanzania	**14.5**	**60.1**	20.5
FNB Lesotho	**8.0**	**16.5**	17.0
FNB Zambia	**10.0**	**27.3**	23.2
INSURANCE (TIMES)#			
FirstRand Life Assurance (FNB Life)		**1.7**	
FirstRand STI	**1.0**	**3.3**	
FRISCOL		**1.0**	

* *Including unappropriated profits.*

** *Including foreign branches.*

\# *Solvency capital requirements as per quarterly returns at 30 June 2021.*

Performance measurement

The group aims to deliver sustainable returns to its shareholders. Each business unit is evaluated on shareholder value created, namely ROE and the group's specific performance measure of economic profit, NIACC.

Targeted hurdle rates are set for the business units and capital is allocated to each business unit based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements.

NIACC has increased due to the growth in normalised earnings of 54%. Average shareholders' equity increased 8%. The group's ROE improved from 12.9% to 18.4%, above the group's cost of equity of 15%.

NIACC AND ROE

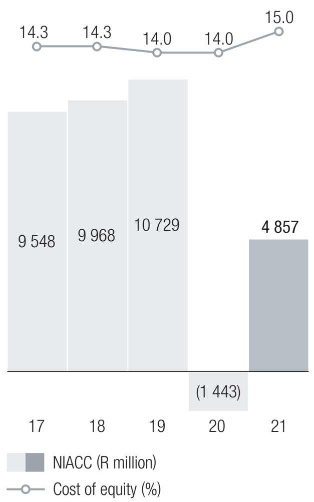
	Year ended 30 June		
R million	**2021**	2020	% change
Normalised earnings attributable to ordinary shareholders	**26 551**	17 265	54
Capital charge*	**(21 694)**	(18 708)	16
NIACC**	**4 857**	(1 443)	>100
Average ordinary shareholders' equity and reserves	**144 627**	133 628	8
ROE (%)	**18.4**	12.9	
Cost of equity# (%)	**15.0**	14.0	
Return on average RWA (%)	**2.44**	1.63	

* *Capital charge based on cost of equity.*

** *NIACC = normalised earnings less capital charge (cost of equity x average ordinary shareholders' equity and reserves).*

\# *The group's cost of equity is calculated using the capital asset pricing model. The risk-free rate of 10% is determined through a fair value assessment of the South African risk-free rate, with the calculations referencing the global risk-free yield and the country risk premium as well as expected inflation adjusted for potential future inflation uncertainty. The risk premium of 5% is determined using the FirstRand beta and equity risk premium.*

NIACC and cost of equity



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

Performance measurement continued

Shareholder value creation

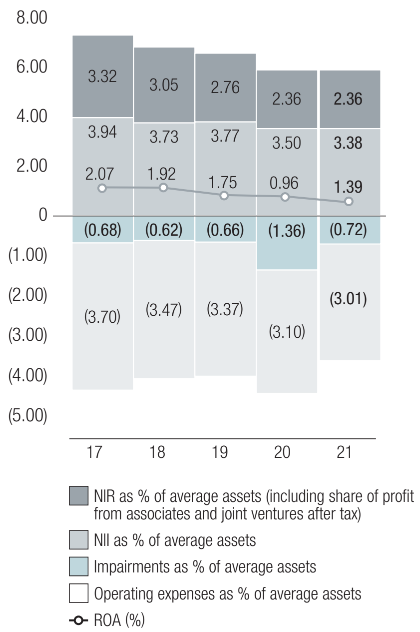
The decomposition of the ROE in the table below indicates that the improvement in ROE was largely driven by an improved return on assets (ROA).

	Year ended 30 June				
	2021	2020	2019	2018	2017
ROA (%)	**1.39**	0.96	1.75	1.92	2.07
Gearing*	**13.2**	13.4	13.0	12.0	11.3
ROE (%)	**18.4**	12.9	22.8	23.0	23.4

* *Gearing = average total assets/average equity.*

The following graph provides a summary of the drivers of the ROA over time. The increase in ROA from 0.96% at 30 June 2020 to 1.39% at 30 June 2021 was primarily driven by lower impairments. Average assets increased 6% and average assets, excluding derivative assets, increased 5%.

ROA analysis



Note: The graph shows each item before tax and non-controlling interests as a percentage of average assets.

ROA is calculated as normalised earnings (after tax and non-controlling interests) as a percentage of average assets.

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

Operating business performance

The tables below provide a summary of the performance of the group's operating businesses.

ROE AND NORMALISED EARNINGS PER BUSINESS

	Year ended 30 June			
	2021		2020	
R million	**Normalised earnings***	**ROE %**	Normalised earnings*,**	ROE %**
FNB	**16 132**	**33.3**	12 075	25.8
RMB	**6 908**	**18.7**	5 506	15.4
WesBank	**1 217**	**14.5**	820	8.0
UK operations#	**2 687**	**11.1**	835	3.9
FCC†	**(393)**	**(1.5)**	(1 971)	(10.2)
FirstRand group	**26 551**	**18.4**	17 265	12.9
Total rest of Africa‡	**1 840**	**13.9**	1 878	14.6

* *Include the allocation of preference share and other capital costs and, therefore, differ from business normalised earnings in the segment report on page 36 to 43.*

** *The comparatives were restated for segmentation changes. For the comparatives, the capital allocation was restated to align with the current period allocation approach.*

\# *Aldermore group including MotoNovo (front and back books). In the segment report on pages 45 and 46, the MotoNovo back book is included in FCC. Normalised earnings include the return on capital and cost of other capital instruments allocated to the MotoNovo back book. ROEs are calculated in pound terms.*

† *Includes Group Treasury as well as the unallocated surplus capital.*

‡ *Reflects the business's combined operations in the legal entities in the rest of Africa.*

BUSINESS ROAs

	ROA	
	Year ended 30 June	
%	**2021**	2020*
FNB	**3.33**	2.50
RMB	**1.12**	0.93
WesBank	**0.93**	0.60
UK operations**	**0.76**	0.26
FCC#	**(0.12)**	(0.81)
FirstRand group	**1.39**	0.96

* *The comparatives were restated for segmentation changes.*

** *Aldermore group including MotoNovo (front and back books). ROAs are calculated in pound terms.*

\# *Includes Group Treasury.*

IFRS information

Presentation

Basis of presentation

The summary consolidated 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 consolidated financial statements and confirm that this information has been correctly extracted from the consolidated financial statements from which the summary consolidated financial statements were derived.

The summary consolidated financial statements contained in this *Analysis of financial results* booklet have been correctly extracted from the underlying audited consolidated annual financial statements, where applicable, for the year ended 30 June 2021, which are available at www.firstrand.co.za/investors/annual-reporting/.

Accounting policies

The accounting policies and other methods of computation applied in the preparation of the consolidated 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 consolidated financial statements, except for the implementation of new standards as detailed below.

The consolidated financial statements, from which these summary consolidated 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.

Improvements to the Conceptual Framework, which included revised definitions of assets and liabilities and clarified concepts relating to prudence, stewardship, measurement uncertainty and substance over form, became effective in the current period. Other amendments that became effective in the current period include amendments to IFRS 3 to clarify the definition of a business in a business combination, and amendments to IAS 1 and IAS 8 to update and clarify the definition of materiality.

Effective 1 July 2020, the group adopted the amendments to IFRS 9 and IAS 39, as part of phase 1 of the interest rate benchmark reform (IBOR reform), which provided hedge accounting relief for hedging relationships affected by IBOR reform. The amendments allow an entity to apply the existing hedge accounting requirements as if the interest rate benchmarks that affects the hedging relationships are not altered as a result of IBOR reform. This results in hedge accounting not being discontinued solely on the basis of uncertainty arising from IBOR reform. The amendments provided relief for the group's hedges that are impacted by IBOR reform.

The group elected to early adopt phase 2 of the IBOR reform, which provided a practical expedient to treat any contractual changes or changes to cash flows due to the transition of an IBOR benchmark rate to an economically equivalent risk-free rate (RFR) as changes to a floating interest rate. Phase 2 of the IBOR reform also permits changes to specific hedging designations and hedge documentation without the hedge relationship being discontinued. This provided temporary relief from having to meet the separately identifiable requirements of an RFR instrument designated as a hedge of a risk component. The adoption of these amendments did not impact the prior period.

The other new or amended IFRS that became effective for the year ended 30 June 2021 had no impact on the group's reported earnings, financial position or reserves, or the accounting policies.

Auditors' report

These summary consolidated financial statements for the year ended 30 June 2021 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. Refer to page 148.

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

The auditors' report does not necessarily report on all of the information contained in these summary consolidated 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 consolidated financial statements.

The full audit opinion, including any key audit matters, is available at www.firstrand.co.za/investors/annual-reporting/ as part of the group's annual financial statements, which have been released in conjunction with these results.

Normalised results

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

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

This *pro forma* financial information, which is the responsibility of the group's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the group's financial position, changes in equity, and results of operations or cash flows. Details of the nature of these adjustments and reasons therefor can be found below in this *Analysis of financial results* booklet. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants' report, in terms of International Standard on Assurance Engagements (ISAE 3420), on pages 149 and 150.

Description of difference between normalised and IFRS results

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group.

Presentation continued

In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss.

In addition, one of the group's joint ventures holds FirstRand shares for client trading activities. In terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. The group's portion of the fair value change in the FirstRand shares is, therefore, deducted from equity-accounted earnings and the carrying value of the investment recognised using the equity-accounted method. The shares held by the joint venture are not deducted from equity.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

MARGIN-RELATED ITEMS INCLUDED IN FAIR VALUE INCOME

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

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

> the margin on the component of the wholesale advances book in RMB that is measured at fair value through profit or loss;

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

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

In terms of IAS 19, interest income is recognised on the plan assets and 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.

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 01/2021 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. The industry rule, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

In accordance with IFRS 2, the expense resulting from these share schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

When calculating normalised results, the group defers a portion of the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group for the share schemes that are not hedge accounted.

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

Headline earnings adjustments

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 158.

Covid-19 impact

While the specific areas of judgement used at 30 June 2021 have not changed from those used as at 30 June 2020, the dynamic and evolving nature of Covid-19, combined with limited recent experience of the economic and financial impact of such a pandemic, resulted in additional judgement being applied.

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of expected credit loss (ECL) calculations, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty about the social and economic consequences of Covid-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.

Independent auditors' report on the summary consolidated financial statements

To the Shareholders of FirstRand Limited

OPINION

The summary consolidated financial statements of FirstRand Limited, set out on page 144 and pages 151 to 158 and 166 to 193 of the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 30 June 2021, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2021.

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 September 2021. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

DIRECTOR'S RESPONSIBILITY FOR THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

Deloitte & Touche

Deloitte & Touche ~ Registered auditor
Per Partner: Kevin Black

Johannesburg, South Africa

15 September 2021

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc. ~ Registered auditor
Director: Johannes Grosskopf

Johannesburg, South Africa

15 September 2021

Independent reporting accountants' assurance report on the compilation of pro forma financial information included in the analysis of financial results for the year ended 30 June 2021

To the Directors of FirstRand Limited

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

We have completed our assurance engagement to report on the compilation of the Pro Forma Financial Information of FirstRand Limited and its subsidiaries (together the "Group") by the directors of the Group. The Pro Forma Financial Information, as set out on pages 159 to 165 of the Analysis of Financial Results, consists of the:

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

> reconciliation of normalised to IFRS summary consolidated income statement for the year ended 30 June 2021; and

> reconciliation of normalised to IFRS summary consolidated statement of financial position as at 30 June 2021.

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

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

DIRECTORS' RESPONSIBILITY FOR THE PRO FORMA FINANCIAL INFORMATION

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

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors, issued by the Independent Regulatory Board for Auditors' (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards). The firms apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services

Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

Independent reporting accountants' assurance report on the compilation of pro forma financial information included in the analysis of financial results for the year ended 30 June 2021 continued

The purpose of Pro Forma Financial Information is solely to provide users with relevant information and measures used by the Group to assess performance and to illustrate the impact of the normalisation adjustments on the Group's financial performance. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

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

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

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

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

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

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

OPINION

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

Deloitte & Touche

Deloitte & Touche ~ Registered auditor
Per Partner: Kevin Black

Johannesburg, South Africa

15 September 2021

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc. ~ Registered auditor
Director: Johannes Grosskopf

Johannesburg, South Africa

15 September 2021

Summary consolidated income statement – IFRS (audited)

for the year ended 30 June

R million	2021	2020	% change
Interest income calculated using effective interest rate	**103 912**	121 046	(14)
Interest on other financial instruments and similar income	**2 023**	841	>100
Interest and similar income	**105 935**	121 887	(13)
Interest expense and similar charges	**(42 645)**	(58 972)	(28)
Net interest income before impairment of advances	**63 290**	62 915	1
Impairment and fair value of credit on advances	**(13 660)**	(24 383)	(44)
– Impairment on amortised cost advances	**(13 400)**	(23 823)	(44)
– Fair value of credit on advances	**(260)**	(560)	(54)
Net interest income after impairment of advances	**49 630**	38 532	29
Non-interest revenue	**45 195**	41 691	8
– Net fee and commission income	**31 686**	30 058	5
– Fee and commission income	**37 462**	36 244	3
– Fee and commission expense	**(5 776)**	(6 186)	(7)
– Insurance income	**3 335**	3 941	(15)
– Fair value income	**6 574**	4 084	61
– Fair value gains or losses	**10 900**	8 869	23
– Interest expense on fair value activities	**(4 326)**	(4 785)	(10)
– Gains less losses from investing activities	**271**	561	(52)
– Other non-interest income	**3 329**	3 047	9
Income from operations	**94 825**	80 223	18
Operating expenses	**(57 556)**	(55 276)	4
Net income from operations	**37 269**	24 947	49
Share of profit of associates after tax	**1 133**	24	>100
Share of profit of joint ventures after tax	**405**	5	>100
Income before indirect tax	**38 807**	24 976	55
Indirect tax	**(1 516)**	(1 348)	12
Profit before tax	**37 291**	23 628	58
Income tax expense	**(8 981)**	(4 848)	85
Profit for the year	**28 310**	18 780	51
Attributable to			
Ordinary equityholders	**26 743**	17 021	57
Other equity instrument holders	**777**	1 145	(32)
Equityholders of the group	**27 520**	18 166	51
Non-controlling interests	**790**	614	29
Profit for the year	**28 310**	18 780	51
Earnings per share (cents)			
– Basic	**476.9**	303.5	57
– Diluted	**476.9**	303.5	57
Headline earnings per share (cents)			
– Basic	**480.5**	308.9	56
– Diluted	**480.5**	308.9	56

Summary consolidated statement of other comprehensive income – IFRS (audited)

for the year ended 30 June

R million	2021	2020	% change
Profit for the year	**28 310**	18 780	51
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(640)**	1 154	(>100)
Gains arising during the year	**968**	592	64
Reclassification adjustments for amounts included in profit or loss	**(1 891)**	1 036	(>100)
Deferred income tax	**283**	(474)	(>100)
FVOCI debt reserve	**392**	(61)	(>100)
Gains/(losses) arising during the year	**584**	(91)	(>100)
Reclassification adjustments for amounts included in profit or loss	**(34)**	3	(>100)
Deferred income tax	**(158)**	27	(>100)
Exchange differences on translating foreign operations	**(5 872)**	6 208	(>100)
(Losses)/gains arising during the year	**(5 830)**	6 170	(>100)
Deferred income tax	**(42)**	38	(>100)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**90**	33	>100
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(271)**	(157)	73
Losses arising during the year	**(351)**	(202)	74
Deferred income tax	**80**	45	78
Remeasurements on defined benefit post-employment plans	**(177)**	532	(>100)
(Losses)/gains arising during the year	**(252)**	744	(>100)
Deferred income tax	**75**	(212)	(>100)
Other comprehensive (loss)/income for the year	**(6 478)**	7 709	(>100)
Total comprehensive income for the year	**21 832**	26 489	(18)
Attributable to			
Ordinary equityholders	**20 408**	24 634	(17)
Other equity instrument holders	**777**	1 145	(32)
Equityholders of the group	**21 185**	25 779	(18)
Non-controlling interests	**647**	710	(9)
Total comprehensive income for the year	**21 832**	26 489	(18)

Summary consolidated statement of financial position – IFRS (audited)

as at 30 June

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

* *Includes net goodwill of R7 726 million (2020: R8 387 million).*

Summary consolidated statement of cash flows – IFRS (audited)

for the year ended 30 June

R million	2021	2020
Cash flows from operating activities		
Interest and fee commission receipts*	**131 715**	153 420
– Interest received	**97 326**	119 421
– Fee and commission received	**37 462**	36 975
– Insurance income received	**2 703**	3 210
– Fee and commission paid	**(5 776)**	(6 186)
Trading and other income	**3 238**	3 340
Interest payments	**(36 499)**	(57 696)
Other operating expenses	**(43 677)**	(45 895)
Dividends received	**2 929**	2 208
Dividends paid	**(6 947)**	(17 861)
Dividends paid to non-controlling interest	**(489)**	(736)
Taxation paid	**(10 698)**	(8 669)
Cash generated from operating activities	**39 572**	28 111
Movement in operating assets and liabilities	**(30 434)**	11 741
– Liquid assets and trading securities	**(75 198)**	(45 030)
– Advances	**(44 458)**	(17 961)
– Deposits	**82 663**	74 964
– Other assets	**2 472**	(763)
– Creditors	**864**	(1 357)
– Employee liabilities	**(4 079)**	(7 033)
– Total other liabilities**	**7 302**	8 921
– Other operating liabilities#	**6 490**	7 798
– Reinsurance assets	**(147)**	(44)
– Policyholder liabilities	**959**	1 167
Net cash generated from operating activities	**9 138**	39 852

* *Interest and fee commission receipts have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total interest and fee commission receipts as previously reported (2020: R153 420 million) has however not changed. The disaggregation is in line with the requirements of IAS 7.*

** *Other liabilities have been disaggregated into the material line items making up this balance. The presentation of the comparative information has also been updated. The total movement for other liabilities as previously reported (2020: R8 921 million) has however not changed. The additional information provides users with a better understanding of the material components making up this balance.*

Other liabilities consist of various operating liabilities. The most significant balances included in other operating liabilities include short trading positions, derivative finance instruments and deferred tax balance provisions.

Summary consolidated statement of cash flows – IFRS (audited) continued

for the year ended 30 June

R million	**2021**	2020
Cash flows from investing activities		
Acquisition of investments in associates	**(93)**	(551)
Proceeds on disposal of investments in associates	**37**	594
Acquisition of investments in joint ventures	**(45)**	(257)
Proceeds on disposal of investments in joint ventures	**–**	109
Acquisition of investments in subsidiaries	**(31)**	(366)
Proceeds on disposal of subsidiaries	**(2)**	–
Acquisition of property and equipment	**(3 160)**	(5 510)
Proceeds on disposal of property and equipment	**539**	752
Acquisition of intangible assets and investment properties	**(257)**	(454)
Net cash outflow from investing activities	**(3 012)**	(5 683)
Cash flows from financing activities		
Proceeds on the issue of other financing liabilities	**1 306**	4 583
Redemption of other financing liabilities	**(1 110)**	(5 174)
Principal payments towards lease liabilities	**(1 053)**	(884)
Proceeds from issue of Tier 2 liabilities	**3 111**	275
Capital repaid on Tier 2 liabilities	**(4 903)**	(2 186)
Acquisition of additional interest in subsidiaries from non-controlling interest	**(139)**	(6)
Disposal of additional interest in subsidiaries to non-controlling interest	**–**	6
Proceeds from issue of AT1 equity instruments	**1 400**	761
Redemption of AT1 equity instruments	**–**	(1 250)
Net cash outflow from financing activities	**(1 388)**	(3 875)
Net increase in cash and cash equivalents	**4 738**	30 294
Cash and cash equivalents at the beginning of the year	**136 002**	102 518
Effect of exchange rate changes on cash and cash equivalents	**(5 594)**	3 604
Transfer to non-current assets held for sale	**(87)**	(414)
Cash and cash equivalents at the end of the year	**135 059**	136 002
Mandatory reserve balances included above*	**39 627**	31 193

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

Summary consolidated 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 2019	56	8 023	**8 079**	(952)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	(15)	**(15)**	–	–
Total comprehensive income for the year[#]	–	–	**–**	532	1 154
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year	–	–	**–**	532	1 154
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2020	56	8 008	**8 064**	(420)	1 995
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	(35)	**(35)**	–	–
Total comprehensive income for the year	–	–	**–**	(177)	(640)
– Profit for the year	–	–	**–**	–	–
– Other comprehensive income for the year	–	–	**–**	(177)	(640)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2021	56	7 973	**8 029**	(597)	1 355

* *Other reserves include the FVOCI reserve.*

** *Other equity instruments at 30 June 2021 include R4 519 million (2020: R4 519 million) of non-cumulative, non-redeemable preference shares and R7 126 million (2020: R5 726 million) of AT1 instruments.*

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

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
–	–	–	–	**–**	**–**	**(9)**	**(9)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	–	–	**–**	**(1 250)**	**–**	**(1 250)**
26	–	278	(303)	**1**	**–**	**(9)**	**(8)**
–	–	–	(16 716)	**(16 716)**	**–**	**(736)**	**(17 452)**
–	–	–	–	**–**	**(1 145)**	**–**	**(1 145)**
–	–	(2)	2	**–**	**–**	**–**	**–**
–	–	–	(12)	**(12)**	**–**	**4**	**(8)**
–	–	–	(20)	**(20)**	**–**	**–**	**(35)**
–	6 120	(193)	17 021	**24 634**	**1 145**	**710**	**26 489**
–	–	–	17 021	**17 021**	**1 145**	**614**	**18 780**
–	6 120	(193)	–	**7 613**	**–**	**96**	**7 709**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**
–	–	–	–	**–**	**–**	**(2)**	**(2)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**–**	**376**	**376**
–	–	–	–	**–**	**1 400**	**–**	**1 400**
–	–	–	–	**–**	**–**	**–**	**–**
20	–	131	(148)	**3**	**–**	**3**	**6**
–	–	–	(6 170)	**(6 170)**	**–**	**(489)**	**(6 659)**
–	–	–	–	**–**	**(777)**	**–**	**(777)**
–	–	60	(60)	**–**	**–**	**–**	**–**
–	–	–	(134)	**(134)**	**–**	**(56)**	**(190)**
–	–	–	16	**16**	**–**	**–**	**(19)**
–	(5 713)	195	26 743	**20 408**	**777**	**647**	**21 832**
–	–	–	26 743	**26 743**	**777**	**790**	**28 310**
–	(5 713)	195	–	**(6 335)**	**–**	**(143)**	**(6 478)**
–	–	–	–	**–**	**–**	**–**	**–**
44	2 773	1 176	138 837	**143 588**	**11 645**	**4 625**	**167 887**

Statement of headline earnings – IFRS (audited)

for the year ended 30 June

R million	2021	2020	% change
Profit for the year (refer to page 151)	**28 310**	18 780	51
Other equity instrument holders	**(777)**	(1 145)	32
Non-controlling interests	**(790)**	(614)	(29)
Earnings attributable to ordinary equityholders	**26 743**	17 021	57
Adjusted for	**207**	305	(32)
Gains on disposal of non-private equity associates	**(40)**	–	–
Impairment of non-private equity associates	**1**	66	(98)
Loss on disposal of investments in subsidiaries	**3**	–	–
Loss on disposal of property and equipment	**17**	14	21
Fair value movement on investment properties	**89**	(26)	>100
Transfer from foreign currency translation reserve	**8**	(17)	>100
Loss on disposal of investments in joint ventures	**7**	1	>100
Impairment of goodwill	**112**	212	(47)
Impairment of assets in terms of IAS 36	**43**	129	(67)
Gain from a bargain purchase	**(1)**	–	–
Other	**(4)**	(1)	(>100)
Tax effects of adjustments	**(22)**	(50)	56
Non-controlling interests adjustments	**(6)**	(23)	74
Headline earnings	**26 950**	17 326	56

Reconciliation from headline to normalised earnings

for the year ended 30 June

R million	2021	2020	% change
Headline earnings	**26 950**	17 326	56
Adjusted for	**(399)**	(61)	(>100)
TRS and IFRS 2 liability remeasurement*	**(213)**	77	(>100)
Treasury shares**	**(66)**	65	(>100)
IAS 19 adjustment	**(102)**	(118)	14
Private equity-related#	**(18)**	(85)	79
Normalised earnings	**26 551**	17 265	54

* *The group uses various TRSs with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes. A TRS is accounted for as a derivative in terms of IFRS, with the fair value change recognised in NIR unless it qualifies for hedge accounting. In the current year, FirstRand's share price increased R15.53 and during the prior year decreased R30.49.*

This results in mark-to-market volatility year-on-year being included in the group'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 147.

** *Include FirstRand shares held for client trading activities.*

\# *Realisation of private equity subsidiaries net of private equity-related goodwill and other asset impairments.*

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2021

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment
Net interest income before impairment of advances	**64 511**	–	–	(1 433)	–
Impairment charge	**(13 660)**	–	–	–	–
Net interest income after impairment of advances	**50 851**	–	–	(1 433)	–
Total non-interest revenue	**44 980**	36	92	1 433	–
– Operational non-interest revenue	**43 548**	36	(15)	1 433	–
– Share of profit of associates and joint ventures after tax	**1 432**	–	107	–	–
Income from operations	**95 831**	36	92	–	–
Operating expenses	**(57 342)**	(12)	–	–	142
Income before indirect tax	**38 489**	24	92	–	142
Indirect tax	**(1 516)**	–	–	–	–
Profit before tax	**36 973**	24	92	–	142
Income tax expense	**(8 849)**	(6)	(26)	–	(40)
Profit for the year	**28 124**	18	66	–	102
Attributable to					
Other equity instrument holders	**(777)**	–	–	–	–
Non-controlling interests	**(796)**	–	–	–	–
Ordinary equityholders	**26 551**	18	66	–	102
Headline and normalised earnings adjustments	**–**	(18)	(66)	–	(102)
Normalised earnings attributable to ordinary equityholders of the group	**26 551**	–	–	–	–

* *FirstRand shares held for client trading activities.*

Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	**IFRS**
–	212	**63 290**
–	–	**(13 660)**
–	212	**49 630**
(79)	271	**46 733**
(78)	271	**45 195**
(1)	–	**1 538**
(79)	483	**96 363**
(156)	(188)	**(57 556)**
(235)	295	**38 807**
–	–	**(1 516)**
(235)	295	**37 291**
22	(82)	**(8 981)**
(213)	213	**28 310**
–	–	**(777)**
6	–	**(790)**
(207)	213	**26 743**
207	(213)	**(192)**
–	–	**26 551**

Reconciliation of normalised to IFRS summary consolidated income statement continued

for the year ended 30 June 2020

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income	IAS 19 adjustment
Net interest income before impairment of advances	**62 851**	–	–	(34)	–
Impairment charge	**(24 383)**	–	–	–	–
Net interest income after impairment of advances	**38 468**	–	–	(34)	–
Total non-interest revenue	**42 454**	119	(91)	34	–
– Operational non-interest revenue	**42 247**	119	21	34	–
– Share of profit of associates and joint ventures after tax	**207**	–	(112)	–	–
Income from operations	**80 922**	119	(91)	–	–
Operating expenses	**(55 656)**	3	–	–	164
Income before indirect tax	**25 266**	122	(91)	–	164
Indirect tax	**(1 348)**	–	–	–	–
Profit before tax	**23 918**	122	(91)	–	164
Income tax expense	**(4 874)**	(34)	26	–	(46)
Profit for the year	**19 044**	88	(65)	–	118
Attributable to					
Other equity instrument holders	**(1 145)**	–	–	–	–
Non-controlling interests	**(634)**	(3)	–	–	–
Ordinary equityholders	**17 265**	85	(65)	–	118
Headline and normalised earnings adjustments	**–**	(85)	65	–	(118)
Normalised earnings attributable to ordinary equityholders of the group	**17 265**	–	–	–	–

* *FirstRand shares held for client trading activities.*

	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	**IFRS**
	–	98	**62 915**
	–	–	**(24 383)**
	–	98	**38 532**
	(37)	(759)	**41 720**
	29	(759)	**41 691**
	(66)	–	**29**
	(37)	(661)	**80 252**
	(341)	554	**(55 276)**
	(378)	(107)	**24 976**
	–	–	**(1 348)**
	(378)	(107)	**23 628**
	50	30	**(4 848)**
	(328)	(77)	**18 780**
	–	–	**(1 145)**
	23	–	**(614)**
	(305)	(77)	**17 021**
	305	77	**244**
	–	–	**17 265**

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2021

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	135 059	–	135 059
Derivative financial instruments	82 728	–	82 728
Commodities	18 641	–	18 641
Investment securities	368 262	(75)	368 187
Advances	1 223 434	–	1 223 434
– Advances to customers	1 152 956	–	1 152 956
– Marketable advances	70 478	–	70 478
Other assets	9 216	–	9 216
Current tax asset	409	–	409
Non-current assets and disposal groups held for sale	565	–	565
Reinsurance assets	387	–	387
Investments in associates	8 644	–	8 644
Investments in joint ventures	2 071	45	2 116
Property and equipment	20 190	–	20 190
Intangible assets	9 932	–	9 932
Investment properties	659	–	659
Defined benefit post-employment asset	9	–	9
Deferred income tax asset	6 104	–	6 104
Total assets	**1 886 310**	**(30)**	**1 886 280**
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	18 945	–	18 945
Derivative financial instruments	84 436	–	84 436
Creditors, accruals and provisions	22 765	–	22 765
Current tax liability	1 280	–	1 280
Liabilities directly associated with disposal groups held for sale	613	–	613
Deposits	1 542 078	–	1 542 078
Employee liabilities	11 319	–	11 319
Other liabilities	7 741	–	7 741
Policyholder liabilities	7 389	–	7 389
Tier 2 liabilities	20 940	–	20 940
Deferred income tax liability	887	–	887
Total liabilities	**1 718 393**	**–**	**1 718 393**
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(83)	7 973
Reserves	143 535	53	143 588
Capital and reserves attributable to equityholders of the group	**151 647**	**(30)**	**151 617**
Other equity instruments	11 645	–	11 645
Non-controlling interests	4 625	–	4 625
Total equity	**167 917**	**(30)**	**167 887**
Total equities and liabilities	**1 886 310**	**(30)**	**1 886 280**

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position continued

as at 30 June 2020

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	136 002	–	136 002
Derivative financial instruments	147 515	–	147 515
Commodities	21 344	–	21 344
Investment securities	297 510	(41)	297 469
Advances	1 261 715	–	1 261 715
– Advances to customers	1 191 281	–	1 191 281
– Marketable advances	70 434	–	70 434
Other assets	11 256	–	11 256
Current tax asset	598	–	598
Non-current assets and disposal groups held for sale	3 065	–	3 065
Reinsurance assets	240	–	240
Investments in associates	6 882	–	6 882
Investments in joint ventures	1 811	(62)	1 749
Property and equipment	21 369	–	21 369
Intangible assets	11 638	–	11 638
Investment properties	722	–	722
Defined benefit post-employment asset	–	–	–
Deferred income tax asset	4 949	26	4 975
Total assets	1 926 616	(77)	1 926 539
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 062	–	5 062
Derivative financial instruments	162 193	–	162 193
Creditors, accruals and provisions	21 038	–	21 038
Current tax liability	499	–	499
Liabilities directly associated with disposal groups held for sale	1 427	–	1 427
Deposits	1 535 015	–	1 535 015
Employee liabilities	8 820	–	8 820
Other liabilities	8 203	–	8 203
Policyholder liabilities	6 430	–	6 430
Tier 2 liabilities	24 614	–	24 614
Deferred income tax liability	1 318	–	1 318
Total liabilities	1 774 619	–	1 774 619
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(48)	8 008
Reserves	129 494	(29)	129 465
Capital and reserves attributable to equityholders of the group	137 606	(77)	137 529
Other equity instruments	10 245	–	10 245
Non-controlling interests	4 146	–	4 146
Total equity	151 997	(77)	151 920
Total equities and liabilities	1 926 616	(77)	1 926 539

* *FirstRand shares held for client trading activities.*

Advances (audited)

R million	2021	2020
Category analysis		
Overdrafts and cash management accounts	**67 798**	81 129
Term loans	**66 714**	73 658
Card loans	**35 025**	33 106
Instalment sales, hire purchase agreements and lease payments receivable	**233 533**	246 989
Property finance	**449 012**	461 876
Personal loans	**53 281**	56 658
Preference share agreements	**48 097**	48 739
Assets under agreements to resell	**65 584**	26 964
Investment bank term loans	**143 230**	164 792
Long-term loans to group associates and joint ventures	**2 508**	2 975
Other	**38 792**	43 775
Total customer advances	**1 203 574**	1 240 661
Marketable advances	**70 478**	70 434
Gross value of advances	**1 274 052**	1 311 095
Impairment and credit of fair value advances	**(50 618)**	(49 380)
Net advances	**1 223 434**	1 261 715

Note 1 – Impairment of advances

	2021			2020		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value
Increase in loss allowance	**(15 445)**	**(15 185)**	**(260)**	(25 750)	(25 190)	(560)
Recoveries of bad debts	**2 427**	**2 427**	**–**	2 374	2 374	–
Modification loss	**(642)**	**(642)**	**–**	(1 007)	(1 007)	–
Impairment of advances recognised in the income statement	**(13 660)**	**(13 400)**	**(260)**	(24 383)	(23 823)	(560)

Note: Refer to note 3 on pages 170 to 173 for the reconciliation of the loss allowance per class.

Basis of presentation of analysis of advances per class

RMB CORPORATE AND INVESTMENT BANKING

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

In the current year, due to a change in internal structures, the group no longer makes a distinction between RMB corporate and RMB investment banking clients and concluded that a single class of customer will be shown. The group has therefore combined RMB corporate and RMB investment banking, which had been presented separately in the prior year. The group has voluntarily updated the comparative information and presented totals of the two classes combined.

In addition, Ashburton transitioned into RMB corporate and investment banking as part of the group's evolution in approach to customer, product and operational infrastructure within its investment offering. The results of Ashburton were previously included in Group Treasury and other. The group has voluntarily updated the comparative information.

TEMPORARY STRESS SCENARIO

Given the unprecedented event-driven uncertainty in South Africa's already fragile economy, the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the Covid-19 pandemic, the group incorporated a short-term stress scenario at 30 June 2021 as a temporary measure to capture this extreme uncertainty. The group believes that the advances within the South African retail and commercial portfolios will be hardest hit in the short term and as such, the stress scenario has only been applied to these portfolios. Due to the temporary nature of this stress scenario, the impact on the staging of the gross carrying amount and the additional ECL attributable to this scenario has been separately presented, in all tables where information per class is shown, in the line *Temporary stress scenario*.

Note 2 – Analysis of advances per class

	2021			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	221 362	225 666	–	(4 304)
WesBank VAF	94 252	100 102	–	(5 850)
Total retail secured	315 614	325 768	–	(10 154)
FNB card	26 566	31 249	–	(4 683)
Personal loans	31 079	39 709	–	(8 630)
Retail other	12 593	15 712	–	(3 119)
Total retail unsecured	70 238	86 670	–	(16 432)
Temporary stress scenario	(335)	–	–	(335)
Total retail secured and unsecured	385 517	412 438		(26 921)
FNB commercial	104 811	111 030	91	(6 310)
– FNB commercial excluding scheme	103 464	109 431	91	(6 058)
– Government-guaranteed loan scheme	1 495	1 599	–	(104)
– Temporary stress scenario	(148)	–	–	(148)
WesBank corporate	26 431	26 986	–	(555)
RMB corporate and investment banking	335 903	248 091	95 217	(7 405)
Total corporate and commercial	467 145	386 107	95 308	(14 270)
Rest of Africa	56 452	60 133	220	(3 901)
Group Treasury and other	35 607	35 428	802	(623)
UK operations	278 713	283 616	–	(4 903)
– Retail*	217 617	221 188	–	(3 571)
– Commercial	61 096	62 428	–	(1 332)
Total advances	1 223 434	1 177 722	96 330	(50 618)

* *Includes total MotoNovo of R76 346 million (£3 871 million).*

Advances (audited) continued

Note 2 – Analysis of advances per class continued

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	98 153	104 014	–	(5 861)
Total retail secured	318 641	328 418	–	(9 777)
FNB card	26 009	30 210	–	(4 201)
Personal loans	33 177	41 874	–	(8 697)
Retail other	13 593	16 732	–	(3 139)
Total retail unsecured	72 779	88 816	–	(16 037)
FNB commercial	101 888	107 889	27	(6 028)
– FNB commercial excluding scheme	101 591	107 544	27	(5 980)
– Government-guaranteed loan scheme	297	345	–	(48)
WesBank corporate	26 608	27 114	–	(506)
RMB corporate and investment banking	342 810	280 204	69 111	(6 505)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking*	275 568	211 886	68 984	(5 302)
Total corporate and commercial	471 306	415 207	69 138	(13 039)
Rest of Africa	61 747	66 070	310	(4 633)
Group Treasury and other*	35 991	35 902	988	(899)
UK operations	301 251	306 246	–	(4 995)
– Retail**	231 076	234 529	–	(3 453)
– Commercial	70 175	71 717	–	(1 542)
Total advances	1 261 715	1 240 659	70 436	(49 380)

* *Voluntary movement in classes of advances. Refer to page 169.*

** *Includes total MotoNovo of R76 843 million (£3 586 million).*

Voluntary changes to the classes previously reported at 30 June 2020

	Gross advances			Loss allowance		
R million	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
Residential mortgages	224 404	–	224 404	3 916	–	3 916
WesBank VAF	104 014	–	104 014	5 861	–	5 861
Total retail secured	328 418	–	328 418	9 777	–	9 777
FNB card	30 210	–	30 210	4 201	–	4 201
Personal loans	41 874	–	41 874	8 697	–	8 697
Retail other	16 732	–	16 732	3 139	–	3 139
Total retail unsecured	88 816	–	88 816	16 037	–	16 037
FNB commercial	107 916	–	107 916	6 028	–	6 028
WesBank corporate	27 114	–	27 114	506	–	506
RMB corporate and investment banking		123	349 315		–	6 505
RMB corporate banking	68 445	–	68 445	1 203	–	1 203
RMB investment banking*	280 747	123	280 870	5 302	–	5 302
Total corporate and commercial	484 222	123	484 345	13 039	–	13 039
Rest of Africa	66 380	–	66 380	4 633	–	4 633
Group Treasury and other*	37 013	(123)	36 890	899	–	899
UK operations	306 246	–	306 246	4 995	–	4 995
Retail	234 529	–	234 529	3 453	–	3 453
Commercial	71 717	–	71 717	1 542	–	1 542
Total advances	1 311 095	–	1 311 095	49 380	–	49 380

* *Ashburton transitioned into RMB as part of the bank's evolution in approach to client, product and operational infrastructure within its investment offering.*

Advances (audited) continued

Note 3 – Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2021

	2021				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	1 240 659	1 065 670	117 896	56 192	901
Fair value	70 436	65 843	4 405	61	127
Amount as at 1 July 2020	1 311 095	1 131 513	122 301	56 253	1 028
Current year movement in the back book					
Stage 1	(234 515)	(189 737)	(43 148)	(1 630)	–
Transfer from stage 2 to stage 1	–	43 148	(43 148)	–	–
Transfer from stage 3 to stage 1	–	1 630	–	(1 630)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(234 515)	(234 515)	–	–	–
Stage 2	(28 376)	(54 903)	29 565	(3 038)	–
Transfer from stage 1 to stage 2	–	(54 903)	54 903	–	–
Transfer from stage 3 to stage 2	–	–	3 038	(3 038)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(28 376)	–	(28 376)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(12 247)	–	(12 247)	–	–
– Other changes in stage 2 exposures and ECL	(16 129)	–	(16 129)	–	–
Stage 3	(5 700)	(16 109)	(13 045)	23 454	–
Transfer from stage 1 to stage 3	–	(16 109)	–	16 109	–
Transfer from stage 2 to stage 3	–	–	(13 045)	13 045	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(5 700)	–	–	(5 700)	–
Purchased or originated credit-impaired	(221)	–	–	–	(221)
Current year change in exposure and net movement on GCA and ECL provided/(released)	(221)	–	–	–	(221)
New business	287 987	266 837	17 959	3 100	91
Current year change in exposure and net movement on GCA and ECL provided/(released)	287 987	266 837	17 959	3 100	91
Other movements applicable to new business and back book	(56 218)	(34 341)	(3 545)	(18 332)	–
Acquisition/(disposal) of advances	(3 107)	(3 074)	(11)	(22)	–
Transfers (to)/from non-current assets or disposal groups held for sale	429	365	80	(16)	–
Modifications that did not give rise to derecognition	(642)	(19)	(76)	(547)	–
Exchange rate differences	(36 701)	(31 613)	(3 538)	(1 550)	–
Bad debts written off	(16 197)	–	–	(16 197)	–
Temporary stress scenario	–	(1 311)	1 311	–	–
Amount as at 30 June 2021	1 274 052	1 101 949	111 398	59 807	898
Amortised cost	1 177 722	1 009 147	108 055	59 704	816
Fair value	96 330	92 802	3 343	103	82

The basis of preparation of this reconciliation can be found in Note 11 – Advances in the annual financial statements available on the group's website at www.firstrand.co.za/investors/annual-reporting/.

	2021				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	48 447	10 943	12 961	24 543	–
	933	392	411	10	120
	49 380	11 335	13 372	24 553	120
	(4 140)	(1 199)	(2 591)	(350)	–
	–	2 591	(2 591)	–	–
	–	350	–	(350)	–
	(4 140)	(4 140)	–	–	–
	2 434	(903)	3 828	(491)	–
	–	(903)	903	–	–
	–	–	491	(491)	–
	2 434	–	2 434	–	–
	64	–	64	–	–
	2 370	–	2 370	–	–
	15 188	(1 042)	(3 119)	19 349	–
	–	(1 042)	–	1 042	–
	–	–	(3 119)	3 119	–
	15 188	–	–	15 188	–
	49	–	–	–	49
	49	–	–	–	49
	4 800	2 321	1 287	1 189	3
	4 800	2 321	1 287	1 189	3
	(17 576)	(314)	(272)	(16 990)	–
	(44)	(26)	(4)	(14)	–
	(44)	10	(1)	(53)	–
	–	–	–	–	–
	(1 291)	(298)	(267)	(726)	–
	(16 197)	–	–	(16 197)	–
	483	253	186	44	–
	50 618	10 451	12 691	27 304	172
	49 612	10 183	12 054	27 285	90
	1 006	268	637	19	82

Advances (audited) continued

Note 3 – Reconciliation of the gross advances and loss allowance on total advances as at 30 June 2020 (audited)

	2020				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	1 159 642	1 033 119	85 547	40 976	–
Fair value	80 272	79 100	799	268	105
Amount as at 1 July 2019	1 239 914	1 112 219	86 346	41 244	105
Current year movement in the back book					
Stage 1	(238 154)	(214 475)	(22 832)	(847)	–
Transfer from stage 2 to stage 1	–	22 832	(22 832)	–	–
Transfer from stage 3 to stage 1	–	847	–	(847)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(238 154)	(238 154)	–	–	–
Stage 2	(18 804)	(60 473)	44 303	(2 634)	–
Transfer from stage 1 to stage 2	–	(60 473)	60 473	–	–
Transfer from stage 3 to stage 2	–	–	2 634	(2 634)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(18 804)	–	(18 804)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 434)	–	(1 434)	–	–
Other changes in stage 2 exposures and ECL	(17 370)	–	(17 370)	–	–
Stage 3	(2 409)	(16 267)	(13 063)	26 921	–
Transfer from stage 1 to stage 3	–	(16 267)	–	16 267	–
Transfer from stage 2 to stage 3	–	–	(13 063)	13 063	–
Current year change in exposure and net movement on GCA and ECL provided/(released)	(2 409)	–	–	(2 409)	–
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	292 001	264 750	20 640	5 710	901
Current year change in exposure and net movement on GCA and ECL provided/(released)	292 001	264 750	20 640	5 710	901
Other movements applicable to new business and back book	38 525	45 759	6 907	(14 141)	–
Acquisition/(disposal) of advances	(2 832)	(2 586)	–	(246)	–
Acquisition/(disposal) of subsidiaries	1 608	1 608	–	–	–
Transfers (to)/from non-current assets or disposal groups held for sale	(2 646)	(2 150)	(259)	(237)	–
Modifications that did not give rise to derecognition	(1 007)	(189)	(121)	(697)	–
Exchange rate differences	57 764	49 076	7 287	1 401	–
Bad debts written off	(14 362)	–	–	(14 362)	–
Amount as per 30 June 2020	1 311 095	1 131 513	122 301	56 253	1 028
Amortised cost	1 240 659	1 065 670	117 896	56 192	901
Fair value	70 436	65 843	4 405	61	127

The basis of preparation of this reconciliation can be found in Note 11 – Advances in the annual financial statements available on the group's website at www.firstrand.co.za/investors/annual-reporting/.

2020				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
33 614	7 614	7 702	18 298	–
548	302	49	197	–
34 162	7 916	7 751	18 495	–
(391)	1 193	(1 422)	(162)	–
–	1 422	(1 422)	–	–
–	162	–	(162)	–
(391)	(391)	–	–	–
5 433	(615)	6 720	(672)	–
–	(615)	615	–	–
–	–	672	(672)	–
5 433	–	5 433	–	–
1 990	–	1 990	–	–
3 443	–	3 443	–	–
15 277	(470)	(2 103)	17 850	–
–	(470)	–	470	–
–	–	(2 103)	2 103	–
15 277	–	–	15 277	–
120	–	–	–	120
120	–	–	–	120
8 436	3 052	2 210	3 174	–
8 436	3 052	2 210	3 174	–
(13 657)	259	216	(14 132)	–
(100)	(10)	–	(90)	–
–	–	–	–	–
(265)	(36)	(54)	(175)	–
–	–	–	–	–
1 070	305	270	495	–
(14 362)	–	–	(14 362)	–
49 380	11 335	13 372	24 553	120
48 447	10 943	12 961	24 543	–
933	392	411	10	120

Advances (audited) continued

Note 4 – Reconciliation of the loss allowance on total advances per class

AMORTISED COST

R million	Retail secured: Residential mortgages	Retail secured: WesBank VAF	Retail unsecured: FNB card	Retail unsecured: Personal loans	Retail unsecured: Retail other	Retail secured and unsecured: Temporary stress scenario
Reported as at 1 July 2019	2 541	4 356	2 650	6 815	2 725	–
– Stage 1	360	632	555	1 415	724	–
– Stage 2	510	1 307	347	971	464	–
– Stage 3	1 671	2 417	1 748	4 429	1 537	–
Acquisition/(disposal) of advances	–	–	–	(90)	–	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–
Bad debts written off	(259)	(1 907)	(1 114)	(4 351)	(1 754)	–
Current period provision created/(released)*	1 634	3 412	2 665	6 323	2 168	–
– Stage 1	275	(265)	349	627	(13)	–
– Stage 2	423	564	458	966	415	–
– Stage 3	936	3 113	1 858	4 730	1 766	–
Amount as at 30 June 2020	3 916	5 861	4 201	8 697	3 139	–
Stage 1	731	575	917	1 812	782	–
Stage 2	777	1 308	562	1 653	701	–
Stage 3	2 408	3 978	2 722	5 232	1 656	–
Acquisition/(disposal) of advances	**–**	**–**	**–**	**–**	**(41)**	**–**
Transfers from/(to) other divisions	**–**	**–**	**182**	**–**	**(66)**	**–**
Transfers from/(to) non-current assets or disposal groups held for sale	**–**	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**–**	**–**	**–**	**–**	**–**
Bad debts written off	**(366)**	**(2 373)**	**(1 790)**	**(5 293)**	**(1 778)**	**–**
Current period provision created/(released)*	**754**	**2 362**	**2 090**	**5 226**	**1 865**	**335**
– Stage 1	**(335)**	**80**	**(137)**	**197**	**6**	**131**
– Stage 2	**389**	**92**	**477**	**700**	**19**	**160**
– Stage 3	**700**	**2 190**	**1 750**	**4 329**	**1 840**	**44**
Amount as at 30 June 2021	**4 304**	**5 850**	**4 683**	**8 630**	**3 119**	**335**
Stage 1	**646**	**743**	**861**	**1 611**	**718**	**131**
Stage 2	**841**	**1 081**	**654**	**1 722**	**575**	**160**
Stage 3	**2 817**	**4 026**	**3 168**	**5 297**	**1 826**	**44**

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

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

	Corporate and commercial						UK operations		
	FNB commercial	Temporary stress scenario	WesBank corporate	RMB corporate and investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total
	3 812	–	338	3 553	3 961	770	1 511	582	33 614
	733	–	92	1 155	805	398	532	213	7 614
	776	–	67	1 783	804	186	378	109	7 702
	2 303	–	179	615	2 352	186	601	260	18 298
	–	–	–	(10)	–	–	–	–	(100)
	–	–	–	–	(223)	(42)	–	–	(265)
	–	–	–	123	208	–	504	216	1 051
	(1 286)	–	(114)	(713)	(1 282)	(196)	(842)	(350)	(14 168)
	3 502	–	282	2 864	1 969	122	2 280	1 094	28 315
	489	–	10	222	212	(58)	453	249	2 550
	1 070	–	64	2 150	182	(14)	699	346	7 323
	1 943	–	208	492	1 575	194	1 128	499	18 442
	6 028	–	506	5 817	4 633	654	3 453	1 542	48 447
	1 394	–	114	1 611	1 007	320	1 116	564	10 943
	1 339	–	111	3 758	981	152	1 148	471	12 961
	3 295	–	281	448	2 645	182	1 189	507	24 543
	–	**–**	**1**	**(4)**	**–**	**–**	**–**	**–**	**(44)**
	–	**–**	**–**	**–**	**–**	**(116)**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**(9)**	**(35)**	**–**	**–**	**(44)**
	–	**–**	**–**	**(210)**	**(581)**	**(5)**	**(319)**	**(138)**	**(1 253)**
	(1 686)	**–**	**(84)**	**(306)**	**(1 369)**	**–**	**(591)**	**(412)**	**(16 048)**
	1 820	**148**	**132**	**1 213**	**1 227**	**14**	**1 028**	**340**	**18 554**
	(947)	**124**	**(18)**	**(271)**	**86**	**44**	**(352)**	**(209)**	**(1 601)**
	1 003	**24**	**27**	**729**	**286**	**–**	**(186)**	**(66)**	**3 654**
	1 764	**–**	**123**	**755**	**855**	**(30)**	**1 566**	**615**	**16 501**
	6 162	**148**	**555**	**6 510**	**3 901**	**512**	**3 571**	**1 332**	**49 612**
	1 033	**124**	**108**	**1 636**	**992**	**360**	**805**	**415**	**10 183**
	1 524	**24**	**122**	**3 285**	**941**	**152**	**685**	**288**	**12 054**
	3 605	**–**	**325**	**1 589**	**1 968**	**–**	**2 081**	**629**	**27 375**

Advances (audited) continued

Note 4 – Reconciliation of the loss allowance on total advances per class continued

FAIR VALUE

R million	RMB corporate and investment banking	Rest of Africa	Group Treasury and other	Total
Reported as at 1 July 2019	368	2	178	548
– Stage 1	124	2	176	302
– Stage 2	47	–	2	49
– Stage 3	197	–	–	197
Exchange rate differences	19	–	–	19
Bad debts written off	(194)	–	–	(194)
Current period provision created/(released)	495	(2)	67	560
– Stage 1	46	(2)	67	111
– Stage 2	320	–	–	320
– Stage 3	129	–	–	129
Amount as at 30 June 2020	688	–	245	933
Stage 1	147	–	245	392
Stage 2	411	–	–	411
Stage 3	130	–	–	130
Exchange rate differences	**(39)**	**–**	**–**	**(39)**
Bad debts written off	**–**	**–**	**(148)**	**(148)**
Current period provision created/(released)	**246**	**–**	**14**	**260**
– Stage 1	**6**	**–**	**7**	**13**
– Stage 2	**268**	**–**	**7**	**275**
– Stage 3	**(28)**	**–**	**–**	**(28)**
Amount as at 30 June 2021	**895**	**–**	**111**	**1 006**
Stage 1	**164**	**–**	**104**	**268**
Stage 2	**630**	**–**	**7**	**637**
Stage 3	**101**	**–**	**–**	**101**

RMB CORPORATE AND INVESTMENT BANKING

AMORTISED COST AND FAIR VALUE

	RMB corporate and investment banking					
	Amortised cost			Fair value		
R million	RMB corporate banking	RMB investment banking	RMB corporate and investment banking	RMB corporate banking	RMB investment banking	RMB corporate and investment banking
Reported as at 1 July 2019	688	2 865	3 553	–	368	368
– Stage 1	231	924	1 155	–	124	124
– Stage 2	364	1 419	1 783	–	47	47
– Stage 3	93	522	615	–	197	197
Acquisition/(disposal) of advances	–	(10)	(10)	–		–
Exchange rate differences	10	113	123	–	19	19
Bad debts written off	(141)	(572)	(713)	–	(194)	(194)
Current period provision created/(released)	526	2 338	2 864	120	375	495
– Stage 1	71	151	222	–	46	46
– Stage 2	347	1 803	2 150	–	320	320
– Stage 3	108	384	492	120	9	129
Amount as at 30 June 2020	1 083	4 734	5 817	120	568	688
Stage 1	323	1 288	1 611	–	147	147
Stage 2	647	3 111	3 758	–	411	411
Stage 3	113	335	448	120	10	130

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

OVERVIEW OF FORWARD-LOOKING INFORMATION INCLUDED IN THE 30 JUNE 2021 PROVISIONS

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

South Africa

After an initial and severe contraction in GDP in the first half of the calendar year of 2020, the gradual recovery in global demand continues for South Africa's export sectors which, combined with a gradual recovery in domestic activity, is helping to lift GDP. Inflation has bottomed and is now lifting slightly, but should remain low by historical standards. Low inflation and accommodative global policy rates will allow the MPC to maintain low short-term interest rates and implement small-scale bond purchase programmes to stem liquidity constraints if required. Although the group believes that the repo rate will remain low by historical standards, the group forecast shows a slight lift in the repo rate to account for expectations of slightly higher global interest rates and a smaller output gap. Industry data shows that while transactional volumes have normalised considerably in aggregate, there were material variations across industries. Card spend in sectors such as travel and hospitality has been at historical lows, but this has to some degree been offset by relative outperformances in industries exposed to online and IT services, groceries, hardware, small freight transport, and essential goods and services. With an unemployment rate above 30% it is increasingly important to differentiate between households with secure employment and irregular or unstable employment. Industry-level data shows that employment remains under considerable strain in industries that are sensitive to Covid-19 disruptions, such as hospitality and tourism.

The impact of Covid-19 remains extremely deep, with ongoing uncertainty about the risk of ongoing waves of infection and new strains of the virus. Notwithstanding these developments in the known macroeconomic risk environment, it must be noted that significant uncertainty persists, which could pose unpredictable risks to the South African economy. The economy has been structurally weakened by the pandemic and its ability to deal with further shocks is substantially impaired as a result.

United Kingdom

Following the deep contractions experienced in 2020, the UK economy is steadily recovering, resulting in significant volatility driven by base effects relative to a year ago. However, as the economy rebases it remains apparent that the distribution of economic activity is likely to remain somewhat unequal across industries and regions. Microeconomic idiosyncrasies are particularly notable in employment markets, affected by the availability of migrant workers, and in the property market where suburban and rural areas have benefited more than urban areas. The rolling back of fiscal stimulus towards the end of 2021 is also likely to result in reduced tailwinds for the economy overall. With the unemployment scheme tapering away before being fully removed by the end of September, some workers will be made redundant, especially in sectors that may not fully recover, such as transport and tourism. As a result, unemployment is still expected to lift as economic activity normalises relative to 2020. With inflation beginning to lift, the BoE is also expected to gradually reduce monetary policy support, starting towards the end of 2023 and with a preference for reducing quantitative easing (QE) gradually before implementing rate hikes. The BoE has demonstrated a willingness to look through transitory inflation, but has highlighted the risk of complacency should there be a persistent overshoot of the 2% target.

Other Africa

General

The outlook for the rest of Africa is largely driven by the recovery in commodity prices and the overall recovery in economic activity domestically, further supported by the recovery in global demand. An important determinant of and risk to the outlook is the impact of subsequent waves of Covid-19 infections and the slow pace of vaccinations in a number of countries. Additionally, the rises in administered prices, prices of basic foodstuffs and fuel prices should be noted, with the latter affecting all countries in the region. Structural weaknesses in the majority of the countries pre-date the pandemic and will continue to constrain the recovery in the medium term, e.g. Zambia's debt distress position and further fiscal pressures in the Southern African Customs Union (SACU) countries. A key concern is the insecurity in Mozambique, which has blighted the outlook for the liquified natural gas sector and thereby delayed the expected positive impact of that sector on the economy.

Namibia

The Namibian economy contracted in nine of the last ten quarters since December 2018, with GDP growth lagging far behind population growth. The Covid-19 pandemic and associated lockdown measures exacerbated this weakness in GDP growth, with the country posting its largest contraction in real GDP on record at -8.0% for 2020. With the rebound in the current year expected to be significant due to base effects, this clouds the weak domestic demand backdrop, which continues to disappoint its rebound to significantly higher levels as consumer and investor confidence remains low. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully and attract investment. With inflation lifting and low growth likely in the medium term, the expected rise in policy rates by the Bank of Namibia in 2022 may further constrain a full recovery in consumption, given the high household indebtedness ratios in the country.

Botswana

Botswana experienced a significant contraction in GDP in 2020. Weaker global demand has resulted in lower diamond prices and weaker local production. The tourism sector continues to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana's trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented. The spill-over effect of these disruptions was evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes. In order to mitigate the impact of Covid-19 on the economy, the government drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public sector-dominated economy to a more diversified, export-oriented economy. Implementation challenges however have been noted with regards to similar development plans in the past. With the government having raised various administered prices and taxes to address its revenue decline, coupled with higher oil prices, the group expects inflation to lift meaningfully into 2021 and into the latter part of 2022, with overshoots outside the target band of the Bank of Botswana limiting the scope for rate cuts to support the economy.

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

Forward-looking information

Forward-looking information has been incorporated into the expected loss estimates through the application of quantitative modelling and expert judgement-based post-model adjustments. The process of incorporating the forward-looking information into the expected loss estimates has not changed since 30 June 2020, but there have been changes to the probabilities assigned to the scenarios and the inputs used.

For the group's South African and rest of Africa operations, three macroeconomic scenarios are utilised, namely a base scenario, an upside scenario and a downside scenario. However, given the unprecedented event-driven uncertainty in South Africa's already fragile economy and the inability of economic forecasts and existing statistical models to adequately capture short-term shocks such as the third and future waves of the Covid-19 pandemic, an additional stress scenario was added to the macroeconomic scenarios applied to the South African retail and commercial portfolios as at 30 June 2021. The inclusion of this stress scenario is a temporary measure to capture this extreme uncertainty. The reason for including the temporary high-risk stress scenario for only these portfolios is that the RMB corporate and investment portfolio already incorporates stress scenarios for high-risk industries and the impact within rest of Africa was not found to be material. The group's expectation is that the temporary stress scenario will not permanently form part of the core scenarios utilised by the group.

The UK operations had utilised the IFRS 9 Scenario Service from Oxford Economics from July 2019 to 28 February 2021, to provide probability-weighted forward-looking macroeconomic scenarios for inclusion in the ECL. This function has been moved in-house. As such, the decision was taken to reduce the number of scenarios from six to four, assisting the group in assuming greater control over the shape and severity of the forecasts and also creating an alignment between provisioning and scenario information used for budgeting. Due to the different structural and political vulnerabilities that the UK operations is exposed to, the inclusion of a temporary stress scenario similar to that applied to the retail and commercial portfolios was considered unnecessary.

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

Scenario	Probability	Description
Baseline	58% (2020: 56%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. Developed market (DM) inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a technical rebound in 2021 and a slow recovery thereafter. Inflation begins to lift but remains contained within the SARB's target band. The outlook is characterised by a slow recovery in income and a slight improvement in policy uncertainty.
Upside	13% (2020: 12%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences a significant lift in economic activity and inflation remains low by historical standards. Policy certainty is gradually restored, and confidence-boosting economic reforms are implemented.
Downside	29% (2020: 32%)	Assumes that global growth experiences a significant rebound in 2021 and recovers gradually thereafter. DM inflation lifts but remains low by historical standards and global interest rates remain accommodative. The South African domestic economy experiences ongoing contractions in economic activity, which are compounded by policy mistakes and extremely low confidence, which prevent the economy from recovering from the Covid-19 induced shock.

Temporary stress scenario

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

The table sets out the scenarios and the probabilities assigned to each at 30 June 2021, for the UK operations:

Scenario	Probability	Description
Base	50% (2020: 45%)	Global growth experiences a significant rebound in 2021 and recovers gradually thereafter. The economy grows rapidly as it unlocks while government support continues, enabling the release of pent-up demand. GDP returns to pre-pandemic levels but continues to grow more slowly. Government support comes to an end, demand falls and unemployment edges upwards.
Upside	10% (2020: 10%)	Global growth continues to bounce back, driven by the Covid-19 vaccine and/or significant fading of the pandemic, and trade becomes significantly more efficient following Brexit. Global inflation remains low but doesn't fall towards a deflationary environment, and major central banks (G3) and governments are successful in lifting potential growth. The UK services sector achieves an efficient and beneficial outcome for the trade relationship with the EU while health risks fade considerably. Fiscal austerity continues to be relaxed further to boost economic activity and wage growth picks up along with labour productivity, while a combination of higher consumer and business confidence and pent-up productive capacity lift economic activity to pre-GFC levels.
Downside	25% (2020: 10%)	Global growth recovers slowly into 2021 while China's economy continues to rebalance gradually, and trade tensions escalate in bouts. Global inflation remains extremely low and risks falling into deflation, and G3 continue to ease monetary policy to cushion their economies into the global slowdown, risking getting stuck near-zero rates. In the UK further rounds of Covid-19 infections result in ongoing iterations of lockdown and social distancing. Brexit legacy issues continue to hamper services sector confidence and activity. Consumer and investor sentiment remains extremely low while spare capacity in the economy persists.
Severe downside	15% (2020: 15%)	After an initial and severe shock, geopolitical risk and trade tensions push global growth into a deep recession. The US and EU economies fail to recover from the Covid-19 shocks, sustaining further deep recessions, pushing consumer and investor confidence to levels last seen in the global financial crisis (GFC). Global inflation remains low and falls towards deflation in large developed economies. G3 eases monetary policy to cushion the global slowdown but risk broadening the base of debt-yielding negative interest rates. In the UK new variants of Covid-19 and/or a vaccine programme failure result in ongoing iterations of lockdown and social distancing. Brexit legacy issues continue to plague services sector confidence and activity. Consumer and investor sentiment falls further and spare capacity in the economy increases significantly.
Stagnation	– (2020: 10%)	Removed as a scenario in 2021 as the UK operations moved from using six macroeconomic scenarios to four.
Mild upside	– (2020: 10%)	Removed as a scenario in 2021 as the UK operations moved from using six macroeconomic scenarios to four.

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

SIGNIFICANT MACROECONOMIC FACTORS FOR 30 JUNE 2021

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

South Africa	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2022**	2023	2024	**2022**	2023	2024	**2022**	2023	2024
Applicable across all portfolios									
Real GDP growth	4.20	4.70	4.20	3.10	1.70	1.20	(1.90)	(5.00)	(2.90)
CPI inflation	3.10	3.60	4.10	4.10	4.60	5.00	7.20	7.60	8.10
Repo rate	3.25	2.75	2.50	3.50	3.75	3.75	6.35	6.50	6.50
Retail-specific									
Retail real growth	4.20	4.70	4.20	1.10	1.30	0.80	(1.90)	(5.00)	(2.90)
House price index growth*	3.50	7.50	10.90	2.60	2.80	3.10	(1.60)	(8.00)	(7.50)
Household debt to income	75.90	76.00	76.00	75.80	75.80	75.80	76.20	76.50	76.70
Employment growth	0.60	1.00	1.30	0.45	0.39	0.36	(0.30)	(1.10)	(0.90)
Wholesale-specific									
Fixed capital formation	0.90	7.10	10.90	0.70	2.60	3.10	(0.40)	(7.50)	(7.50)
Foreign exchange rate (USD/ZAR)	12.00	11.90	12.00	15.20	15.90	16.60	19.70	22.00	23.00

* *Applicable to the secured portfolio.*

South Africa – significant macroeconomic factors relevant to the temporary stress scenario							
(%)	Real GDP growth	CPI inflation	Repo rate	Retail real growth	House price index growth*	Household debt-to-income	Employment growth
2022	(1.2)	7.6	3.5	(0.4)	(1)	75.9	(0.2)
2023	(5.1)	10.3	6	(3.8)	(8.2)	76.0	(1.9)
2024	(6.2)	11.8	8.5	(4.1)	(16)	76.0	(1.1)

* *Applicable to the secured portfolio.*

UK (%)	Upside scenario			Baseline scenario			Downside scenario			Severe scenario		
	2022	2023	2024	**2022**	2023	2024	**2022**	2023	2024	**2022**	2023	2024
Real GDP growth	10.78	4.18	3.29	7.73	2.08	1.46	3.09	0.75	2.37	(6.13)	(1.53)	1.06
Household disposable income growth	2.63	1.60	2.07	(0.81)	1.94	1.18	(3.69)	0.04	0.95	(1.03)	0.09	(1.18)
House price index growth*	3.38	2.30	8.64	(0.57)	(2.25)	0.54	(2.75)	(7.50)	(2.43)	(8.12)	(17.76)	(11.75)
Employment growth	1.63	2.21	0.45	(0.26)	0.30	0.51	0.06	(0.20)	0.44	(2.54)	0.49	1.06

* *Applicable to the secured portfolio.*

Other Africa

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

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

30 June 2020

South Africa (%)	Upside scenario			Baseline scenario			Downside scenario		
	2021	2022	2023	**2021**	2022	2023	**2021**	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.60)	4.20	4.00	(0.60)	2.40	0.90	(2.00)	0.00	0.00
CPI inflation	3.30	3.00	3.00	3.00	3.80	4.50	4.70	5.90	7.60
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.00	6.25	6.50
Retail-specific									
Retail income growth	1.00	4.20	4.90	(1.80)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth*	6.30	17.90	17.80	(1.00)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.20)	1.30	1.20	(0.20)	0.70	(0.30)	(2.20)	(1.30)	(1.70)
Wholesale-specific									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate (USD/ZAR)	12.30	11.80	12.00	15.40	15.90	16.70	17.30	19.70	22.00

* *Applicable to the secured portfolio.*

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

UK	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2021**	2022	2023	**2021**	2022	2023	**2021**	2022	2023
Real GDP growth	5.52	7.06	3.00	1.04	7.31	2.35	(11.73)	10.95	3.17
CPI inflation	2.23	2.27	1.94	0.49	1.65	1.76	(1.78)	(0.26)	2.24
House price index growth*	0.16	5.03	13.95	(4.99)	(0.26)	6.03	(14.17)	(13.68)	(7.09)
Employment growth	2.60	0.80	(1.96)	1.87	0.51	(6.04)	2.08	1.34	(1.45)

* *Applicable to the secured portfolio.*

Other Africa

Namibia	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2021**	2022	2023	**2021**	2022	2023	**2021**	2022	2023
Real GDP growth	–	1.50	2.50	(3.70)	1.20	1.70	(6.50)	(3.00)	(1.50)
CPI inflation	2.75	3.00	3.00	3.00	3.50	4.00	4.90	5.92	6.75
Repo rate	3.00	2.75	2.75	3.50	3.50	3.50	6.00	6.25	6.50

Botswana	Upside scenario			Baseline scenario			Downside scenario		
(%)	**2021**	2022	2023	**2021**	2022	2023	**2021**	2022	2023
Real GDP growth	(0.30)	4.90	6.00	(2.10)	3.30	3.50	(6.91)	0.25	0.85
CPI inflation	2.00	2.20	2.20	2.20	3.10	3.20	3.35	4.78	5.63
Repo rate	3.25	3.25	3.00	3.50	3.50	3.50	4.50	5.25	6.00

Fair value measurements (audited)

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

	2021			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	41	81 481	1 206	82 728
Advances	–	61 106	34 218	95 324
Investment securities	118 080	100 310	3 165	221 555
Non-recourse investments	329	8 688	–	9 017
Commodities	18 641	–	–	18 641
Investment properties	–	–	659	659
Non-recurring fair value measurement				
Disposal group held for sale – financial assets	–	–	19	19
Total fair value assets	137 091	251 585	39 267	427 943
Liabilities				
Recurring fair value measurements				
Short trading positions	18 945	–	–	18 945
Derivative financial instruments	41	82 800	1 595	84 436
Deposits	1 046	39 989	4 471	45 506
Non-recourse deposits	–	9 017	–	9 017
Other liabilities	–	50	2	52
Policyholder liabilities under investment contracts	–	5 378	–	5 378
Non-recurring fair value measurement				
Disposal group held for sale – financial liabilities	–	1	–	1
Total fair value liabilities	20 032	137 235	6 068	163 335

Fair value measurements (audited) continued

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	–	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	–	8 611	–	8 611
Commodities	21 344	–	–	21 344
Investment properties	–	–	722	722
Non-recurring fair value measurement				
Disposal group held for sale – financial assets	–	58	–	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	–	–	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	–	8 611	–	8 611
Other liabilities	–	2	300	302
Policyholder liabilities under investment contracts	–	4 960	–	4 960
Non-recurring fair value measurement				
Disposal group held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	6 653	213 538	7 219	227 410

NON-RECURRING FAIR VALUE MEASUREMENTS

For non-recurring fair value measurements, arising from non-current assets held for sale and disposal groups subject to IFRS 5, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, these items are included in the table above. The technique applied and the inputs into the models would be identical to those with recurring fair value measurements.

A subsidiary was classified as a disposal group held for sale at 30 June 2020 and again at 30 June 2021. The fair value less cost to sell of the disposal group was negative R74 million in the current year (2020: positive R165 million). The disposal group is categorised as level 3 in the IFRS 13 fair value hierarchy.

VALUATION TECHNIQUES AND SIGNIFICANT INPUTS USED TO DETERMINE FAIR VALUES

The valuation techniques applied by the group for recurring and non-recurring fair value measurement of assets and liabilities categorised as level 2 and level 3 can be found in Note 34 – Fair value measurement in the annual financial statements available on the group's website at www.firstrand.co.za/investors/annual-reporting/.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

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

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

	2020		
R million	Transfers in	Transfers out	Reasons for significant transfers 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, hence their transfer from level 2 to level 3.
Total transfers	911	(911)	

Fair value measurements (audited) continued

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	Investment properties	Derivatives financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2019	802	36 141	3 692	689	842	387	1 238
Gains/(losses) recognised in profit or loss	142	4 458	(407)	26	1 418	154	76
Losses recognised in other comprehensive income	–	–	(203)	–	–	–	–
Purchases, sales, issue and settlements	(86)	7 186	(55)	7	(434)	(241)	3 729
Net transfer to level 3	67	–	814	–	30	–	–
Exchange rate differences	–	848	45	–	–	–	20
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**	**1 856**	**300**	**5 063**
Gains/(losses) recognised in profit or loss	**816**	**669**	**280**	**(89)**	**319**	**(47)**	**(215)**
Losses recognised in other comprehensive income	**–**	**–**	**(356)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(535)**	**(14 146)**	**(509)**	**26**	**(580)**	**(251)**	**(351)**
Acquisitions/disposals of subsidiaries	**–**	**–**	**2**	**–**	**–**	**–**	**–**
Net transfer to level 3	**–**	**–**	**(106)**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**(938)**	**(32)**	**–**	**–**	**–**	**(26)**
Balance as at 30 June 2021	**1 206**	**34 218**	**3 165**	**659**	**1 595**	**2**	**4 471**

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

Gains or losses on advances classified as level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments due to changes in currency and base rates. These instruments are funded by liabilities where the inherent risk is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

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

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

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

	2021		2020	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**782**	**–**	83	–
Advances*	**799**	**–**	4 291	–
Investment securities	**287**	**(300)**	(575)	(211)
Investment properties	**(89)**	**–**	91	–
Total	**1 779**	**(300)**	3 890	(211)
Liabilities				
Derivative financial instruments	**(288)**	**–**	(978)	–
Deposits	**86**	**–**	(41)	–
Other liabilities	**–**	**–**	(40)	–
Total	**(202)**	**–**	(1 059)	–

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

Fair value measurements (audited) continued

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

	2021			2020		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	Fair value	Using more positive assump-tions	Using more negative assump-tions	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**1 206**	**1 344**	**1 067**	925	983	872
Advances	**34 218**	**34 295**	**34 152**	48 633	48 828	48 442
Investment securities	**3 165**	**3 290**	**2 921**	3 886	4 044	3 660
Investment properties	**659**	**724**	**593**	722	794	649
Total financial assets measured at fair value in level 3	**39 248**	**39 653**	**38 733**	54 166	54 649	53 623
Liabilities						
Derivative financial instruments	**1 595**	**1 508**	**1 680**	1 856	1 762	1 934
Deposits	**4 471**	**4 441**	**4 501**	5 063	5 010	5 132
Other liabilities	**2**	**2**	**2**	300	297	303
Total financial liabilities measured at fair value in level 3	**6 068**	**5 951**	**6 183**	7 219	7 069	7 369

Financial instruments not measured at fair value

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2021				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**1 128 110**	**1 147 500**	**–**	**120 714**	**1 026 786**
Investment securities	**137 615**	**137 071**	**110 822**	**19 969**	**6 280**
Total financial assets at amortised cost	**1 265 725**	**1 284 571**	**110 822**	**140 683**	**1 033 066**
Liabilities					
Deposits	**1 487 555**	**1 491 024**	**513**	**1 179 295**	**311 216**
Other liabilities	**4 808**	**4 823**	**–**	**4 248**	**575**
Tier 2 liabilities	**20 940**	**21 397**	**–**	**21 397**	**–**
Total financial liabilities at amortised cost	**1 513 303**	**1 517 244**	**513**	**1 204 940**	**311 791**

	2020				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 192 211	1 202 775	–	141 944	1 060 831
Investment securities	134 921	133 464	104 689	25 846	2 929
Total financial assets at amortised cost	1 327 132	1 336 239	104 689	167 790	1 063 760
Liabilities					
Deposits	1 480 124	1 483 457	9 951	1 170 985	302 521
Other liabilities	4 735	4 778	–	3 118	1 660
Tier 2 liabilities	24 614	24 987	–	24 987	–
Total financial liabilities at amortised cost	1 509 473	1 513 222	9 951	1 199 090	304 181

DAY 1 PROFIT OR LOSS

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

R million	**2021**	2020
Opening balance	**197**	50
Day 1 profits or losses not initially recognised on financial instruments recognised in the current year	**281**	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(370)**	(182)
Closing balance	**108**	197

Contingencies and commitments (audited)

R million	2021	2020	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	**49 943**	33 609	49
Letters of credit	**10 059**	8 511	18
Total contingencies	**60 002**	42 120	42
Irrevocable commitments*	**166 397**	129 816	28
Committed capital expenditure approved by the directors	**3 633**	3 584	1
Other	**54**	50	8
Contingencies and commitments	**230 086**	175 570	31
Legal proceedings			
There are a small number of potential legal claims against the group, the outcome of which is uncertain at present. These claims are not regarded as material, either on an individual or a total basis, and arise during the normal course of business. On-balance sheet provisions are only raised for claims that are expected to materialise.	**316**	426	(26)
Commitments Commitments in respect of capital expenditure and long-term investments approved by the directors	**3 633**	3 584	1

* *Irrevocable commitments have been restated, following the identification of R2 158 million that had been incorrectly omitted from the 2020 numbers. The ECL relating to this restatement was recorded in the prior year and as such, the restatement does not require additional ECL to be raised.*

Events after the reporting period (audited)

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

Summary segment report (audited)

REPORTABLE SEGMENTS

R million	Year ended 30 June 2021										
	Retail and commercial										
	FNB										
	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury and other)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
Profit before tax	21 851	1 607	23 458	1 749	25 207	10 032	3 272	(1 538)	36 973	318	37 291
Total assets	429 515	53 184	482 699	129 043	611 742	591 309	325 195	358 064	1 886 310	(30)	1 886 280
Total liabilities*	411 098	51 583	462 681	127 459	590 140	579 744	300 915	247 594	1 718 393	–	1 718 393

* *Total liabilities are net of interdivisional balances.*

R million	Year ended 30 June 2020										
	Retail and commercial										
	FNB										
	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	Aldermore	FCC (including Group Treasury and other)	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
Profit before tax	16 653	1 146	17 799	1 226	19 025	8 113	956	(4 176)	23 918	(290)	23 628
Total assets	428 274	59 265	487 539	133 372	620 911	642 436	328 301	334 968	1 926 616	(77)	1 926 539
Total liabilities*	416 863	58 417	475 280	131 323	606 603	631 961	304 550	231 505	1 774 619	–	1 774 619

* *Total liabilities are net of interdivisional balances.*

GEOGRAPHICAL SEGMENTS

R million	Year ended 30 June 2021					
	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Non-interest revenue	39 890	6 030	748	(1)	66	46 733
– Non-interest revenue from contracts with customers	34 902	4 871	451	–	53	40 277
– Other non-interest revenue	3 464	1 159	283	(1)	13	4 918
– Share of profits of associates and joint ventures after tax	1 524	–	14	–	–	1 538

R million	Year ended 30 June 2020					
	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Non-interest revenue	34 769	5 567	1 209	(7)	182	41 720
– Non-interest revenue from contracts with customers	32 297	4 522	2 044	–	69	38 932
– Other non-interest revenue	2 432	1 059	(838)	(7)	113	2 759
– Share of profits of associates and joint ventures after tax	40	(14)	3	–	–	29

supplementary information

Headline earnings additional disclosure

Set out below is additional information pertaining to section 1 of *Circular 01/2021 – Sector-Specific Rules for Headline Earnings*.

Issue 1 – Remeasurement relating to private equity activities (associates and joint ventures, excluding any private equity investments carried at fair value in terms of IFRS 9) regarded as operating or trading activities

R million	**2021**	2020	% change
Aggregate cost of portfolio	**2 702**	2 583	5
Aggregate carrying value	**5 535**	5 103	8
Aggregate fair value*	**11 309**	9 370	21
Equity-accounted income**	**877**	100	>100
Profit on realisation#	**(1)**	420	(>100)

* *Aggregate fair value is disclosed, including non-controlling interests.*

** *Income from associates and joint ventures is disposed post-tax.*

Profit on realisation is disclosed after tax and non-controlling interests.

Issue 2 – Capital appreciation on investment properties

R million	**2021**	2020	% change
Carrying value of investment properties	**659**	722	(9)
Fair value of investment properties	**659**	722	(9)

Number of ordinary shares in issue

	2021		2020	
	IFRS	**Normalised**	IFRS	Normalised
Shares in issue				
Number of ordinary shares in issue	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001
Less: treasury shares	**(1 391 191)**	**–**	(3 239 594)	–
– Shares for client trading*	**(1 391 191)**	**–**	(3 239 594)	–
Number of shares in issue (after treasury shares)	**5 608 096 810**	**5 609 488 001**	5 606 248 407	5 609 488 001
Weighted average number of shares				
Weighted average number of shares before treasury shares	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001
Less: treasury shares	**(1 249 055)**	**–**	(1 327 218)	–
– Shares for client trading*	**(1 249 055)**	**–**	(1 327 218)	–
Basic and diluted weighted average number of shares in issue	**5 608 238 946**	**5 609 488 001**	5 608 160 783	5 609 488 001

* *For normalised reporting, shares held for client trading activities are treated as externally issued.*

Key market indicators and share statistics

	2021	2020	% change
Market indicators			
USD/ZAR exchange rate			
– Closing	**14.26**	17.36	(18)
– Average	**15.33**	15.51	(1)
GBP/ZAR exchange rate			
– Closing	**19.72**	21.43	(8)
– Average	**20.66**	19.57	6
SA prime overdraft (%)	**7.00**	7.25	
SA average prime overdraft (%)	**7.02**	9.35	
SA average CPI (%)	**3.56**	3.68	
JSE All Share Index	**66 249**	54 362	22
JSE Banks Index	**7 618**	5 133	48
Share statistics			
Share price			
– High for the year (cents)	**5 796**	6 990	(17)
– Low for the year (cents)	**3 552**	3 113	14
– Closing (cents)	**5 359**	3 806	41
Shares traded			
– Number of shares (millions)	**3 792**	3 536	7
– Value of shares (R million)	**176 035**	179 025	(2)
– Turnover in shares traded (%)	**31.39**	63.05	
Share price performance			
FirstRand average share price (cents)	**4 703**	5 557	(15)
JSE Banks Index (average)	**6 416**	7 690	(17)
JSE All Share Index (average)	**61 146**	54 031	13

Company information

Directors

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

Company secretary and registered office

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

JSE sponsor

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000

Namibian sponsor

SIMONIS STORM SECURITIES (PTY) LTD

4 Koch Street
Klein Windhoek
Namibia

Transfer secretaries – South Africa

COMPUTERSHARE INVESTOR SERVICES (PTY) LTD

1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
Private Bag X9000, Saxonwold, 2132
Tel: +27 11 370 5000
Fax: +27 11 688 5248

Transfer secretaries – Namibia

TRANSFER SECRETARIES (PTY) LTD

4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

Auditors

PRICEWATERHOUSECOOPERS INC.

4 Lisbon Lane
Waterfall City
Jukskei View
Gauteng
South Africa
2090

DELOITTE & TOUCHE

Deloitte Place
5 Magwa Crescent
Waterfall City
Johannesburg
Gauteng
South Africa
2090

Listed financial instruments of the group

Listed equity

JOHANNESBURG STOCK EXCHANGE (JSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FSRP	ZAE000060141

NAMIBIAN STOCK EXCHANGE (NSX)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

BOTSWANA STOCK EXCHANGE (BSE)

Ordinary shares		
Issuer	**Share code**	**ISIN code**
First National Bank of Botswana Limited	FNBB	BW0000000066

Listed debt

SOUTH AFRICA

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group and RMB websites:

– www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/

– www.rmb.co.za/page/krugerrand-custodial-certificate

– www.rmb.co.za/page/dollar-custodial-certificate

The group also issues debt instruments in the following jurisdictions:

UK

Issuer: FirstRand Bank Limited

London Stock Exchange (LSE)

European medium-term note programme

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

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

REST OF AFRICA

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code	
Subordinated debt	
NA000A19FKV1	NA000A19FKU3

ISIN code	
Senior unsecured	
NA000A188PY8	NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

ISIN code	
Subordinated debt	
BW0000001668	BW0000001700
BW0000002377	

ISIN code	
Senior unsecured	
BW0000001528	BW0000001916

Listed financial instruments of the group continued

Capital instruments

BASEL III COMPLIANT AT1 AND TIER 2 INSTRUMENTS

	Maturity date	Call date	Currency (million)	As at 30 June	
				2021	2020
FirstRand Bank Limited					
AT1					
FRB24	Perpetual	8/11/2023	ZAR	**2 265**	2 265
FRB25	Perpetual	19/9/2024	ZAR	**3 461**	3 461
FRB28	Perpetual	2/12/2025	ZAR	**1 400**	–
Tier 2					
FRB13	2/6/2026	2/6/2021	ZAR	**–**	148
FRB14	2/6/2026	2/6/2021	ZAR	**–**	125
FRB16	8/7/2025	8/7/2020	ZAR	**–**	1 750
FRB17	8/1/2027	8/1/2022	ZAR	**601**	601
FRB18	13/4/2026	13/4/2021	ZAR	**–**	1 500
FRB19	14/4/2026	14/4/2021	ZAR	**–**	500
FRB20	15/4/2026	15/4/2021	ZAR	**–**	645
FRB21	24/11/2026	24/11/2021	ZAR	**1 000**	1 000
FRB22	8/12/2027	8/12/2022	ZAR	**1 250**	1 250
FRB23	20/9/2027	20/9/2022	ZAR	**2 750**	2 750
FRB26	3/6/2029	3/6/2024	ZAR	**1 910**	1 910
FRB27	3/6/2031	3/6/2026	ZAR	**715**	715
FRB29	19/4/2031	19/4/2026	ZAR	**2 374**	–
FRB30	19/4/2031	19/4/2026	ZAR	**698**	–
Reg S	23/4/2028	23/4/2023	USD	**500**	500
Aldermore Group plc					
Tier 2	28/10/2026	28/10/2021	GBP	**60**	60
FirstRand group*					
Total AT1**			**ZAR**	**7 126**	**5 726**
Total Tier 2**			**ZAR**	**19 611**	**22 858**

* *Excluding the group's NCNR preference shares.*

** *Dollar and pound instruments translated to rand equivalent at the respective reporting periods.*

Refer to www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for additional information on the terms and conditions of the capital instruments.

Credit ratings

Refer to www.firstrand.co.za/investors/debt-investor-centre/credit-ratings/ for detail on the group's credit ratings.

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk-weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets, where applicable
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Vintage analysis	A percentage that expresses the origination balance of the loans in particular year/quarter of origination, that have ever been one or more (1+ Ever Vintage)/3 or more (3+ Ever Vintage) months in arrears (within 3/6/12-month outcome window), regardless if account is redeemed, to the origination balance of all loans booked in that year/quarter of origination
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

AC and FV	Amortised cost and fair value
ALM	Asset and liability management
API	Annual premium income
APE	Annual premium equivalent
APN	Advisory Practice Note
AT1	Additional Tier 1
AUM	Assets under management
BoE	Bank of England
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CPI	Consumer price inflation
CLR	Credit loss ratio
Covid-19	Coronavirus disease
DM	Developed market
DIS	Deposit insurance scheme
D-SIB	Domestic systemically important bank
DWT	Dividend withholding tax
EAD	Exposure at default
ECL	Expected credit loss
EV	Embedded value
FCC	FirstRand Corporate Centre
Flac	First loss after capital
FLI	Forward-looking information
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resources management
FRN	Floating rate note
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GCA	Gross carrying amount
GFC	Global financial crisis
G3	Major central banks
HQLA	High-quality liquid assets
IB	Investment banking
IBOR	Interbank offered rate
IBOR reform	Interest rate benchmark reform
IFRS	International Financial Reporting Standards
ISA	International Standard on Auditing
JIBAR	Johannesburg Interbank Average Rate
JSE	Johannesburg Stock Exchange

LCH	London Clearing House
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
LTI	Long-term incentive
LTV	Loan to value
MPC	Monetary Policy Committee
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
NCNR	Non-cumulative non-redeemable
NAV	Net asset value
NIACC	Net income after cost of capital
NII	Net interest income
NIM	Net interest margin
NIR	Non-interest revenue
NPLs	Non-performing loans
NSFR	Net stable funding ratio
NSX	Namibian Stock Exchange
OEM	Original equipment manufacturer
P2P	Private-to-private
PA	Prudential Authority
PBT	Profit before tax
QE	Quantitative easing
RFR	Risk-free rate
ROA	Return on assets
ROE	Return on equity
RWA	Risk-weighted assets
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small- and medium-sized enterprise
SPV	Special purpose vehicles
STI	Short Term Insurance
TCFD	Task Force in Climate-related Financial Disclosures
TERS	Covid-19 Temporary Employee Relief Scheme
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
VSI	Vertical sales index
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

International Financial Reporting Standards

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

International Accounting Standards

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
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