FirstRand

ANALYSIS OF FINANCIAL RESULTS **2020**

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 2020. Certain information relating to the statement of financial position as at 30 June 2019 and 1 July 2019 was restated following the adoption of new and revised standards.

The restatement information is provided on pages 165 to 176 of the online version of the analysis of financial results for the six months ended 31 December 2019, which is available on the group's website at www.firstrand.co.za/investors/financial-results/.

The primary results and accompanying commentary are presented on a normalised basis as the 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 149 and 150. Detailed reconciliations of normalised to IFRS results are provided on pages 162 to 167. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand

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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% FirstRand Bank Limited (FRB) – SA banking

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

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

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

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

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

100% FirstRand Insurance Holdings (Pty) Ltd – Insurance

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

100% FirstRand Investment Management Holdings Limited – Investment management

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

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

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

1. Division

2. Branch

3. Representative office

DirectAxis is a business unit of FirstRand Bank Limited.

* *Trading as FNB Channel Islands.*

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

Wholly-owned subsidiary of Aldermore Group plc.

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

Structure shows effective consolidated shareholding

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

FirstRand

FIRSTRAND'S PORTFOLIO of integrated financial services businesses comprises FNB, RMB, WesBank, Aldermore and Ashburton Investments. 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

R17.3bn ↓38%

2019: R27.9bn

Return on equity

12.9%

2019: 22.8%

Net asset value

R137.6bn ↑6%

2019: R129.7bn

CET1 ratio

11.5% ↓60 bps

2019: 12.1%

Dividend per share

Interim: 146 cents ↑5%

2019: 139 cents

Final: n/a ↓(100%)

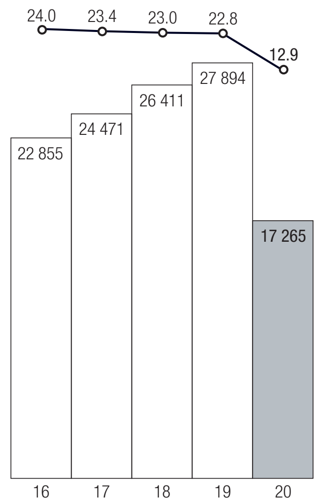
2019: 152 cents

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

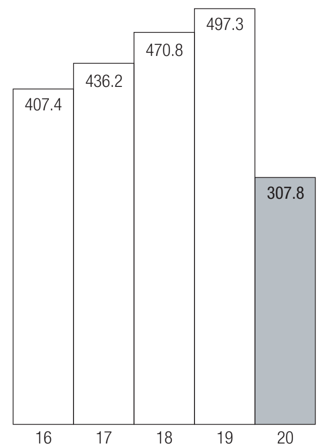
FNB RMB WesBank Aldermore ASHBURTON INVESTMENTS

Track record

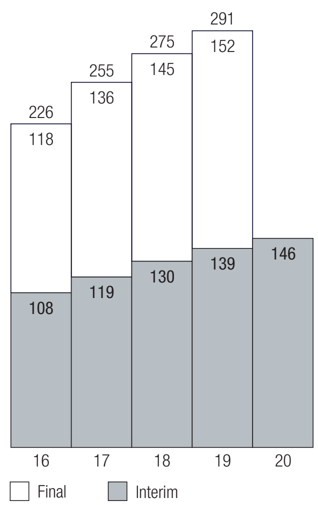
NORMALISED EARNINGS *(R million)* AND ROE *(%)*
CAGR (7%)



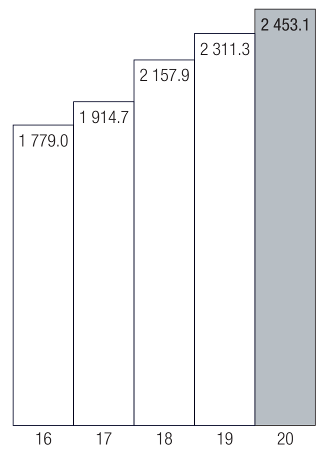
DILUTED NORMALISED EARNINGS PER SHARE *(cents)*
CAGR (7%)



DIVIDEND PER SHARE *(cents)*



NORMALISED NET ASSET VALUE PER SHARE *(cents)*
CAGR 8%



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

Key financial results, ratios and statistics – normalised

for the year ended 30 June

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 162 and 167 of the full booklet.

R million	2020	2019	% change
Earnings performance			
Normalised earnings per share (cents)			
– Basic	**307.8**	497.3	(38)
– Diluted	**307.8**	497.3	(38)
Headline earnings per share (cents)			
– Basic	**308.9**	497.2	(38)
– Diluted	**308.9**	497.2	(38)
Earnings per share (cents) – IFRS*			
– Basic	**303.5**	538.6	(44)
– Diluted	**303.5**	538.6	(44)
Attributable earnings – IFRS (refer page 154)*	**17 021**	30 211	(44)
Headline earnings	**17 326**	27 887	(38)
Normalised earnings	**17 265**	27 894	(38)
Normalised net asset value	**137 606**	129 650	6
Normalised net asset value per share (cents)	**2 453.1**	2 311.3	6
Average normalised net asset value	**133 628**	122 606	9
Market capitalisation	**213 497**	384 530	(44)
Ordinary dividend per share (cents)	**146**	291	(50)
– Interim	**146**	139	5
– Final	**n/a**	152	–
Dividend cover (times)	**2.11**	1.71	
– Interim	**1.71**	1.71	
– Final	**n/a**	1.71	
NCNR B preference dividend – paid (cents per share)**	**758.9**	760.0	–
Ratios and key statistics			
ROE (%)	**12.9**	22.8	
ROA (%)	**0.96**	1.75	
Price earnings ratio (times)	**12.4**	13.8	
Price-to-book ratio (times)	**1.6**	3.0	
Diversity ratio (%)	**40.3**	42.2	
Credit impairment charge	**24 383**	10 500	
Credit loss ratio (%)	**1.91**	0.88	
Stage 3/NPLs as a % of advances	**4.37**	3.33	
Total impairment coverage ratio (%)	**86.2**	82.6	
Specific coverage ratio (%)	**43.1**	44.7	
Performing book coverage ratio (%)	**1.97**	1.31	
Credit loss ratio (%) – excluding UK operations	**2.10**	0.98	
Stage 3/NPLs as % of advances – excluding UK operations	**5.04**	3.82	
Total impairment coverage ratio (%) – excluding UK operations	**87.7**	84.5	
Specific coverage ratio (%) – excluding UK operations	**45.4**	46.5	
Performing book coverage ratio (%) – excluding UK operations	**2.24**	1.51	
Cost-to-income ratio (%)	**52.9**	51.6	
Effective tax rate (%)	**20.4**	23.7	
Share price (closing – rand)	**38.06**	68.55	(44)
Number of employees	**49 233**	48 780	1

* *Prior year attributable earnings and earnings per share include the after-tax profit on sale of c. R2.3 billion on the Discovery card transaction, which is excluded from headline and normalised earnings.*

** *75.56% of FNB prime lending rate.*

R million	2020	2019	% change
Balance sheet			
Normalised total assets	**1 926 616**	1 669 039	15
Advances (net of credit impairment)	**1 261 715**	1 205 752	5
Average gross loan-to-deposit ratio (%)	**87.1**	89.5	
Deposits	**1 535 015**	1 393 104	10
Capital adequacy – IFRS*			
Capital adequacy ratio (%)	**14.5**	15.2	
Tier 1 ratio (%)	**12.1**	12.9	
Common Equity Tier 1 ratio (%)	**11.5**	12.1	
Leverage – IFRS*			
Leverage ratio (%)	**7.1**	7.5	
Liquidity – IFRS**			
Liquidity coverage ratio (%)	**115**	122	
Net stable funding ratio (%)	**117**	118	

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

*** Ratios include the bank's operations in South Africa, and all registered banks and foreign branches in the group.*

Summary consolidated income statement – normalised

for the year ended 30 June

R million	2020	2019	% change
Net interest income before impairment of advances	**62 851**	60 299	4
Impairment charge	**(24 383)**	(10 500)	132
Net interest income after impairment of advances	**38 468**	49 799	(23)
Total non-interest revenue	**42 454**	44 068	(4)
– Operational non-interest revenue	**42 247**	42 811	(1)
– Fee and commission income	**30 058**	30 731*	(2)
– Insurance income	**3 941**	4 128	(5)
– Markets, client and other fair value income	**4 788**	4 735	1
– Investment income	**535**	619	(14)
– Other non-interest revenue	**2 925**	2 598	13
– Share of profit of associates and joint ventures after tax	**207**	1 257	(84)
Income from operations	**80 922**	93 867	(14)
Operating expenses	**(55 656)**	(53 899)*	3
Income before indirect tax	**25 266**	39 968	(37)
Indirect tax	**(1 348)**	(1 280)	5
Profit before tax	**23 918**	38 688	(38)
Income tax expense	**(4 874)**	(9 152)*	(47)
Profit for the year	**19 044**	29 536	(36)
Other equity instrument holders	**(1 145)**	(760)*	51
Non-controlling interests	**(634)**	(882)	(28)
Normalised earnings attributable to ordinary equityholders of the group	**17 265**	27 894	(38)

* *Restated following the adoption of IAS 12 and reclassification of customer loyalty expenses from operating expenses to fee and commission expense. Refer to pages 168 to 170.*

Summary consolidated statement of other comprehensive income – normalised

for the year ended 30 June

R million	2020	2019	% change
Profit for the year	**19 044**	29 536*	(36)
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**1 154**	498	>100
Gains arising during the year	**592**	829	(29)
Reclassification adjustments for amounts included in profit or loss	**1 036**	(137)	(>100)
Deferred income tax	**(474)**	(194)	>100
FVOCI debt reserve	**(61)**	(4)	>100
Losses arising during the year	**(91)**	(2)	>100
Reclassification adjustments for amounts included in profit or loss	**3**	(4)	(>100)
Deferred income tax	**27**	2	>100
Exchange differences on translating foreign operations	**6 208**	(444)	(>100)
Gains/(losses) arising during the year	**6 170**	(428)	(>100)
Deferred income tax	**38**	(16)	(>100)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**33**	45	(27)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(157)**	(2)	>100
Losses arising during the year	**(202)**	(2)	>100
Deferred income tax	**45**	–	–
Remeasurements on defined benefit post-employment plans	**650**	(132)	(>100)
Gains/(losses) arising during the year	**908**	(172)	(>100)
Deferred income tax	**(258)**	40	(>100)
Other comprehensive income/(loss) for the year	**7 827**	(39)	(>100)
Total comprehensive income for the year	**26 871**	29 497	(9)
Attributable to			
Ordinary equityholders	**24 996**	27 848	(10)
Other equity instrument holders	**1 145**	760*	51
Equityholders of the group	**26 141**	28 608	(9)
Non-controlling interests	**730**	889	(18)
Total comprehensive income for the year	**26 871**	29 497	(9)

* *Restated prior year following the adoption of IAS 12 amendments. Refer to pages 168 to 170.*

Summary consolidated statement of financial position – normalised

As at 30 June

R million	2020	2019
ASSETS		
Cash and cash equivalents	**136 002**	102 518
Derivative financial instruments	**147 515**	47 104
Commodities	**21 344**	21 176
Investment securities	**297 510**	241 753
Advances	**1 261 715**	1 205 752
– Advances to customers	**1 191 281**	1 142 845
– Marketable advances	**70 434**	62 907
Other assets*	**11 256**	8 578
Current tax asset	**598**	267
Non-current assets and disposal groups held for sale	**3 065**	–
Reinsurance assets	**240**	196
Investments in associates	**6 882**	6 369
Investments in joint ventures	**1 811**	1 719
Property and equipment**	**21 369**	17 800
Intangible assets	**11 638**	10 491
Investment properties	**722**	689
Defined benefit post-employment asset	**–**	6
Deferred income tax asset	**4 949**	4 621
Total assets	**1 926 616**	1 669 039
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 062**	5 374
Derivative financial instruments	**162 193**	52 597
Creditors, accruals and provisions	**21 038**	21 922
Current tax liability	**499**	1 643
Liabilities directly associated with disposal groups held for sale	**1 427**	–
Deposits	**1 535 015**	1 393 104
Employee liabilities	**8 820**	13 042
Other liabilities**	**8 203**	5 974
Policyholder liabilities	**6 430**	5 263
Tier 2 liabilities	**24 614**	24 191
Deferred income tax liability	**1 318**	1 359
Total liabilities	**1 774 619**	1 524 469
Equity		
Ordinary shares	**56**	56
Share premium	**8 056**	8 056
Reserves	**129 494**	121 538
Capital and reserves attributable to ordinary equityholders of the group	**137 606**	129 650
Other equity instruments	**10 245**	10 734
Non-controlling interests	**4 146**	4 186
Total equity	**151 997**	144 570
Total equity and liabilities	**1 926 616**	1 669 039

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

** *The group elected not to restate comparative information, as permitted by IFRS 16. Comparability will not be achieved, as comparative information has been prepared on an IAS 17 basis. Refer to pages 165 and 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.*

Flow of funds analysis – normalised

R million	June 2020 vs June 2019 12-month movement	June 2019 vs 1 July 2018 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**7 427**	19 334
Working capital movement	**(7 870)**	4 843
Short trading positions and derivative financial instruments	**8 873**	(7 587)
Deposits and long-term liabilities	**142 334**	120 612
Total	**150 764**	137 202
Application of funds		
Advances	**(55 963)**	(92 354)
Investments	**(5 560)**	(8 342)
Cash and cash equivalents	**(33 484)**	(6 494)
Investment securities (e.g. liquid asset portfolio)	**(55 757)**	(30 012)
Total	**(150 764)**	(137 202)

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 2018	56	8 056	**8 112**	(74)	343
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(132)	498
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2019	56	8 056	**8 112**	(206)	841
Adjustment for adoption of IFRS 16	–	–	**–**	–	–
Restated balance as at 1 July 2019	56	8 056	**8 112**	(206)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total 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

* *Other reserves include the FVOCI reserve.*

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

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

† *Restated following the adoption of IAS 12 amendments. Refer to pages 168 to 170.*

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**
4	2 832	686	103 658	**107 449**	**5 769**	**3 906**	**125 236**
–	–	–	–	**–**	**–**	**(4)**	**(4)**
–	1	–	–	**1**	**–**	**4**	**5**
–	–	–	–	**–**	**4 965**	**–**	**4 965**
3	–	109	2 091#	**2 203**	**–**	**7#**	**2 210**
–	–	–	(15 931)	**(15 931)**	**–**	**(584)**	**(16 515)**
–	–	–	–	**–**	**(760)†**	**–**	**(760)**
–		(123)	123	**–**	**–**	**–**	**–**
–	–	–	(32)	**(32)**	**–**	**(32)**	**(64)**
–	(447)	35	27 894	**27 848**	**760†**	**889**	**29 497**
(6)	–	–	6	**–**	**–**	**–**	**–**
1	2 386	707	117 809	**121 538**	**10 734**	**4 186**	**144 570**
–	(20)	–	5	**(15)**	**–**	**–**	**(15)**
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**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	117 755	**129 494**	**10 245**	**4 146**	**151 997**

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

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

Alan Pullinger | CEO

GROUP STRATEGY

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

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

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

OPERATING ENVIRONMENT

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

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

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

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

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

FINANCIAL PERFORMANCE

SOURCES OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2020**	**% composition**	2019	% composition	% change
FNB	**12 271**	**70**	17 745	64	(31)
– FNB South Africa	**12 033**		17 178		(30)
– FNB rest of Africa	**238**		567		(58)
RMB	**5 819**	**34**	6 975	25	(17)
WesBank	**843**	**5**	1 808	6	(53)
UK operations*	**865**	**5**	2 292	8	(62)
– Aldermore*,**	**1 020**		1 722		(41)
– MotoNovo*	**(155)**		570		(>100)
FirstRand Corporate Centre (FCC) (includes Group Treasury)*,#,†	**(1 630)**	**(9)**	(329)	(1)	>100
Ordinary equity instrument holders	**(903)**	**(5)**	(597)	(2)	51
Normalised earnings	**17 265**	**100**	27 894	100	(38)

* *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 new book). In the UK operations management view shown in the table above and on pages 41 and 42, Aldermore refers to Aldermore excluding MotoNovo new book and MotoNovo refers to the standalone performance of MotoNovo which includes the new book and back book. This differs from the segment report disclosed on pages 32 to 39 as MotoNovo (new book) is included under Aldermore and MotoNovo (back book) is included under FCC. The 2019 figures for FCC and Aldermore in the table above have been restated to reflect the management view of total UK operations.*

** *After the dividend on the contingent convertible securities of R242 million (2019: R163 million).*

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

† *Includes FirstRand Limited (company).*

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

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

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

PRE-PROVISION OPERATING PROFIT

	Year ended 30 June		
R million	**2020**	2019	% change
FNB	**32 349**	32 292	–
RMB	**11 669**	10 271	14
WesBank	**4 249**	4 565	(7)
UK operations	**4 845**	4 453	9
FCC/Group Treasury	**(4 811)**	(2 393)	>100
Total group pre-provision operating profit	**48 301**	49 188	(2)

- FNB demonstrated operational resilience, supporting its retail, small- and medium-sized enterprise (SME) and commercial customers through a range of debt relief propositions and multi-channel transactional solutions. As South Africa's leading digital bank, FNB was able to fulfil origination, account service and liability gathering digitally throughout the lockdown, with particularly strong growth in deposits.
- RMB delivered solid annuity income growth, underpinned by disciplined balance sheet deployment, with good growth in core advances and deposits. RMB's portfolio benefited from strong flow-trading activities in Nigeria, and the overall performance of RMB's rest of Africa franchise offset, to some degree, the pressures experienced in the domestic businesses.
- WesBank's pre-provisioning operating profit was impacted by lower associate earnings. Excluding this impact, pre-provisioning profits would have been flat year-on-year. The business continued to extract efficiencies.
- Aldermore grew customers on the back of advances and deposit growth.

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

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

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

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

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

DEBT RELIEF

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

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

** *Total group portfolio includes FCC advances.*

REVENUE AND COST OVERVIEW

Total group net interest income (NII) increased 4% on the back of resilient balance sheet growth, offset by margin compression given the endowment impact from interest rate cuts. Net interest margin (NIM) declined 30 bps to 445 bps, reflecting a higher proportional increase in liquid assets due to strong growth in deposits whilst advances growth slowed. Advances increased 6% (1% in constant-currency terms) and deposits grew 10% (7% in constant-currency terms). Growth in advances and deposits is unpacked by operating business below.

	Growth in advances %	Growth in deposits %
FNB	3	17
– Retail	4	16
– Commercial	3	19
– Rest of Africa	1	19
RMB	2	–
WesBank	(2)	24
Aldermore and MotoNovo*	4	21**

* *In pound terms.*

** *Reflects growth in customer deposits.*

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

Advances growth to the corporate and commercial sectors was muted due to weak macroeconomic conditions and low levels of business confidence. This was further compounded by the impact of COVID-19.

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

The group's operational NIR was down 1%, reflecting a reduction in fee and commission income, and negative growth in insurance income of 5% and investment income 14%. This was partly offset by a 32% increase in revenue from markets' trading activities.

FNB's NIR declined 2% due to the significant decrease in volumes during lockdown. FNB assisted customers by waiving SASwitch fees, rental relief on speedpoints and other devices, and data charges. In addition, as part of its annual pricing review (pre-pandemic), FNB had already reduced certain fee categories. These factors collectively impacted NIR by approximately R529 million.

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

RMB's private equity income declined due to impairments raised on a limited number of investments in the portfolio reflecting the pressures in the underlying economy. This was despite an uptick in realisations and resilient annuity income which benefited from investments made in previous periods and the current year.

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

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

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

Despite the level of cost containment, given the degree of pressure on the topline, the group's cost-to-income ratio increased to 52.9%.

CREDIT PERFORMANCE

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

All provisions raised reflect the group's best estimates against available data and scenario analysis (see pages 183 to 187 for detailed macro forecasts) and are considered appropriately prudent given the prevailing risk in the system. In addition, the group has conservatively provided for a sharp increase in credit life retrenchment claims, taking account of the latest economic outlook together with write-downs on non-private equity investments – these are reflected under NIR.

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

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

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

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

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

The table below unpacks all movements in NPLs.

TOTAL GROUP NPLs

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

FINANCIAL RESOURCE MANAGEMENT

Strategy

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

Crisis response framework

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

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

These FRM principles include:

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

Balance sheet strength

Capital position

Capital ratios for group and bank are summarised below.

		Group		Bank*	
		As at 30 June			
%	Internal targets	**2020**	2019	**2020**	2019
Capital**					
CET1	11.0 – 12.0	**11.5**	12.1	**12.3**	13.4
Tier 1	>12.0	**12.1**	12.9	**12.8**	14.0
Total	>14.25	**14.5**	15.2	**15.7**	16.8

* *Includes the bank's foreign branches.*

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

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

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

The group's CET1 ratio remained strong at 11.5% (2019: 12.1%), which is within its internal target range of 11.0% to 12.0%. The year-on-year decrease in the CET1 ratio was largely a function of:

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

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

The group continues to actively manage its capital composition and align its Additional Tier 1 (AT1) and Tier 2 instruments with the group's internal targets. The AT1 instruments, together with Tier 2 instruments, are considered to be funding, and are not used to support risk in the 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.

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 and remains well funded with adequate liquidity buffers to meet both prudential liquidity requirements and internal targets. In order to allow markets to continue to operate smoothly and provide banks with temporary liquidity relief during the crisis, the PA temporarily reduced the prudential liquidity coverage ratio (LCR) requirement from 100% to 80%. The pandemic continues to impact the South African economy negatively, and key risk metrics and early warning indicators are closely monitored. The group regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FirstRand continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

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

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

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

	Group*		Bank*	
	As at 30 June			
%	**2020**	2019	**2020**	2019
LCR				
Regulatory minimum	**80**	100	**80**	100
Actual**	**115**	122	**124**	133
Average available HQLA (R billion)	**280**	249	**249**	222
NSFR				
Regulatory minimum	**100**	100	**100**	100
Actual**	**117**	118	**116**	117

* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. The bank's LCR and NSFR reflect South African operations only.*

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

DIVIDEND STRATEGY

The board noted the guidance from the PA regarding dividends. Despite the group's healthy capital position which has built up over many years of strong capital generation, the board has not declared a final dividend. However, it's important to recognise that regular and sustainable dividends, apart from being a material part of any shareholder investment proposition, matter to many beneficiaries dependent on these cash flows, such as pension fund members and, specifically, the FirstRand Empowerment Foundation, whose corporate social investment (CSI) activities will be materially constrained.

At this stage, the board has not adjusted the group's dividend strategy or long-term cover range.

As previously stated, the board will revisit the cover range should:

- capital demand increase to support sustainable balance sheet growth; and/or
- macro risks materially trend outside of the group's current scenarios.

PROSPECTS

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

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

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

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

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

EVENTS AFTER REPORTING PERIOD

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

SIGNIFICANT JUDGEMENTS AND ESTIMATES USED BY MANAGEMENT

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

- impairment of advances – specific additional disclosure is provided on pages 171 to 192; and
- the valuation of complex financial instruments – specific additional disclosure is provided on pages 193 to 210.

Further, additional disclosure has been included in the unaudited section of this booklet on pages 53 to 69, and 85 to 124, relating to the impairment of advances.

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

BOARD CHANGES

Changes to the directorate are outlined below.

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

DIVIDENDS

Ordinary shares

In line with *Guidance Note 4 of 2020, Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the COVID-19 pandemic and the temporary regulatory capital relief provided by the Prudential Authority*, issued on 6 April 2020, the group has not declared a final dividend for the year ended 30 June 2020.

ORDINARY DIVIDENDS DECLARED AND PAID

	Year ended 30 June	
Cents per share	**2020**	2019
Interim (declared 9 March 2020)	**146.0**	139.0
Final	**N/A**	152.0
	146.0	291.0

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.

B PREFERENCE DIVIDENDS DECLARED AND PAID

Cents per share	**Preference dividends**
Period:	
28 August 2018 – 25 February 2019	**381.7**
26 February 2019 – 26 August 2019	**384.2**
27 August 2019 – 24 February 2020	**374.7**
25 February 2020 – 31 August 2020	**306.0**

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

9 September 2020

REVIEW OF OPERATIONS

FNB

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

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

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

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

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

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

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

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

FNB FINANCIAL HIGHLIGHTS

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

SEGMENT RESULTS

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

KEY RATIOS FOR SOUTH AFRICA vs REST OF AFRICA

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

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

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

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

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

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

CHANNEL VOLUMES

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

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

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

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

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

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

CUSTOMERS

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

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

NEW BUSINESS APE

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

RMB

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

RMB FINANCIAL HIGHLIGHTS

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

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

BREAKDOWN OF PRE-TAX PROFITS BY ACTIVITY

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

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

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

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

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

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

WESBANK

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

WESBANK FINANCIAL HIGHLIGHTS

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

BREAKDOWN OF PRE-TAX PROFITS BY SEGMENT*

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

* *Refer to additional segmental disclosure on page 40.*

** *Includes MotoVantage.*

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

UK OPERATIONS (ALDERMORE AND TOTAL MOTONOVO)

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

UK OPERATIONS FINANCIAL HIGHLIGHTS

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY

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

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

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

ANALYSIS OF IMPAIRMENT CHARGE

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

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

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

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

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

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

PROGRESS ON INVESTMENT MANAGEMENT STRATEGY

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

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

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

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

FNB's WIM activities delivered 8% growth in assets under management for the year, benefiting from improved net flows and investment performance. Assets under advice saw net inflows of R4 billion for the period.

WIM ASSETS

R million	At 30 June 2020	2019	% change
FNB Horizon Series AUM	**3 405**	3 370	1
Assets under advice	**71 516**	67 859	5
Assets under administration	**19 298**	17 879	8
Trust assets under administration	**38 852**	38 327	1
Assets under management	**54 974**	51 064	8
Assets under execution	**56 487**	59 237	(5)

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

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

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

TOTAL ASSETS UNDER MANAGEMENT*

R million	At 30 June 2020	2019	% change
Multi-asset and equity	**23 333**	26 658	(12)
Structured products and index	**11 959**	14 899	(20)
Alternatives	**24 087**	32 577	(26)
Fixed income	**39 546**	29 037	36
Private client portfolios	**50 499**	46 028	10
Total group AUM	**149 424**	149 199	–

* *Including WIM AUM.*

SEGMENTAL ANALYSIS OF NORMALISED EARNINGS

	Year ended 30 June				
R million	**2020**	**% composition**	2019	% composition	% change
Retail	**7 663**	**44**	12 795	46	(40)
– FNB*	**6 998**		11 323		
– WesBank	**665**		1 472		
Commercial	**5 451**	**32**	6 758	24	(19)
– FNB	**5 273**		6 422		
– WesBank	**178**		336		
Corporate and investment banking	**5 819**	**34**	6 975	25	(17)
– RMB	**5 819**		6 975		
UK operations**	**865**	**5**	2 292	8	(62)
– Aldermore**,#	**1 020**		1 722		
– MotoNovo**	**(155)**		570		
Other	**(2 533)**	**(15)**	(926)	(3)	>100
– FCC (including Group Treasury)**	**(1 630)**		(329)		
– Other equity instruments	**(903)**		(597)		
Normalised earnings	**17 265**	**100**	27 894	100	(38)

* *Includes FNB rest of Africa.*

** *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 new book). In the UK operations management view shown in the table above and on pages 41 and 42, Aldermore refers to Aldermore excluding MotoNovo new book and MotoNovo refers to the standalone performance of MotoNovo which includes the new book and back book. This differs from the segment report disclosed on pages 32 to 39 as MotoNovo (new book) is included under Aldermore and MotoNovo (back book) is included under FCC (including Group Treasury). The 2019 figures for FCC and Aldermore in the table above have been restated to reflect the management view of total UK operations.*

After the dividend on the contingent convertible securities of R242 million (2019: R163 million).

Segment report

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB personal loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 819	2 728	4 121	3 026	7 147	7 244	**21 938**	11 528
Impairment charge	(1 411)	(1 997)	(2 831)	(2 068)	(4 899)	(1 666)	**(9 973)**	(2 949)
Net interest income after impairment of advances	3 408	731	1 290	958	2 248	5 578	**11 965**	8 579
Non-interest revenue	507	2 055	793	1 018	1 811	13 347	**17 720**	8 713
Income from operations	3 915	2 786	2 083	1 976	4 059	18 925	**29 685**	17 292
Operating expenses	(1 896)	(2 248)	(1 275)	(1 433)	(2 708)	(12 950)	**(19 802)**	(9 926)
Net income from operations	2 019	538	808	543	1 351	5 975	**9 883**	7 366
Share of profit of associates and joint ventures after tax	–	–	–	50	50	21	**71**	1
Income before tax	2 019	538	808	593	1 401	5 996	**9 954**	7 367
Indirect tax	(16)	(33)	(16)	(34)	(50)	(466)	**(565)**	(44)
Profit before indirect tax	2 003	505	792	559	1 351	5 530	**9 389**	7 323
Income tax expense	(561)	(142)	(222)	(157)	(379)	(1 547)	**(2 629)**	(2 050)
Profit for the period	1 442	363	570	402	972	3 983	**6 760**	5 273
Attributable to								
Ordinary equityholders	1 442	363	570	402	972	3 983	**6 760**	5 273
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the period	1 442	363	570	402	972	3 983	**6 760**	5 273
Attributable earnings to ordinary equityholders	1 442	363	570	402	972	3 983	**6 760**	5 273
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	1 442	363	570	402	972	3 983	**6 760**	5 273
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	1 442	363	570	402	972	3 983	**6 760**	5 273

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

* *Refer to additional segmental disclosure on page 40.*

** *Refer to additional segmental disclosure on pages 41 and 42, 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, cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 145.*

Retail and commercial				Corporate and institutional							
				RMB							
FNB rest of Africa	Total FNB	WesBank*	Retail and commercial	Investment banking	Corporate banking	Total RMB	Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
4 340	37 806	5 297	43 103	6 072	2 978	9 050	7 249	3 449	62 851	64	62 915
(1 569)	(14 491)	(3 023)	(17 514)	(2 689)	(665)	(3 354)	(2 577)	(938)	(24 383)	–	(24 383)
2 771	23 315	2 274	25 589	3 383	2 313	5 696	4 672	2 511	38 468	64	38 532
4 066	30 499	3 367	33 866	8 348	2 688	11 036	815	(3 470)	42 247	(556)	41 691
6 837	53 814	5 641	59 455	11 731	5 001	16 732	5 487	(959)	80 715	(492)	80 223
(5 535)	(35 263)	(4 296)	(39 559)	(5 653)	(3 131)	(8 784)	(4 307)	(3 006)	(55 656)	380	(55 276)
1 302	18 551	1 345	19 896	6 078	1 870	7 948	1 180	(3 965)	25 059	(112)	24 947
1	73	(73)	–	561	–	561	10	(364)	207	(178)	29
1 303	18 624	1 272	19 896	6 639	1 870	8 509	1 190	(4 329)	25 266	(290)	24 976
(157)	(766)	(46)	(812)	(180)	(14)	(194)	(234)	(108)	(1 348)	–	(1 348)
1 146	17 858	1 226	19 084	6 459	1 856	8 315	956	(4 437)	23 918	(290)	23 628
(463)	(5 142)	(343)	(5 485)	(1 809)	(520)	(2 329)	(200)	3 140	(4 874)	26	(4 848)
683	12 716	883	13 599	4 650	1 336	5 986	756	(1 297)	19 044	(264)	18 780
238	12 271	843	13 114	4 578	1 241	5 819	514	(2 182)	17 265	(244)	17 021
–	–	–	–	–	–	–	242	903	1 145	–	1 145
445	445	40	485	72	95	167	–	(18)	634	(20)	614
683	12 716	883	13 599	4 650	1 336	5 986	756	(1 297)	19 044	(264)	18 780
238	12 271	843	13 114	4 578	1 241	5 819	514	(2 182)	17 265	(244)	17 021
–	–	–	–	–	–	–	–	–	–	305	305
238	12 271	843	13 114	4 578	1 241	5 819	514	(2 182)	17 265	61	17 326
–	–	–	–	–	–	–	–	–	–	77	77
–	–	–	–	–	–	–	–	–	–	65	65
–	–	–	–	–	–	–	–	–	–	(118)	(118)
–	–	–	–	–	–	–	–	–	–	(85)	(85)
238	12 271	843	13 114	4 578	1 241	5 819	514	(2 182)	17 265	–	17 265

Segment report continued

for the year ended 30 June 2020

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB personal loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	35.6	47.0	25.9	35.0	30.1	62.8	**49.8**	49.0
Diversity ratio (%)	9.5	43.0	16.1	26.1	20.7	64.9	**44.8**	43.0
Credit loss ratio (%)	0.64	6.85	11.53	12.87	12.06	9.62	**3.24**	2.77
Stage 3/NPLs as a percentage of advances (%)	5.20	12.16	16.66	19.43	17.73	13.19	**7.97**	6.51
Consolidated income statement includes:								
Depreciation	(7)	(5)	(3)	(23)	(26)	(2 211)	**(2 249)**	(162)
Amortisation	–	(15)	–	(18)	(18)	(95)	**(128)**	–
Net impairment charges	–	–	–	(1)	(1)	(7)	**(8)**	(1)
Consolidated statement of financial position includes:								
Advances (before impairments)	224 404	30 210	25 740	16 134	41 874	16 732	**313 220**	107 916
– Normal advances (AC and FV)	224 404	30 210	25 740	16 134	41 874	16 732	**313 220**	107 916
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	11 662	3 675	4 289	3 135	7 424	2 207	**24 968**	7 030
Investment in associated companies	–	–	–	304	304	402	**706**	–
Investment in joint ventures	–	–	–	–	–	–	**–**	7
Total deposits (including non-recourse deposits)	559	5 683	5	–	5	281 539	**287 786**	285 448
Total assets	220 627	26 062	20 737	14 346	35 083	41 637	**323 409**	104 539
Total liabilities†	220 619	26 807	21 359	15 880	37 239	30 116	**314 781**	101 898
Capital expenditure	7	22	2	62	64	2 397	**2 490**	208

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

* *Refer to additional segmental disclosure on page 40.*

** *Refer to additional segmental disclosure on pages 41 and 42, 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							
FNB				RMB							
FNB rest of Africa	**Total FNB**	**WesBank***	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	**Aldermore****	FCC (including Group Treasury) and other#	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
65.8	**51.6**	**50.0**	**51.4**	37.7	55.3	**42.5**	**53.3**	>100	**52.9**	–	**52.8**
48.4	**44.7**	**38.3**	**44.0**	59.5	47.4	**56.2**	**10.2**	(>100)	**40.3**	–	**39.9**
2.83	**3.08**	**2.28**	**2.91**	0.93	0.99	**0.94**	**1.12**	1.09	**1.91**	–	**1.91**
7.51	**7.59**	**8.49**	**7.78**	0.79	1.18	**0.87**	**1.89**	2.35	**4.37**	–	**4.37**
(478)	**(2 889)**	**(884)**	**(3 773)**	(120)	(17)	**(137)**	**(171)**	(29)	**(4 110)**	–	**(4 110)**
(6)	**(134)**	**(52)**	**(186)**	(127)	(3)	**(130)**	**(66)**	(454)	**(836)**	–	**(836)**
(3)	**(12)**	**(21)**	**(33)**	(10)	(9)	**(19)**	**–**	(212)	**(264)**	(342)	**(606)**
55 868	**477 004**	**131 128**	**608 132**	287 265	72 439	**359 704**	**269 668**	73 591	**1 311 095**	–	**1 311 095**
55 868	**477 004**	**121 138**	**598 142**	287 265	72 439	**359 704**	**258 762**	40 795	**1 257 403**	–	**1 257 403**
–	**–**	**9 990**	**9 990**	–	–	**–**	**10 906**	32 796	**53 692**	–	**53 692**
4 197	**36 195**	**11 128**	**47 323**	2 282	853	**3 135**	**5 096**	1 727	**57 281**	–	**57 281**
–	**706**	**2 227**	**2 933**	3 848	–	**3 848**	**118**	(17)	**6 882**	–	**6 882**
–	**7**	**(4)**	**3**	1 826	–	**1 826**	**–**	(18)	**1 811**	(62)	**1 749**
49 632	**622 866**	**68**	**622 934**	82 125	162 661	**244 786**	**295 036**	372 259	**1 535 015**	–	**1 535 015**
59 265	**487 213**	**133 372**	**620 585**	558 360	74 395	**632 755**	**328 301**	344 975	**1 926 616**	(77)	**1 926 539**
58 417	**475 096**	**131 323**	**606 419**	548 835	73 454	**622 289**	**304 550**	241 361	**1 774 619**	–	**1 774 619**
357	**3 055**	**2 372**	**5 427**	257	6	**263**	**129**	131	**5 946**	–	**5 946**

Segment report continued

for the year ended 30 June 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB personal loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	4 487	2 347	3 677	3 095	6 772	7 389	**20 995**	10 775
Impairment charge	(232)	(937)	(1 296)	(1 386)	(2 682)	(1 285)	**(5 136)**	(750)
Net interest income after impairment of advances	4 255	1 410	2 381	1 709	4 090	6 104	**15 859**	10 025
Non-interest revenue	580	1 926	993	1 295	2 288	13 860	**18 654**	8 513
Income from operations	4 835	3 336	3 374	3 004	6 378	19 964	**34 513**	18 538
Operating expenses	(1 880)	(1 934)	(1 149)	(1 489)	(2 638)	(12 602)	**(19 054)**	(9 583)
Net income from operations	2 955	1 402	2 225	1 515	3 740	7 362	**15 459**	8 955
Share of profit of associates and joint ventures after tax	–	–	–	79	79	34	**113**	5
Income before indirect tax	2 955	1 402	2 225	1 594	3 819	7 396	**15 572**	8 960
Indirect tax	(13)	(29)	(18)	(83)	(101)	(490)	**(633)**	(52)
Profit before tax	2 942	1 373	2 207	1 511	3 718	6 906	**14 939**	8 908
Income tax expense	(824)	(384)	(618)	(424)	(1 042)	(1 933)	**(4 183)**	(2 486)
Profit for the year	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422
Attributable to								
Ordinary equityholders	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422
Other equity instrument holders	–	–	–	–	–	–	**–**	–
Non-controlling interests	–	–	–	–	–	–	**–**	–
Profit for the year	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422
Attributable earnings to ordinary equityholders	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422
Headline earnings adjustments	–	–	–	–	–	–	**–**	–
Headline earnings	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422
TRS and IFRS 2 liability remeasurement	–	–	–	–	–	–	**–**	–
Treasury shares	–	–	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	–	–	**–**	–
Private equity-related	–	–	–	–	–	–	**–**	–
Normalised earnings†	2 118	989	1 589	1 087	2 676	4 973	**10 756**	6 422

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

* *Refer to additional segmental disclosure on page 40.*

** *Refer to additional segmental disclosure on pages 41 and 42, which includes MotoNovo (back book) within FCC.*

FCC represents group-wide functions.

† *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from the franchise normalised earnings reported on page 145.*

	Retail and commercial				Corporate and institutional							
					RMB							
	FNB rest of Africa	Total FNB	WesBank*	Retail and commercial	Investment banking	Corporate banking	Total RMB	Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	4 096	35 866	5 215	41 081	5 609	2 714	8 323	5 830	5 065	60 299	158	60 457
	(878)	(6 764)	(1 985)	(8 749)	(373)	(39)	(412)	(430)	(909)	(10 500)	–	(10 500)
	3 218	29 102	3 230	32 332	5 236	2 675	7 911	5 400	4 156	49 799	158	49 957
	3 887	31 054	3 129	34 183	7 621	2 556	10 177	406	(1 955)	42 811	2 997	45 808
	7 105	60 156	6 359	66 515	12 857	5 231	18 088	5 806	2 201	92 610	3 155	95 765
	(5 283)	(33 920)	(4 123)	(38 043)	(5 972)	(3 209)	(9 181)	(3 255)	(3 420)	(53 899)	(144)	(54 043)
	1 822	26 236	2 236	28 472	6 885	2 022	8 907	2 551	(1 219)	38 711	3 011	41 722
	4	122	352	474	1 113	–	1 113	9	(339)	1 257	(27)	1 230
	1 826	26 358	2 588	28 946	7 998	2 022	10 020	2 560	(1 558)	39 968	2 984	42 952
	(145)	(830)	(8)	(838)	(147)	(14)	(161)	(171)	(110)	(1 280)	–	(1 280)
	1 681	25 528	2 580	28 108	7 851	2 008	9 859	2 389	(1 668)	38 688	2 984	41 672
	(578)	(7 247)	(722)	(7 969)	(2 193)	(563)	(2 756)	(568)	2 141	(9 152)	(667)	(9 819)
	1 103	18 281	1 858	20 139	5 658	1 445	7 103	1 821	473	29 536	2 317	31 853
	567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	2 317	30 211
	–	–	–	–	–	–	–	163	597	760	–	760
	536	536	50	586	37	91	128	–	168	882	–	882
	1 103	18 281	1 858	20 139	5 658	1 445	7 103	1 821	473	29 536	2 317	31 853
	567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	2 317	30 211
	–	–	–	–	–	–	–	–	–	–	(2 324)	(2 324)
	567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	(7)	27 887
	–	–	–	–	–	–	–	–	–	–	80	80
	–	–	–	–	–	–	–	–	–	–	(1)	(1)
	–	–	–	–	–	–	–	–	–	–	(97)	(97)
	–	–	–	–	–	–	–	–	–	–	25	25
	567	17 745	1 808	19 553	5 621	1 354	6 975	1 658	(292)	27 894	–	27 894

Segment report continued

for the year ended 30 June 2019

	Retail and commercial							
	FNB							
	Retail							
R million	Residential mortgages	Card	FNB personal loans	DirectAxis loans	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	37.1	45.3	24.6	33.3	28.9	59.2	**47.9**	49.7
Diversity ratio (%)	11.4	45.1	21.3	30.7	25.9	65.3	**47.2**	44.2
Credit loss ratio (%)	0.11	3.68	6.39	8.94	7.50	7.60	**1.77**	0.75
Stage 3/NPLs as a percentage of advances (%)	3.98	8.08	14.65	15.13	14.84	11.07	**6.19**	4.33
Consolidated income statement includes:								
Depreciation	(6)	(4)	(2)	(32)	(34)	(1 616)	**(1 660)**	(50)
Amortisation	–	(13)	–	(52)	(52)	(123)	**(188)**	–
Net impairment charges	–	–	–	–	–	(76)	**(76)**	–
Consolidated statement of financial position includes:								
Advances (before impairments)	217 164	28 115	23 357	16 012	39 369	17 908	**302 556**	105 131
– Normal advances (AC and FV)	217 164	28 115	23 357	16 012	39 369	17 908	**302 556**	105 131
– Securitised advances	–	–	–	–	–	–	**–**	–
Stage 3/NPLs	8 638	2 272	3 421	2 422	5 843	1 982	**18 735**	4 556
Investment in associated companies	–	–	–	311	311	391	**702**	–
Investment in joint ventures	–	–	–	–	–	–	**–**	5
Total deposits (including non-recourse deposits)	533	2 393	10	–	10	245 399	**248 335**	240 224
Total assets	214 743	25 548	19 308	14 801	34 109	40 199	**314 599**	104 483
Total liabilities[†]	213 954	25 475	18 733	16 275	35 008	26 760	**301 197**	100 566
Capital expenditure	15	21	5	86	91	1 956	**2 083**	69

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

* *Refer to additional segmental disclosure on page 40.*

** *Refer to additional segmental disclosure on pages 41 and 42, 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							
					RMB							
	FNB rest of Africa	Total FNB	WesBank*	Retail and commercial	Investment banking	Corporate banking	Total RMB	Aldermore**	FCC (including Group Treasury) and other#	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
	66.1	50.6	47.4	50.2	41.6	60.9	46.8	52.1	>100	51.6	–	50.3
	48.7	46.5	40.0	45.8	60.9	48.5	57.6	6.6	(82.8)	42.2	–	43.8
	1.61	1.52	1.46	1.51	0.13	0.07	0.12	0.24	0.90	0.88	–	0.88
	7.19	5.89	5.72	5.85	0.87	0.56	0.82	1.21	1.24	3.33	–	3.33
	(357)	(2 067)	(642)	(2 709)	(94)	(13)	(107)	(33)	(38)	(2 887)	–	(2 887)
	(10)	(198)	(15)	(213)	(50)	(3)	(53)	(61)	(467)	(794)	–	(794)
	–	(76)	(2)	(78)	(6)	(9)	(15)	–	4	(89)	(124)	(213)
	55 100	462 787	134 087	596 874	291 843	61 444	353 287	191 490	98 263	1 239 914	–	1 239 914
	55 100	462 787	122 697	585 484	291 843	61 444	353 287	186 512	66 620	1 191 903	–	1 191 903
	–	–	11 390	11 390	–	–	–	4 978	31 643	48 011	–	48 011
	3 962	27 253	7 667	34 920	2 544	343	2 887	2 322	1 220	41 349	–	41 349
	12	714	2 383	3 097	3 106	–	3 106	97	69	6 369	–	6 369
	–	5	1	6	1 730	–	1 730	–	(17)	1 719	50	1 769
	41 808	530 367	55	530 422	101 117	143 172	244 289	198 695	419 698	1 393 104	–	1 393 104
	57 552	476 634	138 254	614 888	459 295	64 681	523 976	225 323	304 852	1 669 039	23	1 669 062
	57 608	459 371	135 146	594 517	449 127	63 214	512 341	205 626	211 985	1 524 469	–	1 524 469
	196	2 348	1 377	3 725	364	17	381	41	–	4 147	–	4 147

Additional segmental disclosure – WesBank

	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**

	Year ended 30 June 2019		
R million	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 605	610	5 215
Impairment of advances	(1 903)	(82)	(1 985)
Normalised profit before tax	2 113	467	2 580
Normalised earnings	1 472	336	1 808
Advances	106 142	27 945	134 087
Stage 3/NPLs	7 143	524	7 667
Advances margin (%)	3.61	2.31	3.32
Stage 3/NPLs as a % of advances	6.73	1.88	5.72
Credit loss ratio (%)	1.80	0.27	1.46

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 new book written since 1 May 2019 within Aldermore Group and the back book reported in FCC.

	Year ended 30 June 2020								
R million	**Asset finance**	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let mortgages**	**Residential mortgages**	**Central functions**	**Aldermore**	**Total MotoNovo**	**Total UK operations**
NII before impairment of advances	**1 531**	**442**	**963**	**2 439**	**1 008**	**(225)**	**6 158**	**3 245**	**9 403**
Impairment of advances	**(958)**	**(27)**	**(244)**	**(153)**	**(104)**	**–**	**(1 486)**	**(1 915)**	**(3 401)**
Normalised profit before tax	**338**	**308**	**600**	**2 105**	**776**	**(2 525)***	**1 602**	**(158)**	**1 444**
Normalised earnings	**338**	**308**	**600**	**2 105**	**776**	**(3 107)***	**1 020**	**(155)**	**865**
Advances	**40 867**	**6 092**	**24 758**	**112 894**	**44 792**	**–**	**229 403**	**76 843**	**306 246**
Stage 3/NPLs	**819**	**136**	**607**	**1 697**	**1 541**	**–**	**4 800**	**1 880**	**6 680**
Advances margin (%)	**3.95**	**6.61**	**4.46**	**2.39**	**2.64**	**–**	**2.97**	**4.44**	**3.35**
Stage 3/NPLs as a % of advances	**2.00**	**2.23**	**2.45**	**1.50**	**3.44**	**–**	**2.09**	**2.45**	**2.18**
Credit loss ratio (%)	**2.47**	**0.40**	**1.13**	**0.15**	**0.27**	**–**	**0.72**	**2.76**	**1.23**

* *Normalised profit before tax includes R158 million (£8.1 million) loss on the fair value hedge portfolio. The tax expense is reflected in central functions.*

	Year ended 30 June 2019								
R million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore	Total MotoNovo	Total UK operations
NII before impairment of advances	1 444	384	825	2 569	751	(164)	5 809	2 991	8 800
Impairment of advances	(247)	(27)	(16)	(62)	(9)	–	(361)	(822)	(1 183)
Normalised profit before tax	924	266	696	2 278	620	(2 293)*	2 491	779	3 270
Normalised earnings	924	266	696	2 278	620	(3 062)*	1 722	570	2 292
Advances	36 718	7 285	18 415	90 921	31 512	–	184 851	61 778	246 629
Stage 3/NPLs	549	104	246	669	744	–	2 312	1 093	3 405
Advances margin (%)	4.11	6.31	4.58	2.99	2.57	–	3.33	5.16**	3.79
Stage 3/NPLs as a % of advances	1.50	1.43	1.34	0.74	2.36	–	1.25	1.77	1.38
Credit loss ratio (%)	0.70	0.44	0.09	0.07	0.03	–	0.21	1.33	0.50

* *Normalised profit before tax includes R70 million (£3.8 million) profit on the fair value hedge portfolio. The tax expense is reflected in central functions.*

** *Total MotoNovo margins have been restated due to a refinement of the process.*

Additional segmental disclosure – UK operations continued

In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the above reflects the total operational MotoNovo, which include the new book written since 1 May 2019 within Aldermore Group and the back book reported in FCC.

	Year ended 30 June 2020								
£ million	**Asset finance**	**Invoice finance**	**SME commercial mortgages**	**Buy-to-let mortgages**	**Residential mortgages**	**Central functions**	**Aldermore**	**Total MotoNovo**	**Total UK operations**
NII before impairment of advances	**78**	**23**	**49**	**125**	**52**	**(11)**	**316**	**166**	**482**
Impairment of advances	**(49)**	**(1)**	**(12)**	**(8)**	**(5)**	**–**	**(75)**	**(98)**	**(173)**
Normalised profit before tax	**17**	**16**	**31**	**108**	**40**	**(130)***	**82**	**(8)**	**74**
Normalised earnings	**17**	**16**	**31**	**108**	**40**	**(160)***	**52**	**(8)**	**44**
Advances	**1 907**	**284**	**1 156**	**5 269**	**2 091**	**–**	**10 707**	**3 586**	**14 293**
Stage 3/NPLs	**38**	**6**	**28**	**79**	**72**	**–**	**223**	**87**	**310**
Advances margin (%)	**3.96**	**6.56**	**4.51**	**2.42**	**2.68**	**–**	**3.00**	**4.79**	**3.44**
Stage 3/NPLs as a % of advances	**2.00**	**2.23**	**2.45**	**1.50**	**3.44**	**–**	**2.09**	**2.45**	**2.18**
Credit loss ratio (%)	**2.48**	**0.41**	**1.14**	**0.15**	**0.28**	**–**	**0.72**	**2.79**	**1.24**

* *Normalised profit before tax includes £8.1 million loss on the fair value hedge portfolio. The tax expense is reflected in central functions.*

	Year ended 30 June 2019								
£ million	Asset finance	Invoice finance	SME commercial mortgages	Buy-to-let mortgages	Residential mortgages	Central functions	Aldermore	Total MotoNovo	Total UK operations
NII before impairment of advances	79	21	45	140	41	(9)	317	163	480
Impairment of advances	(14)	(1)	(1)	(3)	–	–	(19)	(45)	(64)
Normalised profit before tax	50	15	38	125	34	(125)*	137	42	179
Normalised earnings	50	15	38	125	34	(167)*	95	31	126
Advances	2 042	405	1 024	5 056	1 752	–	10 279	3 437	13 716
Stage 3/NPLs	31	6	14	37	40	–	128	61	189
Advances margin (%)	4.05	6.21	4.51	2.95	2.53	–	3.29	5.06**	3.79
Stage 3/NPLs as a % of advances	1.50	1.43	1.34	0.74	2.36	–	1.25	1.77	1.38
Credit loss ratio (%)	0.69	0.43	0.09	0.07	0.03	–	0.20	1.32	0.49

* *Normalised profit before tax includes £3.8 million profit on the fair value hedge portfolio. The tax expense is reflected in central functions.*

** *Total MotoNovo margins have been restated due to a refinement of the process.*

Note: Pound figures above are rounded to the nearest million.

Additional disclosure – insurance activities

FNB

FNB Life has adopted Advisory Practice Note (APN) 107 for embedded value (EV) and value of new business (VNB) disclosure in 2020, which resulted in the restatement of 2019 figures. VNB has also been restated to include all fixed operating expenses on a fully absorbed basis as opposed to the marginal costing methodology previously used. APN 107 encourages consistency and transparency of embedded value reporting across the industry.

Reductions in VNB and EV 2020 reflect the impact of COVID-19 on sales, lapses and claims ratios.

VALUE OF NEW BUSINESS*

	Year ended 30 June		
R million	**2020**	2019	% change
Credit life	**2**	431	(100)
Funeral	**180**	379	(53)
Core life	**18**	121	(85)
Underwritten	**17**	33	(48)
Total	**217**	964	(77)

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

EMBEDDED VALUE

	Year ended 30 June		
Thousands	**2020***	2019	% change
Total	**4 703**	4 827	(3)

* *Pre-dividends.*

The impact attributable to COVID-19 is approximately R1.5 billion on the value of the in-force business due to changes in mortality, retrenchment, lapses and expense assumptions.

NUMBER OF POLICIES

	Year ended 30 June		
Thousands	**2020**	2019	% change
Credit life	**2 355**	2 417	(3)
Funeral	**1 192**	1 258	(5)
Core life	**347**	339	2
Underwritten	**121**	92	32
Commercial	**16**	8	100
Total	**4 031**	4 114	(2)

IN-FORCE APE

	Year ended 30 June		
R million	**2020**	2019	% change
Credit life	**1 725**	1 776	(3)
Funeral	**2 012**	1 851	9
Core life	**427**	394	8
Underwritten	**444**	315	41
Commercial	**44**	18	>100
Total	**4 652**	4 354	7

SALES CHANNELS (STANDALONE LIFE)

	Year ended 30 June	
% of sales	**2020**	2019
Face-to-face	**67**	70
Call centres	**26**	26
Digital	**7**	4
Total	**100**	100

WESBANK

NUMBER OF POLICIES AND GROSS WRITTEN PREMIUM

	MotoVantage (VAPS)			Motor (credit life)		
	Year ended 30 June			Year ended 30 June		
	2020	2019	% change	**2020**	2019	% change
Number of policies (thousands)	**675**	774*	(13)	**52**	62	(16)
Gross written premium (R million)	**1 516**	1 568	(3)	**112**	132	(15)

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

VAPS SALES CHANNELS

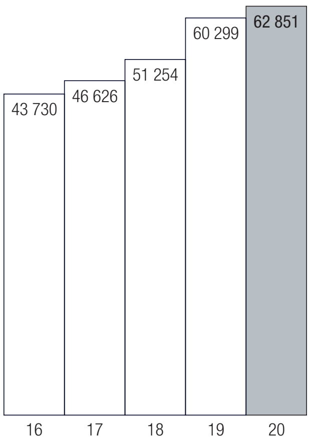
	Year ended 30 June	
% of sales	**2020**	2019
Point of sale	**61**	64
Telesales	**31**	26
Other	**8**	10
Total	**100**	100

INCOME STATEMENT ANALYSIS

Net interest income (before impairment of advances)

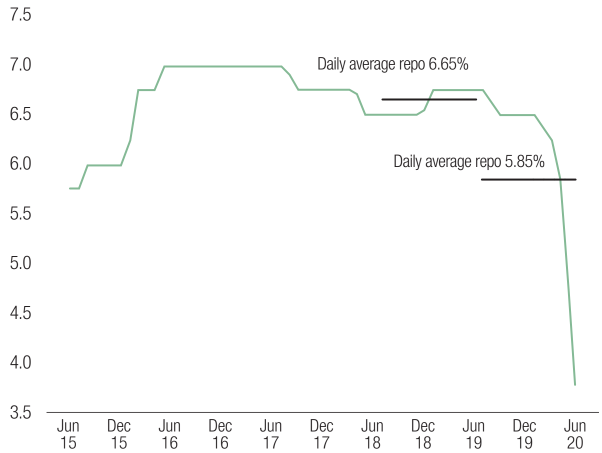
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 4%

NET INTEREST INCOME
R million
CAGR 9%



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

REPO RATE – SOUTH AFRICA
%



Note: R274 billion = average endowment book excluding Aldermore for the year (average Aldermore endowment book was £1 billion). Rates were 80 bps lower on average in the current year, which translates into a negative endowment impact of R2.2 billion (R2.4 billion including Aldermore) for the year on an unhedged basis.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
2019 normalised margin excluding UK operations	**5.11**
Capital and deposit endowment	**(0.08)**
– Volume	**0.10**
– Average rate	**(0.18)**
Interest-earning assets	**–**
– Change in balance sheet advances mix	**(0.04)**
– Asset pricing	**0.15**
– Change in interest suspended under IFRS 9	**(0.11)**
Liabilities	**(0.01)**
– Change in deposit mix	**0.09**
– Deposit pricing	**(0.10)**
Group Treasury and other movements	**(0.11)**
– Interest rate and FX management	**(0.01)**
– Carry cost on excess funding (including increase in HQLA)	**(0.10)**
2020 normalised margin excluding UK operations	**4.91**
Aldermore forgone interest relating to invested capital	**–**
2020 normalised margin excluding UK operations	**4.91**
Impact of UK operations on margin	**(0.46)**
– MotoNovo back book	**(0.02)**
– MotoNovo new book	**(0.01)**
– Aldermore	**(0.43)**
2020 normalised margin including UK operations	**4.45**

Net interest income (before impairment of advances) continued

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2020**	2019	% change
Net interest income			
Lending*	**22 443**	21 189	6
Transactional**	**17 269**	16 350	6
Deposits	**3 515**	3 371	4
Capital endowment	**6 663**	6 429	4
Group Treasury	**(2 006)**	(1 095)	83
FNB rest of Africa	**4 340**	4 096	6
Other (negative endowment, e.g. fixed assets)	**1 224**	1 159	6
Total net interest income excluding UK operations	**53 448**	51 499	4
UK operations	**9 403**	8 800	7
– MotoNovo back book	**2 154**	2 970	(27)
– MotoNovo new book	**1 091**	21	>100
– Aldermore	**6 158**	5 809	6
Total net interest income including UK operations	**62 851**	60 299	4

* The NII on the MotoNovo back book has been separately disclosed under the UK operations.

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

KEY DRIVERS

- Overall group NII growth slowed to 4% year-on-year, reflecting muted advances growth of 6% (1% excluding the currency impact of UK operations and RMB cross-border book) and ongoing strong deposit growth of 10% (7% excluding the currency impact of UK operations).
- Lending NII increased 6% due to higher margin cross-border activity in CIB and higher margins from FNB Commercial as a result of repricing overdraft facilities. Retail lending margins, however, decreased due to an increase in suspended interest on the back of the deteriorating macroeconomic environment and the lengthening of the write-off period.
- FNB's advances margin decreased 7 bps, driven by an increase in suspended interest, arising from the growth in NPLs.
- Advances growth in FNB's rest of Africa portfolio increased 1% year-on-year. Namibia and Botswana grew advances but this was offset by declines in the smaller subsidiaries.
- WesBank's operational retail VAF margins increased 19 bps due to reduced dealer incentive costs (DIC) arising from ongoing calibration of dealer incentive models, aligning to behavioural term. This uplift was partly offset by lower corporate margins due to competitive pricing, resulting in a net increase of 13 bps for WesBank overall.
- RMB's NII increased 9%, benefiting from strong average deposit growth and resilient average advances levels, benefiting from an increase in higher-margin cross-border advances and higher levels of working capital utilisation.
- The average repo rate decreased 80 bps year-on-year, resulting in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes.
- FNB's deposit margins decreased, impacted by negative endowment, growth in lower-margin deposit products and increased competitive pressures. Overall FNB NII increased 5%, benefiting from strong growth of 13% in average deposits and average advances growth of 7%. Deposit growth was driven by cash investment products in the premium segment, wealth and investment products, and strong growth in Islamic banking.
- Deposit growth in FNB rest of Africa was strong at 19%, with slightly lower margins reflecting negative endowment and a change in product mix. Growth in average deposit balances was mainly driven by Namibia and Botswana.
- Group Treasury's margin was impacted by the following factors:
  - Pre-COVID-19 the group had increased both local and foreign liquid asset holdings to strengthen liquidity buffers to cater for further macro deterioration.
  - During lockdown, liquidity further increased given lower advances growth and stronger growth in the deposit franchise.
  - These factors led to a 20% increase in liquid assets resulting in a year-on-year increase in carry costs of >R700 million.
- Total MotoNovo advances margins declined 27 bps, negatively impacted by increased competitive pricing, the continued movement of the market towards "fee-free finance" and a larger proportion of business being written with larger dealer groups with typically smaller margins, but lower credit risk metrics. This was offset to some extent by the cost of funds benefit provided by Aldermore. Back-book margins reduced 111 bps and new-book margins improved 23 bps.
- Aldermore's net interest margin decreased 19% year-on-year due to margin pressure as a consequence of lower base rates.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		June 2020			June 2019*		
R million	Notes	**Average balance****	**Interest income/ (expense)**	**Average rate %**	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**9.35**			10.15
Balances with central banks		**29 710**	**–**	**–**	27 805	–	
Cash and cash equivalents		**37 088**	**1 626**	**4.38**	35 080	1 694	4.83
Liquid assets portfolio		**186 856**	**13 102**	**7.01**	149 632	10 953	7.32
Loans and advances to customers	1	**835 972**	**85 017**	**10.17**	795 169	87 560	11.01
Interest-earning assets		**1 089 626**	**99 745**	**9.15**	1 007 686	100 207	9.94
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.51**			7.06
Deposits due to customers	2	**(729 008)**	**(30 780)**	**4.22**	(654 541)	(30 721)	4.69
Group Treasury funding		**(384 529)**	**(24 898)**	**6.47**	(408 228)	(27 571)	6.75
Interest-bearing liabilities		**(1 113 537)**	**(55 678)**	**5.00**	(1 062 769)	(58 292)	5.48
ENDOWMENT AND TRADING BOOK							
Other assets#		**283 036**			285 311		
Other liabilities†		**(133 642)**			(132 880)		
NCNR preference shareholders and AT1 noteholders		**(9 094)**			(6 274)		
Equity		**(116 389)**			(91 074)		
Endowment and trading book		**23 911**	**9 381**	**39.23**	55 083	9 584	17.40
Total interest-bearing liabilities, endowment and trading book		**(1 089 626)**	**(46 297)**	**4.25**	(1 007 686)	(48 708)	4.83
Net interest margin on average interest-earning assets – excluding UK operations		**1 089 626**	**53 448**	**4.91**	1 007 686	51 499	5.11
Net interest margin on average interest-earning assets – UK operations		**323 560**	**9 403**	**2.91**	260 851	8 800	3.37
– MotoNovo back book		**48 632**	**2 154**	**4.43**	54 742	2 970	5.43
– MotoNovo new book		**23 464**	**1 091**	**4.65**	3 328	21	0.62
– Aldermore NIM on average interest earning assets		**251 464**	**6 158**	**2.45**	202 781	5 809	2.86
Net interest margin on average interest-earning assets – including UK operations		**1 413 186**	**62 851**	**4.45**	1 268 537	60 299	4.75

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

* *The June 2019 numbers have been restated due to refinements in the calculations as well as now showing the MotoNovo back book as part of the UK operations.*

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

Include preference share advances, trading assets and securitisation notes.

† *Include trading liabilities.*

NOTE 1 – MARGIN ANALYSIS ON ADVANCES TO CUSTOMERS

	June 2020		June 2019	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**9.35**		10.15
Advances				
Retail – secured	**328 588**	**2.46**	315 482	2.40
Residential mortgages	**222 932**	**1.82**	210 206	1.79
VAF	**105 656**	**3.80**	105 276	3.61
Retail – unsecured	**93 917**	**11.08**	84 417	11.96
Card	**32 075**	**7.17**	29 764	7.69
Personal loans	**42 510**	**15.12**	37 535	16.34
– FNB	**26 117**	**13.92**	21 913	15.07
– DirectAxis	**16 393**	**17.02**	15 622	18.13
Retail other	**19 332**	**8.68**	17 118	9.80
Corporate and commercial	**357 334**	**2.53**	340 924	2.46
FNB commercial	**105 232**	**3.61**	96 618	3.61
– Mortgages	**27 885**	**2.27**	24 596	2.31
– Overdrafts	**39 401**	**5.04**	36 614	4.95
– Term loans	**37 946**	**3.11**	35 408	3.14
WesBank corporate	**28 756**	**2.15**	29 425	2.31
RMB investment banking*	**161 930**	**2.27**	158 330	2.11
RMB corporate banking	**61 416**	**1.57**	56 551	1.55
FNB Africa**	**56 133**	**4.15**	54 346	3.99
Total advances excluding UK operations	**835 972**	**3.57**	795 169	3.55
UK operations#	**279 211**	**3.35**	230 598	3.79
– MotoNovo back book	**48 632**	**4.33**	54 742	5.44
– MotoNovo new book	**23 464**	**4.65**	3 328	0.62
– Aldermore	**207 115**	**2.97**	172 528	3.33
Total advances including UK operations	**1 115 183**	**3.52**	1 025 766	3.60

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

** *WesBank rest of Africa advances were reallocated to FNB rest of Africa.*

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

The group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet. This aligns liquidity risk-taking incentives of 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 interest rate transfer price.

Net interest income (before impairment of advances) continued

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2020		June 2019*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**6.51**		7.06
Deposits				
Retail	**241 522**	**2.03**	216 787	2.35
Current and savings	**66 193**	**5.26**	60 197	6.14
Call	**91 624**	**0.88**	77 180	0.96
Term	**83 705**	**0.74**	79 410	0.82
Commercial	**262 990**	**2.39**	228 965	2.67
Current and savings	**98 565**	**4.80**	84 921	5.58
Call	**82 719**	**1.43**	75 405	1.45
Term	**81 706**	**0.47**	68 639	0.44
Corporate and investment banking	**179 454**	**1.14**	167 180	1.15
Current and savings	**90 691**	**1.58**	81 752	1.58
Call	**50 367**	**0.90**	47 048	0.99
Term	**38 396**	**0.41**	38 380	0.44
FNB Africa	**45 042**	**3.75**	41 609	3.88
Total deposits excluding UK operations	**729 008**	**2.05**	654 541	2.25
UK operations**	**246 865**	**0.00**	186 605	0.00
Total deposits including UK operations	**975 873**	**1.53**	841 146	1.75

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

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

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

Credit highlights

CREDIT HIGHLIGHTS AT A GLANCE

R million	Notes	Year ended 30 June 2020	2019	% change
Total gross advances*	1 on p. 86	**1 311 095**	1 239 914	6
– Stage 1		**1 131 513**	1 112 219	2
– Stage 2		**122 301**	86 346	42
– Stage 3/NPLs**	3 on p. 104	**57 281**	41 349	39
Stage 3/NPLs as a % of advances	3 on p. 104	**4.37**	3.33	
Impairment charge	6 on p. 112	**24 383**	10 500	>100
Credit loss ratio (%)	6 on p. 112	**1.91**	0.88	
Impairment charge excluding UK operations	6 on p. 112	**20 982**	9 317	>100
Credit loss ratio excluding UK operations (%)	6 on p. 112	**2.10**	0.98	
Total impairments	5 on p. 110	**49 380**	34 162	45
Portfolio impairments	2 on p. 102	**24 707**	15 667	58
– Stage 1		**11 335**	7 916	43
– Stage 2		**13 372**	7 751	73
Stage 3 impairments	4 on p. 108	**24 673**	18 495	33
Specific coverage ratio (%)#	4 on p. 108	**43.1**	44.7	
Total impairment coverage ratio (%)†	5 on p. 110	**86.2**	82.6	
Performing book coverage ratio (%)‡	2 on p. 102	**1.97**	1.31	

* *Advances growth excluding the currency translation impact of the UK operations and the RMB cross-border book was 1%.*

** *A detailed analysis of the growth in stage 3/NPLs is provided on page 59.*

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

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

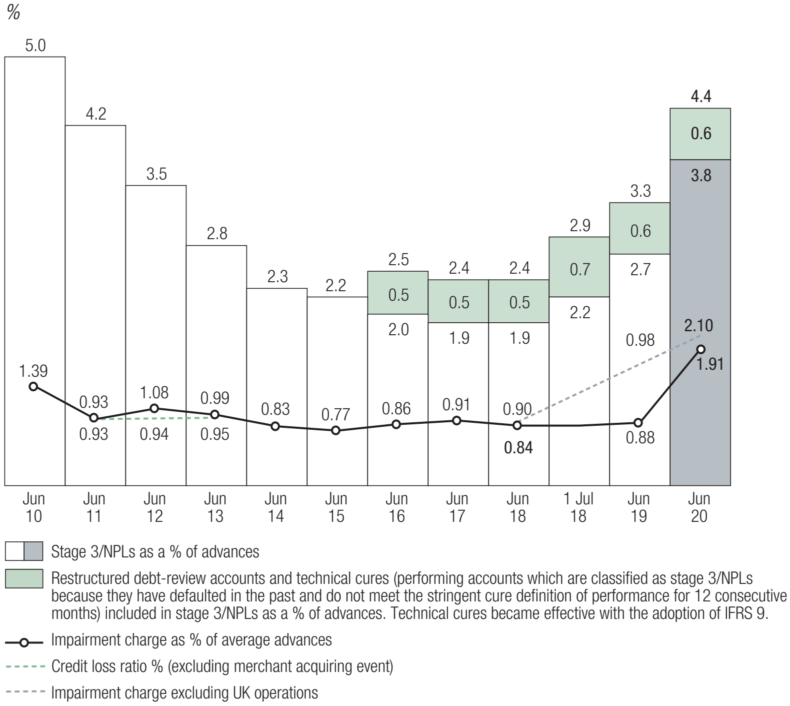
‡ *Portfolio impairments as a % of the performing book.*

Credit overview – total UK operations

£ million	Total UK operations	Aldermore retail	Aldermore commercial	Total MotoNovo	MotoNovo VAF (back book)	MotoNovo VAF (front book)	MotoNovo loans (back book)
Year ended 30 June 2020							
Total gross advances	**14 293**	**7 360**	**3 347**	**3 586**	**1 693**	**1 879**	**14**
– Stage 1	**12 376**	**6 535**	**2 715**	**3 126**	**1 370**	**1 743**	**13**
– Stage 2	**1 607**	**674**	**560**	**373**	**250**	**122**	**1**
– Stage 3/NPLs	**310**	**151**	**72**	**87**	**73**	**14**	**–**
Stage 3/NPLs as a % of advances*	**2.18**	**2.05**	**2.18**	**2.45**	**4.34**	**0.74**	**3.25**
Impairment charge	**173**	**13**	**62**	**98**	**41**	**56**	**1**
Credit loss ratio (%)*	**1.24**	**0.19**	**1.84**	**2.79**	**1.75**	**4.96**	**3.52**
Total impairments	**233**	**33**	**72**	**128**	**70**	**56**	**2**
Portfolio impairments	**154**	**15**	**48**	**91**	**39**	**50**	**2**
– Stage 1	**80**	**7**	**27**	**46**	**14**	**30**	**2**
– Stage 2	**74**	**8**	**21**	**45**	**25**	**20**	**–**
Stage 3 impairments	**79**	**18**	**24**	**37**	**31**	**6**	**–**
Specific coverage ratio (%)*	**25.4**	**11.8**	**32.5**	**42.9**	**42.1**	**45.3**	**100.0**
Performing book coverage ratio (%)*	**1.10**	**0.22**	**1.48**	**2.57**	**2.42**	**2.66**	**9.40**
– Stage 1 (%)*	**0.63**	**0.12**	**0.97**	**1.41**	**1.01**	**1.68**	**8.36**
– Stage 2 (%)*	**4.70**	**1.13**	**3.93**	**12.35**	**10.16**	**16.71**	**36.36**
Total impairment coverage ratio (%)*	**74.8**	**22.1**	**98.7**	**145.5**	**95.4**	**404.4**	**380.0**
Year ended 30 June 2019							
Total gross advances	13 716	6 808	3 471	3 437	3 034	370	33
– Stage 1	12 250	5 922	3 146	3 182	2 782	368	32
– Stage 2	1 277	809	274	194	192	1	1
– Stage 3/NPLs	189	77	51	61	60	1	–
Stage 3/NPLs as a % of advances*	1.38	1.15	1.44	1.77	1.98	0.15	0.87
Impairment charge	64	3	16	45	42	4	(1)
Credit loss ratio (%)*	0.49	0.06	0.48	1.32	1.33	2.03	(2.81)
Total impairments	116	18	32	66	60	4	2
Portfolio impairments	70	9	18	43	37	4	2
– Stage 1	45	7	13	25	19	4	2
– Stage 2	25	2	5	18	18	–	–
Stage 3 impairments	46	9	14	23	23	–	–
Specific coverage ratio (%)*	25.3	12.0	28.9	39.5	39.0	70.0	100.0
Performing book coverage ratio (%)*	0.51	0.11	0.52	1.27	1.25	1.09	5.76
– Stage 1 (%)*	0.34	0.08	0.38	0.77	0.70	1.06	4.54
– Stage 2 (%)*	2.12	0.34	2.21	9.41	9.22	15.38	36.36
Total impairment coverage ratio (%)*	61.5	21.7	64.7	110.2	100.8	790.0	760.0

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

NPL AND IMPAIRMENT HISTORY

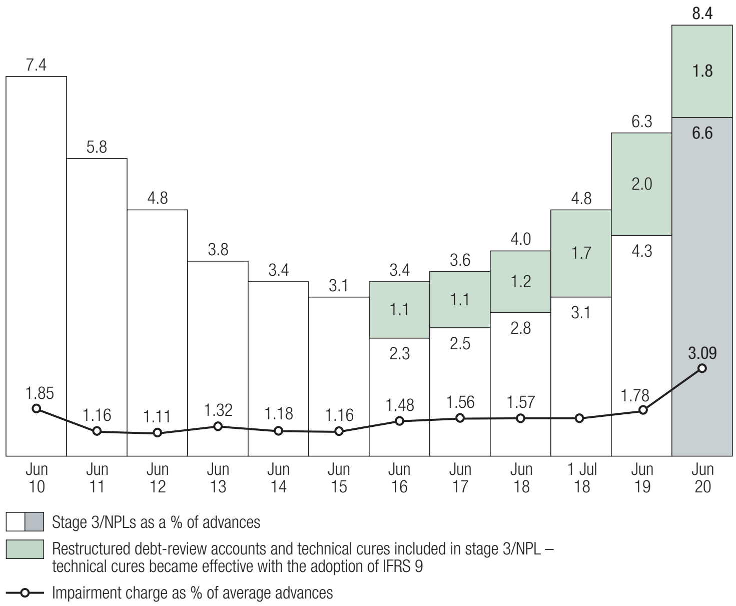


Note: 2010 to 2018 figures were based on IAS 39 and 2019 to 2020 on IFRS 9.

Credit highlights continued

RETAIL NPLs AND IMPAIRMENTS*

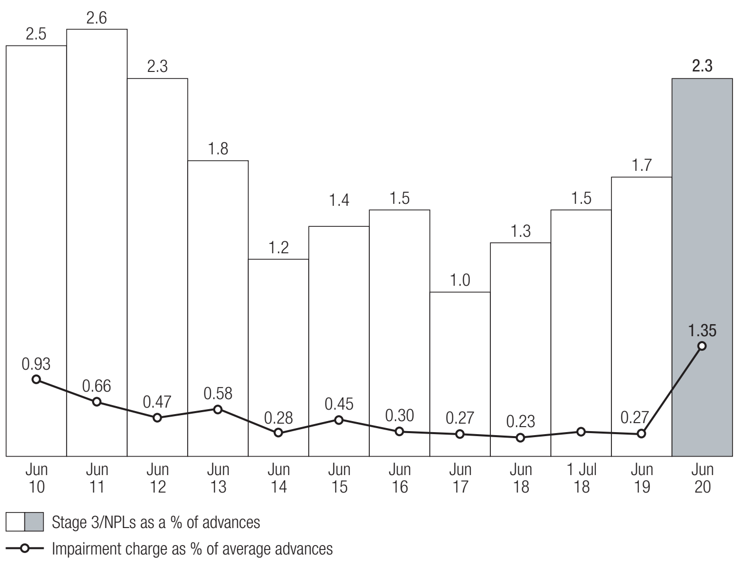
%



* *Excluding UK operations.*

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS*

%



* *Excluding UK operations.*

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

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 18, the group's credit performance should be viewed in the context of a worse-than-anticipated macroeconomic environment, particularly in the second half of the financial year, exacerbated by the COVID-19 pandemic and resultant lockdowns.

COVID-19 relief provided

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

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

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

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

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

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

Credit highlights continued

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

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

* *Total group portfolio includes FCC advances.*

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

Relief provided by RMB to investment and corporate banking clients was assessed and granted at an individual counterparty level and followed the normal credit approval process. The rand amount of relief granted, primarily in the form of short-term debt repayment moratoriums and new bridge finance advanced, amounted to R14.8 billion, representing a small percentage of underlying client facilities. The clients were primarily in sectors where short-term operating cash flows were immediately adversely impacted by the COVID-19 economic lockdown, e.g. private healthcare, real estate, hotels and leisure.

The aggregate gross exposure of these clients amounted to R59 billion, or 16% of total advances, and includes relief related to covenant waivers. The amount includes a number of well-rated clients (more than 55% of relief approved was for strongly rated clients) who approached the bank proactively for additional credit limits as a liquidity backstop, but subsequently elected not to draw down, or had no requirement for the bridge finance made available. The average utilisation relating to general banking facilities for clients who sought relief was 50% at 30 June 2020.

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

In addition to the on-balance sheet relief provided, the group facilitated the distribution of other relief funds, e.g. the Oppenheimer COVID-19 relief fund.

Refer to pages 92 to 99 for more detail on advances where relief was provided.

Staging and coverage of COVID-19 relief

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

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

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

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

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

NPLs

Group NPLs increased 39% to 4.37% of advances (2019: 3.33%). An analysis of the R15 932 million increase in total group NPLs to R57 281 million is provided in the table below.

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

Retail NPLs increased R9 344 million to R35 222 million, with NPLs as a percentage of advances increasing to 8.44% (2019: 6.33%), driven by the following factors:

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

Credit highlights continued

Corporate and commercial NPLs increased 39% to 2.28% (2019: 1.67%), reflecting:

- the residual impact of the drought on the agriculture portfolio in previous years;
- specific high-value counters in commercial property and asset-based finance migrating to NPLs;
- higher levels of operational NPLs in the SME segment reflecting new business strain from previous strong book growth, and the weak macroeconomic environment;
- an increase in corporate banking NPLs due to stress events leading to clients entering business rescue; offset by
- a decline in investment bank NPLs due to the restructure, migration and write-off of highly collateralised exposures.

A detailed analysis of the product-level NPL drivers for specific retail products, and the group in total, is provided on pages 64 to 69.

Stage 2

Retail stage 2 advances increased 40%, due to the reinstatement of cure rules to performing debt-review clients (resulting in clients qualifying to cure migrating out of NPL status to stage 2), increased arrears and an upturn in significant increase in credit risk (SICR) triggers due to elevated behavioural risk scores.

Corporate and commercial stage 2 advances increased 39%, largely driven by RMB investment banking, which increased 72%. This reflects proactive migration of clients to stage 2 due to a combination of the expected adverse impact of COVID-19 on the profitability of some key industries (e.g. oil and gas, aviation, transportation, leisure, hotels and tourism and high-leverage commercial property finance). In addition, a small number of single name exposures, including some private equity shareholder loans, migrated to stage 2 during the year.

Coverage

	30 June 2020		30 June 2019	
R million	**Provision**	**Coverage**	Provision	Coverage
Stage 1	**11 335**	**1.00**	7 916	0.71
Stage 2	**13 372**	**10.93**	7 751	8.98
Stage 3	**24 673**	**43.1**	18 495	44.7
Total	**49 380**	**86.2**	34 162	82.6

Group portfolio (stage 1 and stage 2) impairments increased 58%. Stage 1 impairment provisions increased 43%, reflecting the impact of the increased COVID-19 coverage on relief provided, specific out-of-model overlays created given the increased uncertainty and the significant impact of FLI.

Stage 2 impairment provisions increased 73%. Retail stage 2 coverage marginally decreased to 13.74% (2019: 13.89%) due to the change in mix in favour of secured advances, in particular higher residential mortgages. Overall stage 2 provisions grew due to increased downside risk in FLI, higher arrears and the reinstatement of cures on performing debt-review clients, which carry higher coverage. Corporate and commercial stage 2 coverage increased from 7.98% to 12.09% due to the impact of increased downside risk in FLI and the impact of increased COVID-19 coverage, as well as the migration of clients into stage 2 and the resultant move to lifetime expected credit losses.

The group's total performing book (stage 1 and 2) coverage ratio increased to 1.97% (2019: 1.31%).

The total balance sheet impairment coverage ratio increased to 86.2% (2019: 82.6%), reflecting:

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

These increases were marginally offset by:

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

Income statement impairment charge

The group's income statement credit impairment charge increased 2.3 times from R10.5 billion to R24.4 billion, resulting in a group credit loss ratio of 191 bps (2019: 88 bps). Excluding the UK operations, the group credit loss ratio is 210 bps (2019: 98 bps).

Retail impairments reflected an increase of 81% to 309 bps (2019: 178 bps). The corporate and commercial credit loss ratio increased to 135 bps (2019: 27 bps). The UK operations reported a credit loss ratio of 123 bps (2019: 50 bps).

The impairment charge in all portfolios was significantly affected by the FLI impact, modification losses, increased arrears and SICR, given the tough macroeconomic environment. There was a significant change in the probabilities assigned to upside and downside economic scenarios compared to the prior year, with the upside scenario probability decreased to 12% (from 23%) and the downside scenario probability increased to 23% (from 18%). These were on top of all scenarios being significantly more negative in the current year. Refer to pages 183 to 188 for detailed macroeconomic information, including the specific factors included in the ECL calculation.

Post write-off recoveries decreased to R2 374 million (2019: R2 548 million) impacted by the later write-off point and the current worsening macro environment. Post write-off recoveries were driven by the retail unsecured and retail SA VAF portfolios, with continued focus on collections.

The following table outlines the drivers of the income statement impairment charge.

Credit highlights continued

The table below provides an analysis of the income statement impairment charge. The overall increase in balance sheet impairments (credit provisions) amount to R15.2 billion compared to just under R5.1 billion in the prior year. This increase is largely driven by the downward revisions to key economic variables, including a sharp contraction in real GDP of 8% and a significant increase in unemployment and weakness in property markets.

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

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

	for the year ending 30 June 2020			
R million	**Volume change in stage 1**	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
Retail				
– Secured	**(50)**	**364**	**454**	**(186)**
– Unsecured	**(294)**	**1 111**	**1 277**	**(143)**
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**

* *Excludes FCC.*

	for the year ending 30 June 2019			
R million	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail				
– Secured	27	26	(87)	287
– Unsecured	351	26	122	(88)
Commercial	54	4	123	(250)
Corporate	160	295	1 237	(1 476)
Rest of Africa	38	40	33	85
UK operations	(50)	(27)	69	(56)
FCC	(83)	80	3	2
Total	497	444	1 500	(1 496)

* *Excludes FCC.*

Write-offs and other charges increased 44% to R10.5 billion (2019: R7.3 billion) driven by expected collection outcomes in the current year following prior year NPL formation given new business strain from historical advances growth. The majority of this growth emanated from the unsecured portfolio resulting in R3.3 billion of additional write-offs.

Modification loss increased largely in Aldermore and the unsecured portfolio.

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

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

	for the year ending 30 June 2020					
	Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Write-off and other**	**Post write-off recoveries**	**Total**
	2 298	**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	**2 900**	**231**	**382**	**(114)**	**3 401**
	(4)	**(49)**	**–**	**234**	**(71)**	**114**
	6 178	**15 218**	**1 007**	**10 532**	**(2 374)**	**24 383**

	for the year ending 30 June 2019					
	Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
	170	423	164	2 005	(457)	2 135
	3 588	3 999	467	2 218	(1 780)	4 904
	435	366	(7)	563	(90)	832
	(428)	(212)	–	620	(8)	400
	165	361	–	596	(67)	890
	162	98	–	1 143	(58)	1 183
	60	62	9	173	(88)	156
	4 152	5 097	633	7 318	(2 548)	10 500

Credit highlights continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES	
SA retail	• SA retail advances growth slowed to 2% as a result of reduced risk appetite and lower customer demand given COVID-19. • Retail secured advances growth of 2% reflects a 3% increase in residential mortgages, offset by a decrease of 2% in VAF. • Growth in SA retail unsecured slowed to 4%, driven by 7% growth in card and the take-up of COVID-19 emergency loan relief of R2.3 billion. Excluding the relief, retail unsecured growth was 1.5%. • Twenty per cent of retail unsecured growth was due to the extension of the write-off period, which resulted in NPL formation of R4 289 million (2019: R3 593 million).	
Residential mortgages	• Total residential mortgage advances increased 3%, despite negative house price inflation of 4.5%, driven by growth of 9% in premium residential mortgages, benefiting from new customer acquisition, up-sell initiatives and strong demand in private bank mortgage lending through the digital NAV >> Home channel, which grew 7%. This was partly offset by a 36% decline in affordable housing on the back of lower demand and migration of customers from the consumer segment (affordable housing) to premium.	
Card	• Advances growth of 7% reflects the reduced risk appetite given the risk cuts together with the significant lower spending in the last quarter due to the COVID-19 lockdown.	

	STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE

A further analysis of the R9 344 million increase in retail NPLs is provided below.

	SA retail		
	R million	% change	Percentage point contribution to overall NPL increase
Operational – new business strain	7 029	49	27
Loans under COVID-19 relief	1 910	–	7
Debt review	328	9	1
Technical cures/curing rules	(619)	(15)	(2)
Write-off point extension	696	19	3
SA retail NPLs	**9 344**	**36**	**36**

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

- The SA retail credit loss ratio increased to 309 bps, driven by the FLI impact on all portfolios, COVID-19 scaling factors and the lingering impact of collection issues experienced in the first half of the year, offset by recoveries on credit life insurance.
- The impairment charge also reflects the decline in post write-off recoveries of R305 million.

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

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

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

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

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

Credit highlights continued

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

STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE

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

	FNB personal loans		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	**364**	**34**	**10**
Loans under COVID-19 relief	**573**	**–**	**17**
Debt review	**(146)**	**(32)**	**(4)**
Technical cures/curing rules	**(80)**	**(35)**	**(2)**
Write-off point extension	**157**	**9**	**4**
Total FNB personal loans NPLs	**868**	**25**	**25**

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

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

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

- The DirectAxis credit loss ratio of 12.87% (2019: 8.94%) reflects the benefit of more risk cutbacks in credit origination and the impact of the NPL book sale during the year, offset by the impact of FLI.
- Increased coverage through the application of COVID-19 scaling factors added to the impairment charge.

Credit highlights continued

PRODUCT	ADVANCES	
FNB rest of Africa	• A 0.3% decline in Namibia's advances reflects the ongoing subdued macroeconomic environment. • Botswana's total advances grew 4%, reflecting the weak macroeconomic environment and cautious lending approach. • Ghana reflected strong advances growth following the acquisition of GHL Bank with net advances increasing R1 610 million. • Following the group's decision to exit Tanzania, net advances of R435 million were reclassified out of advances to assets held for sale on the balance sheet.	
FNB commercial	• Advances growth of 3% was driven by targeted new client acquisition in the business segment, resulting in growth of 4% in business core lending (i.e. SME transactional overdrafts), 3% in agriculture, 6% in commercial property finance and 8% in asset-based finance, offset by a 5% decline in specialised finance. • SME government-guaranteed loan scheme advances of R345 million added 0.3% to advances growth.	
RMB CIB*	• The CIB core advances book grew 8% year-on-year. The SA core advances book grew 3% due to higher working capital facility utilisation. The cross-border portfolio growth remained strong at 12% in dollar terms, reflecting targeted new credit extension.	
WesBank	• New business production in retail SA VAF contracted 12%, reflecting the impact of the lockdown levels 4 and 5, resulting in record-low production levels in April and May, in addition to the lengthening of vehicle replacement cycles, further risk cuts in origination, increased competitive pressures and the already challenging macroeconomic environment pre-COVID-19. • Corporate new business volumes increased 1%, benefiting from growth in FML. Asset-backed finance (ABF) contracted 16%, a reflection of the difficult macroeconomic environment, risk cuts in high-risk categories and industries, and the fact that a portion of business now reflects in FNB (own-banked clients). Overall corporate VAF new business advances (between WesBank and FNB) increased 2%.	
MotoNovo	• Pre-pandemic and lockdown, new business volumes benefited from more competitive funding rates from the Aldermore funding platform and relatively benign forward-funding rates given the Brexit uncertainty. This resulted in volume growth of 12%. MotoNovo achieved overall combined gross advances growth of 4% in pound terms (24% in rand terms). • MotoNovo continued to constrain its appetite for higher-risk origination throughout the year.	
Aldermore	• Growth of 4% in pound terms (24% in rand terms) was negatively affected by the lockdown. Prior to the lockdown, there were strong new business levels in owner-occupied mortgages and targeted invoice and asset finance origination.	

* *Core advances.*

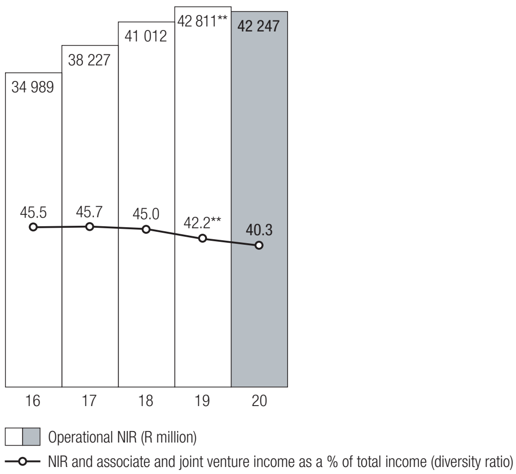
STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE
• NPLs in Namibia trended up further, reflecting ongoing macroeconomic strain and drought conditions, resulting in increased agriculture and commercial property finance NPL formation. • The rest of Africa portfolio continued to experience headwinds, such as elevated inflation and interest rates, currency devaluation, scarce liquidity and modest economic growth in many jurisdictions. Overall NPLs increased 6%, reflecting the increasingly constrained macroeconomic environment, offset by write-offs of specific counters in Mozambique and Zambia.	• The overall credit loss ratio increased to 2.83%, reflecting the FLI impact.
• NPLs grew 54%, reflecting the significant economic strain experienced by many SMEs and, in particular, highly impacted sectors such as transport, and hotels and leisure. NPL growth also reflects high NPL growth in business core lending (unsecured) NPLs, following strong advances growth over the last 12 months, in addition to increases in highly collateralised NPLs in agriculture (both in South Africa and in the rest of Africa), and the migration of a number of highly collateralised commercial property counters during the year.	• FNB commercial's credit loss ratio increased to 2.77%, reflecting the increase due to changes in FLI assumptions. • Increased coverage through the application of COVID-19 scaling factors.
• NPLs (including RMB rest of Africa) increased 9%, reflecting the migration of certain distressed clients into NPLs. A significant component of these NPLs are highly collateralised or guaranteed.	• The core lending portfolio incurred a 75 bps credit loss ratio (2019: 7 bps), due to distress in the portfolio following COVID-19. • Increased impairment charges were raised in investing/private equity portfolios in affected industries, which increased the overall charge to 75 bps.
• WesBank retail VAF NPLs increased 44%, primarily due to a significant number of accounts rolling into stage 3 due to increased macroeconomic strain, together with the delays in write-offs due to court closures during South Africa's national lockdown.	• The retail VAF portfolio reported a credit loss ratio of 2.64% (2019: 1.80%), driven by the significant roll into stage 3 triggered by the lockdown and the FLI impact.
• MotoNovo NPLs increased 43% in pound terms (72% in rand terms) reflecting the impact of the COVID-19 lockdown in the UK.	• The impairment charge was negatively affected by the FLI impact, resulting in a credit loss ratio of 276 bps (2019: 133 bps).
• Aldermore NPLs reflect the significant effect of COVID-19 on the British economy. NPLs increased 74% in pound terms (108% in rand terms), resulting in NPLs as a percentage of advances of 2.09% (2019: 1.25%), specifically impacted by increases in the mortgage portfolio and a small number of large clients in asset finance defaulting during the year.	• Aldermore reported a credit loss ratio of 72 bps (2019: 21 bps). Impairments were negatively affected by the FLI impact, £11 million (R214 million) modification loss on repayment holidays and certain high-value stage migrations in the asset finance book.

Non-interest revenue

TOTAL NON-INTEREST REVENUE – DOWN 4%

Operational non-interest revenue – down 1%*

OPERATIONAL NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 5%



* *Excluding income from associates and joint ventures.*

** *Restated following the reclassification of customer loyalty expenses. Refer to pages 168 to 170.*

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

ANALYSIS OF OPERATIONAL NIR*

R million	Notes	2020	2019	% change
Fee, commission and insurance income		**33 999**	34 859	(2)
– Fee and commission income	1	**30 058**	30 731**	(2)
– Insurance income	2	**3 941**	4 128	(5)
Markets, client and other fair value income	3	**4 788**	4 735	1
Investment income	4	**535**	619	(14)
Other non-interest revenue	5	**2 925**	2 598	13
Operational non-interest revenue		**42 247**	**42 811**	(1)

* *Excluding income from associates and joint ventures.*

** *Reclassification of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty expense nature. Refer to pages 168 to 170.*

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

NIR was significantly impacted by the pandemic, in the last quarter of the year, which affected almost all NIR items. Fee, commission and insurance income represents 80% (2019: 81%) of operational NIR.

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – DOWN 2%

R million	2020	2019	% change
Bank fee and commissions income	**31 696**	32 043	(1)
– Card commissions	**4 943**	5 061	(2)
– Cash deposit fees	**1 720**	1 910	(10)
– Commissions on bills, drafts and cheques	**2 817**	2 898	(3)
– Bank charges	**22 216**	22 174	–
– Commitment fees	**1 466**	1 523	(4)
– Other bank charges*	**20 750**	20 651	–
Knowledge-based fees	**1 161**	1 184	(2)
Management and fiduciary fees	**2 472**	2 402	3
– Investment management fees	**1 537**	1 515	1
– Management fees from associates and joint ventures	**789**	775	2
– Other management and brokerage fee income	**146**	112	30
Other non-bank commissions	**915**	904	1
Gross fee and commission income	**36 244**	36 533	(1)
Fee and commission expenditure	**(6 186)**	(5 802)**	7
– Transaction-related fees	**(1 430)**	(1 459)	(2)
– Commission paid	**(320)**	(318)	1
– Customer loyalty programmes	**(2 160)**	(1 982)**	9
– Cash sorting, handling and transportation charges	**(1 074)**	(955)	12
– Card and cheque book related	**(445)**	(488)	(9)
– Other	**(757)**	(600)	26
Total fee and commission income	**30 058**	30 731	(2)

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

** *Reclassification in the prior year of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty expense nature. Refer to pages 168 to 170.*

KEY DRIVERS

- FNB NIR declined 2%, reflecting the impact of the COVID-19 pandemic and lockdown, which resulted in a significant decrease in transaction volumes as well as lower customer growth exacerbated by strong fee and commission expenditure growth.
- FNB assisted customers by waiving SASwitch fees, granting rental relief on speedpoints and other devices and providing 1GB of free data to qualifying customers, which reduced NIR by R119 million. Pre-COVID-19, as part of the annual pricing review, FNB decreased certain fee categories as part of its ongoing pre-emptive strategies to improve its customer value proposition in the face of increasing competition. This, together with decreasing cash and ATM withdrawal penalty and other account fees, lowered NIR R410 million.
- FNB transaction volumes decreased 1%. Electronic volumes remained flat despite banking app volumes up 28%, and manual volumes decreased 9%. Branch and cash centre transaction volumes decreased 31% and 15%, respectively.

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

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

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

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

R million	Rental relief	Service fee relief	Other	Fee concessions	Total NIR reduction
Relief/concessions	60	44	47	410	561

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – DOWN 5%

R million	2020	2019	% change
Commissions, brokerage and cell captives	**1 626**	1 755	(7)
Insurance risk related income	**2 315**	2 373	(2)
– Insurance premiums received	**4 411**	3 744	18
– Reinsurance expenses	**(206)**	(153)	35
– Insurance benefits and claims paid	**(1 404)**	(1 095)	28
– Reinsurance recoveries	**100**	59	69
– Transfers to policyholder liabilities (gross)	**(640)**	(295)	>100
– Transfers from policyholder liabilities (reinsurance)	**54**	113	(52)
Total insurance income	**3 941**	4 128	(5)

KEY DRIVERS

- The 5% reduction in insurance income was mainly due to COVID-19 resulting in a reduction in new business sales and increased credit life claims provisions.
- Commissions, brokerage and cell captive income relates to income and results from all other insurance businesses and arrangements in the group entered into by WesBank, MotoVantage, FNB insurance brokers and the group's subsidiaries in the rest of Africa.
- Insurance-related income relates mainly to insurance business written on group licences. Insurance income was significantly impacted through increased death and credit life provisions resulting in a R340 million increase in incurred but not reported (IBNR) and outstanding claims provisions. R1.7 billion was raised to address future claims expectation. However, because FirstRand does not recognise the insurance margin asset (i.e. zeroing the negative liability) the recognition of the additional liability and any future release does not impact the income statement or balance sheet.
- Despite the significant reduction in new business sales, particularly for credit life policies, in force APE grew 7% with gross premiums increasing 18%, reflecting continued growth of the life insurance business.

NOTE 3 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 1%

R million	**2020**	2019	% change
Client	**2 493**	2 528	(1)
Markets	**2 854**	2 155	32
Aldermore fair value hedge	**(158)**	70	(>100)
Other	**(401)**	(18)	>100
Total markets, client and other fair value income	**4 788**	4 735	1

KEY DRIVERS

- Despite the tough operating environment, the markets and client activities delivered a strong performance.
- Client revenues were muted as the bond market-making portfolio benefited from increased activity, however, this was offset by an illiquid equities market.
- Rest of Africa foreign exchange (FX) was bolstered by a robust performance in Nigeria, which benefited from good margins on flows which arose through the London-Nigeria corridor pre-COVID-19. Post-COVID-19, flow volumes reduced, reflecting the impact of the reduction in the oil price on the oil-dependent Nigerian economy. Domestic flow activities, although affected by the poorly performing economy, showed growth in the second half of the year following increased market activity on the back of COVID-19. Domestic FX benefited from higher volumes due to market volatility. The business took advantage of hard commodity market movements and there was a strong credit trading performance.
- Aldermore incurred a loss of £8.1 million, compared to a the profit of £3.8 million in the prior year.
- The change in other fair value includes the negative mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instrument. Net total return swap (TRS) fair value income was negative year-on-year due to the decrease in the share price on the unhedged portion of the TRS.

Non-interest revenue continued

NOTE 4 – INVESTMENT INCOME – DOWN 14%

R million	2020	2019	% change
Private equity realisations and dividends received	**489**	390	25
– Profit on realisation of private equity investments	**486**	357	36
– Dividends received	**3**	1	>100
– Other private equity income	**–**	32	(100)
Other investment income	**46**	229	(80)
– (Loss)/profit on assets held against employee liabilities	**(192)**	59	(>100)
– Other investment income	**238**	170	40
Total investment income	**535**	619	(14)

KEY DRIVERS

- Private equity realisation income of R480 million during the year, including c.R10 million recognised in equity-accounted income (2019: c.R460 million, of which c.R110 million was recognised in equity-accounted income). New investments of R1.8 billion (2019: R1.2 billion) were made in the current year. The unrealised value in the portfolio was c.R3.3 billion at June 2020 (2019: R3.5 billion).
- The group's employee liability insurance (ELI) asset portfolio's performance declined R251 million, largely attributable to the unwind of the equity portfolio the fair value loss on the bond portfolio due to the decline in bond yields.
- Other investment income reflects gains on the sale of assets.

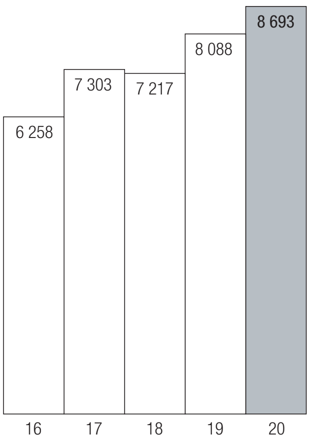
NOTE 5 – OTHER NON-INTEREST REVENUE – UP 13%

KEY DRIVERS

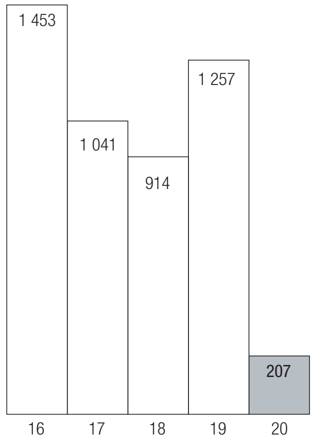
- The most significant other non-interest revenue items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank, in particular, showing strong growth in FML.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – DOWN 84%

INVESTMENT IN ASSOCIATES
AND JOINT VENTURES
R million



SHARE OF PROFITS FROM ASSOCIATES
AND JOINT VENTURES
R million



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

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

R million	2020	2019	% change
Private equity associates and joint ventures	**1 049**	966	9
– Equity-accounted income	**1 051**	969	8
– Reversals of impairments/(impairments)	**(2)**	(3)	(33)
Other operational associates and joint ventures	**(468)**	686	(>100)
– Toyota Financial Services (Pty) Ltd (TFS)	**(14)**	308	(>100)
– Volkswagen Financial Services (Pty) Ltd (VWFS)	**(100)**	23	(>100)
– RMB Morgan Stanley (Pty) Ltd	**148**	132	12
– Other*	**(502)**	223	(>100)
Share of profits from associates and joint ventures before tax	**581**	1 652	(65)
Tax on profits from associates and joint ventures	**(374)**	(395)	(5)
Share of profits from associates and joint ventures after tax	**207**	1 257	(84)

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

KEY DRIVERS

- The increase in equity-accounted income from the private equity portfolio stems from positive contributions made by older vintages and new investments.
- The results of WesBank's associates TFS and VWFS reflect the significant deterioration in the credit environment following COVID-19, in line with credit experience in group portfolios adjusted for their respective portfolio mix.
- RMB Morgan Stanley, although impacted by the poorly performing economy, benefited from additional volatility due to COVID-19.

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 01/2019 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	2020	2019	% change
RMB private equity division	**1 538**	1 356	13
Income from associates and joint ventures	**1 049**	966	9
– Equity-accounted income*	**1 051**	969	8
– Reversals of impairments/(impairments)*	**(2)**	(3)	(33)
Realisations and dividends**	**489**	358	37
Other private equity income**	**–**	32	(100)
Other business units	**(737)**	78	(>100)
Income from associates and joint ventures and other investments	**(591)**	72	(>100)
– Equity-accounted income*	**(143)**	39	(>100)
– Impairments*,#	**(493)**	(25)	>100
– Other investment income**	**45**	58	(22)
Consolidated other income#	**(146)**	6	(>100)
Private equity activities before tax	**801**	1 434	(44)
Tax on equity-accounted private equity investments	**(314)**	(207)	52
Private equity activities after tax	**487**	1 227	(60)

* *Refer to analysis of income from associates and joint ventures on page 77.*

** *Refer to investment income analysis on page 76.*

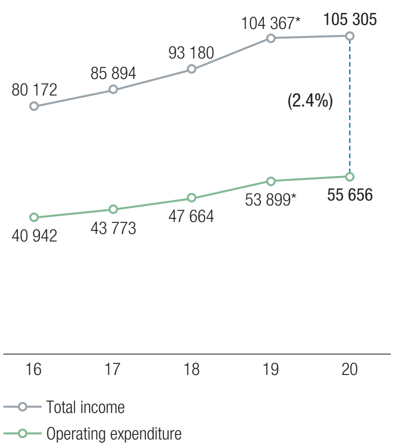
Included in NII, credit impairment charge and other NIR, depending on the underlying nature of the item.

Operating expenses

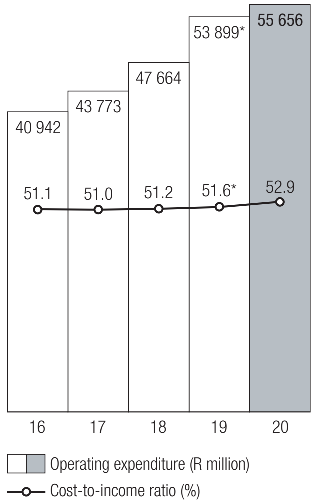
OPERATING EXPENSES – UP 3%

OPERATING JAWS

R million



OPERATING EFFICIENCY



* *Reclassification of R240 million relating to operating expenses incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the nature of the expense. Refer to pages 168 to 170.*

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

Operating expenses continued

OPERATING EXPENSES

R million	2020	2019	% change
Staff expenditure	**32 815**	32 339	1
– Direct staff expenditure	**25 322**	22 988*	10
– Other staff-related expenditure	**7 493**	9 351*	(20)
Depreciation of property and equipment	**4 110**	2 887	42
Amortisation of intangible assets	**836**	794	5
Advertising and marketing	**1 871**	2 126	(12)
Insurance	**91**	140	(35)
Lease charges	**530**	1 484**	(64)
Professional fees	**2 418**	2 314	4
Audit fees	**480**	436	10
Computer expenses	**3 334**	2 935	14
Repairs and maintenance	**1 320**	1 405	(6)
Telecommunications	**569**	509	12
Cooperation agreements and joint ventures	**508**	644	(21)
Property	**1 143**	1 056	8
Business travel	**414**	546	(24)
Assets costing less than R7 000	**346**	345	–
Stationery and printing	**170**	221	(23)
Donations	**309**	271	14
Loss on disposal group held for sale	**202**	–	>100
Legal fees	**618**	467	32
Other expenditure	**3 572**	2 980	20
Total operating expenses	**55 656**	53 899	3

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

** *Reclassification in the prior year of R240 million relating to costs incurred on SLOW lounges from operating expenses to fee and commission expenses, so as to better reflect the customer loyalty reward nature.* *Refer to pages 168 to 170.*

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	2020	2019	% change
IT-related staff cost	**4 581**	4 287	7
Non-staff IT-related costs	**7 077**	6 229	14
– Computer expenses	**3 334**	2 935	14
– Professional fees	**1 151**	1 012	14
– Repairs and maintenance	**451**	446	1
– Depreciation	**1 181**	917	29
– Amortisation of software	**364**	325	12
– Other	**596**	594	–
Total IT spend	**11 658**	10 516	11

KEY DRIVERS

- Cost growth of 3% reflects lower variable staff expenditure and focused cost management with continued investment in new initiatives, technology and platforms.
- Staff costs, which comprise 59% (2019: 60%) of the group's operating expenses, increased 1%.

	% CHANGE	REASONS
Direct staff costs	10	Impacted by unionised increases in South Africa in August 2019 at an average of 7.2%, as well as a 1% increase in staff complement across the group.
Other staff-related expenditure	(20)	Variable costs reflect the decline in earnings and, the group's measure of economic profit, net income after cost of capital (NIACC). Normalised share-based payment expenses declined, given the decrease in the group's share price and the share incentive scheme not vesting in the current year.

- The 42% increase in depreciation was driven by the adoption of IFRS 16 (refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019), which increased the depreciation charge for the year by c.R920 million. In addition, strong growth in WesBank's FML book, including a significant deal concluded during the year, increased the depreciation charge by c.R185 million.
- The 5% increase in amortisation of intangible assets is due to software capitalisation across the operating businesses.
- The reduced lease charges reflect the revised accounting treatment of operating lease costs following the adoption of IFRS 16, refer above, which partly drove the growth in depreciation.
- The increase in professional fees of 4% follows on increased technology-related projects, which also drive the increase in computer expenses.
- The increase in audit fees reflects inflation, scope increases and special projects.
- Computer expenses grew 14% due to increased licence fees and continued spend on projects related to various electronic platforms, cybersecurity, networks and credit-related reporting upgrades across the group.
- Cooperation agreements and joint venture costs decreased 21%, affected by the ongoing migration of Discovery cards and weaker performance in WesBank's underlying alliances.
- The 14% increase in donations reflects the group's R42 million contribution to the FirstRand SA Pandemic Intervention and Relief Effort (SPIRE) initiative and various other corporate social investment related initiatives across the group.
- The strong growth in legal fees is due to higher debt collection fees as a result of focused collection activities.
- Other expenses include various items, such as provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions and memberships.

COVID-19 costs

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

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

These interventions resulted in additional costs of R172 million.

In addition, immediately after the commencement of lockdown, FirstRand and some of its African subsidiaries established relief funds, which were funded partly by the FirstRand foundations (R75 million) and partly by the group (R40 million).

BALANCE SHEET ANALYSIS AND 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 market liquidity, and reduce reliance on institutional funding.

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 72% of total assets. The composition of the gross advances portfolio consists of SA retail secured (25%), SA retail unsecured (7%), SA corporate and commercial (33%), UK retail and commercial (25%) and rest of Africa and other (10%). At June 2020, the group reported total NPLs of R57 281 million (4.37% as a percentage of advances) and a credit loss ratio of 191 bps.

Cash and cash equivalents, and liquid assets represent 8% and 14%, respectively, of total assets. The group's equity investments relate primarily to RMB's private equity activities. Risks relating to trading exposures represented 6% of group RWA.

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

The group remained appropriately capitalised with a CET1 ratio of 11.5%, Tier 1 ratio of 12.1% and total capital adequacy ratio of 14.5%. Gearing increased to 13.4 times (2019: 13.0 times) driven by 12.5% growth in average total assets, reflecting a significant increase in derivative assets.

ECONOMIC VIEW OF THE BALANCE SHEET

* *As a proportion of gross advances.*

** *Based on advances originated in MotoNovo, Aldermore and the London Branch.*

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

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

‡ *As a proportion of deposits.*

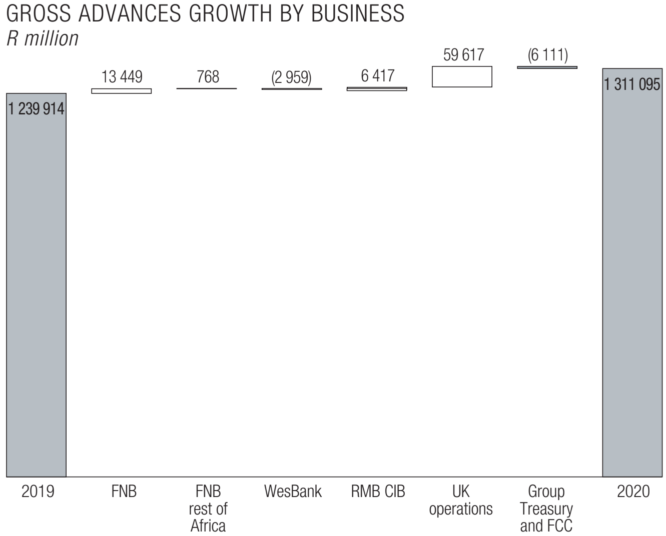
^ *Consists of liabilities relating to conduits and securitisations.*

◊ *Deposits raised in Aldermore and Guernsey Branch.*

§ *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.

Gross advances – up 6%



ADVANCES

R million	2020	2019	% change
Gross advances	**1 311 095**	1 239 914	6
Impairment of advances	**(49 380)**	(34 162)	45
Net advances	**1 261 715**	1 205 752	5

Gross advances increased 6% (net advances were up 5%), and were negatively affected by a decrease of 46% in repo advances in RMB CIB. Excluding repos, gross advances grew 7%. The weakening of the rand against the pound and dollar increased advances growth significantly. Excluding the currency impact of the UK operations and the RMB cross-border book, gross advances grew 1%.

Credit

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances					
	As at 30 June					
				2020		
R million	2020	2019	% change	Stage 1	Stage 2	Stage 3
SA retail	**417 234**	408 698	2	**345 626**	**36 386**	**35 222**
Retail – secured	**328 418**	323 306	2	**280 024**	**26 478**	**21 916**
Residential mortgages	**224 404**	217 164	3	**197 845**	**14 897**	**11 662**
WesBank VAF	**104 014**	106 142	(2)	**82 179**	**11 581**	**10 254**
Retail – unsecured	**88 816**	85 392	4	**65 602**	**9 908**	**13 306**
FNB card	**30 210**	28 115	7	**24 352**	**2 183**	**3 675**
Personal loans	**41 874**	39 369	6	**28 371**	**6 079**	**7 424**
– FNB	**23 412**	23 357	–	**15 850**	**3 273**	**4 289**
– DirectAxis	**16 134**	16 012	1	**10 193**	**2 806**	**3 135**
– COVID-19 relief	**2 328**	–	–	**2 328**	**–**	**–**
Retail other	**16 732**	17 908	(7)	**12 879**	**1 646**	**2 207**
SA corporate and commercial	**484 222**	476 906	2	**426 705**	**46 478**	**11 039**
FNB commercial	**107 916**	105 131	3	**92 641**	**8 245**	**7 030**
– FNB commercial	**107 571**	105 131	2	**92 333**	**8 208**	**7 030**
– SME government-guaranteed loan scheme	**345**	–	–	**308**	**37**	**–**
WesBank corporate	**27 114**	27 945	(3)	**24 385**	**1 855**	**874**
RMB investment banking*,**	**260 727**	268 743	(3)	**229 812**	**28 633**	**2 282**
– Lending	**252 542**	261 809	(4)	**224 814**	**25 479**	**2 249**
– Loans to private equity investee companies	**8 185**	6 934	18	**4 998**	**3 154**	**33**
RMB corporate banking*,**	**68 445**	57 932	18	**59 847**	**7 745**	**853**
HQLA corporate advances#	**20 020**	17 155	17	**20 020**	**–**	**–**
Rest of Africa	**66 380**	64 557	3	**57 210**	**4 973**	**4 197**
FNB	**55 868**	55 100	1	**47 560**	**4 111**	**4 197**
RMB (corporate and investment banking)**	**10 512**	9 457	11	**9 650**	**862**	**–**
FCC (including Group Treasury)	**37 013**	43 124	(14)	**36 825**	**45**	**143**
Securitisation notes	**26 419**	27 854	(5)	**26 419**	**–**	**–**
Discovery card	**–**	4 328	(100)	**–**	**–**	**–**
Other	**10 594**	10 942	(3)	**10 406**	**45**	**143**
Total advances excluding UK operations	**1 004 849**	993 285	1	**866 366**	**87 882**	**50 601**
UK operations (£ million)	**14 293**	13 716	4	**12 376**	**1 607**	**310**
Aldermore retail	**7 360**	6 808	8	**6 535**	**674**	**151**
Aldermore commercial	**3 347**	3 471	(4)	**2 715**	**560**	**72**
Total MotoNovo	**3 586**	3 437	4	**3 126**	**373**	**87**
– MotoNovo VAF (back book)	**1 693**	3 034	(44)	**1 370**	**250**	**73**
– MotoNovo VAF (front book)	**1 879**	370	>100	**1 743**	**122**	**14**
– MotoNovo loans (back book)	**14**	33	(58)	**13**	**1**	**–**
UK operations (R million)	**306 246**	246 629	24	**265 147**	**34 419**	**6 680**
Total advances including UK operations†	**1 311 095**	1 239 914	6	**1 131 513**	**122 301**	**57 281**
Total advances excluding currency impact of UK operations and RMB cross-border‡	**1 250 859**	1 239 914	1	**1 079 906**	**114 746**	**56 206**
Of which:						
Accrual book	**1 240 659**	1 159 642	7	**1 065 670**	**117 896**	**57 093**
Fair value book	**70 436**	80 272	(12)	**65 843**	**4 405**	**188**

Advances			
As at 30 June			
2019			**% composition 2020**
Stage 1	Stage 2	Stage 3	
356 901	25 919	25 878	**32**
287 433	20 092	15 781	**25**
198 373	10 153	8 638	**17**
89 060	9 939	7 143	**8**
69 468	5 827	10 097	**7**
24 321	1 522	2 272	**3**
30 244	3 282	5 843	**3**
18 036	1 900	3 421	**2**
12 208	1 382	2 422	**1**
–	–	–	**–**
14 903	1 023	1 982	**1**
435 432	33 509	7 965	**37**
92 092	8 483	4 556	**8**
92 092	8 483	4 556	**8**
–	–	–	**–**
25 875	1 546	524	**2**
249 553	16 646	2 544	**20**
245 390	13 961	2 458	**19**
4 163	2 685	86	**1**
50 757	6 834	341	**5**
17 155	–	–	**2**
56 847	3 746	3 964	**5**
47 627	3 511	3 962	**4**
9 220	235	2	**1**
42 778	209	137	**3**
27 854	–	–	**2**
4 026	165	137	**–**
10 898	44	–	**1**
891 958	63 383	37 944	**77**
12 250	1 277	189	
5 922	809	77	
3 146	274	51	
3 182	194	61	
2 782	192	60	
368	1	1	
32	1	–	
220 261	22 963	3 405	**23**
1 112 219	86 346	41 349	**100**
1 112 219	86 346	41 349	
1 033 119	85 547	40 976	**95**
79 100	799	373	**5**

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

** *Corporate and investment banking including HQLA advances total R359 704 million (2019: R353 287 million).*

\# *Managed by the Group Treasurer.*

† *Included in advances are repo advances of R26 964 million (2019: R45 315 million).*

‡ *If the exchange rate had remained unchanged from 30 June 2019.*

Credit continued

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

	Advances			
	As at 30 June			
R million	2020	2019	% change	% com-position 2020
Corporate and investment banking advances*	**359 704**	353 287	2	**100**
Less: assets under agreement to resell	**(22 223)**	(41 117)	(46)	**(6)**
RMB advances net of assets under agreement to resell	**337 481**	312 170	8	**94**

* *Include rest of Africa advances and HQLA.*

RMB CORE ADVANCES

	Advances		
	As at 30 June		
R million	2020	2019	% change
RMB investment banking	**260 727**	268 743	(3)
Less: assets under agreements to resell	**(21 316)**	(40 464)	(47)
RMB investment banking core advances	**239 411**	228 279	5
RMB corporate banking	**68 445**	57 932	18
Less: assets under agreements to resell	**(907)**	(653)	39
RMB corporate banking core advances	**67 538**	57 279	18

CIB ADVANCES BREAKDOWN

	Advances			
	As at 30 June			
R million	**2020**	2019	% change	**% composition 2020**
RMB investment banking core advances	**239 411**	228 279	5	**71**
– South Africa	**199 912**	198 998	–	**59**
– Cross-border (rest of Africa) – $ million	**2 276**	2 072	10	**–**
– Cross-border (rest of Africa)	**39 499**	29 281	35	**12**
HQLA corporate advances*	**20 020**	17 155	17	**6**
RMB corporate banking core advances	**67 538**	57 279	18	**20**
– South Africa	**47 680**	43 357	10	**14**
– Cross-border (rest of Africa) – $ million	**1 144**	985	16	**–**
– Cross-border (rest of Africa)	**19 858**	13 922	43	**6**
RMB rest of Africa (in-country)	**10 512**	9 457	11	**3**
CIB total core advances	**337 481**	312 170	8	**100**
CIB total lending advances	**329 296**	305 236	8	**98**
CIB shareholder loans to private equity investing companies	**8 185**	6 934	18	**2**
CIB total core advances	**337 481**	312 170	8	**100**
CIB core advances – South Africa**	**267 612**	259 510	3	**79**
CIB core advances – rest of Africa[#]	**69 869**	52 660	33	**21**
CIB total core advances	**337 481**	312 170	8	**100**
Total advances excluding currency impact of RMB cross-border[†]	**48 336**	43 203	12	

* *Managed by the Group Treasurer.*

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

[#] *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances, RMB CB cross-border core advances and RMB rest of Africa in-country advances.*

[†] *If the exchange rate had remained at the prior year exchange rate.*

Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			
R million	**2020**	2019	% change	**% composition 2020**
Sector analysis				
Agriculture	**45 598**	43 718	4	**3**
Banks	**16 439**	21 830	(25)	**1**
Financial institutions*	**157 250**	170 980	(8)	**12**
Building and property development	**76 619**	67 051	14	**6**
Government, Land Bank and public authorities	**22 862**	25 667	(11)	**2**
Individuals	**655 763**	605 686	8	**50**
Manufacturing and commerce	**141 949**	136 377	4	**11**
Mining	**24 535**	12 324	99	**2**
Transport and communication	**32 340**	31 257	3	**2**
Other services	**137 740**	125 024	10	**11**
Total advances including UK operations	**1 311 095**	1 239 914	6	**100**
Geographical analysis				
South Africa	**853 596**	858 018	(1)	**65**
Rest of Africa	**113 038**	103 302	9	**9**
UK	**316 360**	251 471	26	**24**
Other Europe	**13 919**	15 870	(12)	**1**
North America	**6 052**	1 378	>100	**–**
South America	**3**	178	(98)	**–**
Australasia	**152**	528	(71)	**–**
Asia	**7 975**	9 169	(13)	**1**
Total advances including UK operations	**1 311 095**	1 239 914	6	**100**

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

LENDING TO ENERGY AND FOSSIL FUEL SECTORS

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

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

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

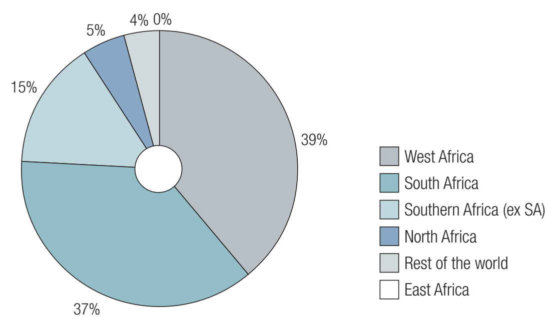
The group's origination focus on fossil fuels has shifted to a greater emphasis on natural gas, which is seen to be a more environmentally friendly fossil fuel along with renewables.

Renewable energy remains a key focus for the group, and RMB is actively looking for opportunities in this space, both in South Africa and other African markets.

	2020		2019	
R million	**Drawn exposure**	**% of total group loans**	Drawn exposure	% of total group loans
Upstream oil and gas*	**6 703**	**0.5%**	4 579	0.4%
Downstream oil and gas	**8 482**	**0.6%**	6 156	0.5%
Thermal coal mines	**1 435**	**0.1%**	488	0.0%
Fossil fuels excluding natural gas	**16 620**	**1.3%**	11 223	0.9%
Natural gas	**3 093**	**0.2%**	1 334	0.1%
Total fossil fuels	**19 713**	**1.5%**	12 557	1.0%
Solar	**9 540**	**0.7%**	9 448	0.8%
Wind	**4 913**	**0.4%**	2 410	0.2%
Hydro	**166**	**0.0%**	169	0.0%
Other renewable energy	**3 240**	**0.2%**	2 458	0.2%
Total renewable energy	**17 859**	**1.4%**	14 485	1.2%
Electric utilities	**8 723**	**0.7%**	8 395	0.7%

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

FOSSIL FUEL EXPOSURE PER REGION



For more detailed climate risk disclosures, please refer to the report to society on the group's website, www.firstrand.co.za.

Credit continued

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

Given the level of relief provided as a consequence of COVID-19, the tables that follow split the advances and credit impairment provisions across those clients whom have taken relief and those whom have not.

		Stage of underlying gross advance		
R million	**Underlying gross advance**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	**352 043**	**288 027**	**30 704**	**33 312**
Residential mortgages	**192 624**	**169 413**	**11 838**	**11 373**
WesBank VAF	**87 297**	**67 252**	**9 920**	**10 125**
FNB card	**25 355**	**19 991**	**1 959**	**3 405**
Personal loans	**19 105**	**12 674**	**2 715**	**3 716**
DirectAxis loans	**14 032**	**8 481**	**2 735**	**2 816**
Retail other	**13 630**	**10 216**	**1 537**	**1 877**

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	**Underlying gross advances**	**Stage 1**	**Stage 2**	**Stage 3/ NPLs**
Retail	**65 191**	**57 599**	**5 682**	**1 910**
Residential mortgages	**31 780**	**28 432**	**3 059**	**289**
WesBank VAF	**16 717**	**14 927**	**1 661**	**129**
FNB card	**4 855**	**4 361**	**224**	**270**
Personal loans	**4 307**	**3 176**	**558**	**573**
Personal loans – COVID-19 relief*	**2 328**	**2 328**	**–**	**–**
DirectAxis loans	**2 102**	**1 712**	**71**	**319**
Retail other	**3 102**	**2 663**	**109**	**330**
Total retail advance	**417 234**	**345 626**	**36 386**	**35 222**

* *Coverage based on EAD.*

Balance sheet impairments		Coverage		
Performing	Stage 3	Performing coverage	Stage 3	Total coverage
7 566	15 143	2.37	45.5	68.2
1 190	2 395	0.66	21.1	31.5
1 499	3 955	1.94	39.1	53.9
1 140	2 620	5.19	77.0	110.4
1 284	2 592	8.34	69.8	104.3
1 216	2 093	10.84	74.3	117.5
1 237	1 488	10.52	79.3	145.2

Balance sheet impairments		Coverage			Liquidity facility	
Performing	Stage 3	Performing coverage	Stage 3	Total coverage	Utilised	Committed undrawn
2 252	853	3.56	44.7	162.6	2 328	1 502
318	13	1.01	4.5	114.5	425	252
384	23	2.31	17.8	315.5	267	165
339	102	7.39	37.8	163.3	543	382
379	369	10.15	64.4	130.5	395	243
202	–	16.49	–	–	–	–
246	178	11.33	55.8	119.1	112	67
384	168	8.87	50.9	125.5	586	393
9 818	15 996	2.57	45.4	73.3		

Credit continued

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance			Balance sheet impairments	
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs	Performing	Stage 3
FNB commercial	85 050	71 063	7 382	6 605	2 384	3 194
Overdrafts	19 187	13 703	3 285	2 199	1459	1 823
Agriculture	31 406	27 710	1 684	2 012	230	469
Asset-based finance	8 821	7 790	575	456	99	169
Specialised finance	6 356	5 507	585	264	176	146
Commercial property finance	14 945	12 985	729	1 231	162	283
Other	4 335	3 368	524	443	258	304
WesBank corporate	19 148	16 480	1 794	874	167	281
Total commercial	104 198	87 543	9 176	7 479	2 551	3 475

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance			Balance sheet impairments	
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs	Performing	Stage 3
FNB commercial	22 866	21 578	863	425	349	101
Overdrafts	1 583	1 538	21	24	70	13
Agriculture	1 606	1 573	17	16	31	4
Asset-based finance	3 985	3 946	39	–	53	–
Specialised finance	3 024	2 825	50	149	51	34
Commercial property finance	12 304	11 509	559	236	134	50
Other	364	187	177	–	10	–
WesBank corporate	7 966	7 905	61	–	58	–
Total commercial	30 832	29 483	924	425	407	101
Add Total	135 030	117 026	10 100	7 904	2 958	3 576

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

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

2.33	45.2	82.7

Credit continued

CIB ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
CIB	**294 081**	**265 527**	**27 392**	**1 162**
RMB investment banking – lending	238 070	216 765	20 733	572
RMB corporate banking	56 011	48 762	6 659	590

CIB ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
CIB	**55 111**	**44 152**	**8 986**	**1 973**
RMB investment banking – Lending	42 677	33 067	7 900	1 710
RMB corporate banking	12 434	11 085	1 086	263
Total CIB	**349 192**	**309 679**	**36 378**	**3 135**

REST OF AFRICA ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Rest of Africa	**59 765**	**50 786**	**4 783**	**4 196**
FNB	52 225	43 921	4 108	4 196
RMB	7 540	6 865	675	–

REST OF AFRICA ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
Rest of Africa	**6 615**	**6 424**	**190**	**1**
FNB	3 643	3 639	3	1
RMB	2 972	2 785	187	–
Total rest of Africa	**66 380**	**57 210**	**4 973**	**4 197**

	Balance sheet impairments		Coverage		
	Performing	**Stage 3**	**Performing coverage**	**Stage 3**	**Total coverage**
	4 783	578	1.63	49.7	461.4
	4 086	345	1.72	60.3	774.7
	697	233	1.26	39.5	157.6

	Balance sheet impairments		Coverage		
	Performing	**Stage 3**	**Performing coverage**	**Stage 3**	**Total coverage**
	1 144	–	2.15	–	58.0
	871	–	2.13	–	50.9
	273	–	2.24	–	103.8
	5 927	578	1.71	18.44	207.5

	Balance sheet impairments		Coverage		
	Performing	**Stage 3**	**Performing coverage**	**Stage 3**	**Total coverage**
	1 861	2 644	3.35	63.0	107.4
	1 636	2 644	3.41	63.0	102.0
	225	–	2.98	–	–

	Balance sheet impairments		Coverage		
	Performing	**Stage 3**	**Performing coverage**	**Stage 3**	**Total coverage**
	127	1	1.92	100.0	>1000
	43	1	1.18	100.0	>1000
	84	–	2.83	–	–
	1 988	2 645	3.20	63.0	110.4

Credit continued

UK OPERATIONS ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
UK operations	**234 357**	**207 208**	**22 350**	**4 799**
Aldermore retail	119 412	107 948	9 280	2 184
Aldermore commercial	67 343	59 579	6 214	1 550
Total MotoNovo	47 602	39 681	6 856	1 065

UK OPERATIONS ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advance		
R million	Underlying gross advance	Stage 1	Stage 2	Stage 3/ NPLs
UK operations	**71 889**	**57 939**	**12 069**	**1 881**
Aldermore retail	38 274	32 049	5 171	1 054
Aldermore commercial	9 500	7 406	1 764	330
Total MotoNovo	24 115	18 484	5 134	497

Total UK operations	306 246	265 147	34 419	6 680

Balance sheet impairments		Coverage		
Performing	Stage 3	Performing coverage	Stage 3	Total coverage
2 046	1 358	0.89	28.3	70.9
243	297	0.21	13.6	24.7
1 127	676	1.71	43.6	116.3
676	385	1.45	36.2	99.6

Balance sheet impairments		Coverage		
Performing	Stage 3	Performing coverage	Stage 3	Total coverage
1 253	338	1.79	18.0	84.6
91	86	0.24	8.2	16.8
803	130	8.76	39.4	282.7
359	122	1.52	24.6	96.6
3 299	1 696	1.10	25.4	74.8

Credit continued

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

R million	Operational stage 3/NPLs*	Technical cures	Lengthening of write-off point	Paying restructured debt-review stage 3/NPLs	Loans under COVID-19 relief in stage 3
June 2020					
Residential mortgages	**8 188**	**2 390**	**–**	**795**	**289**
FNB card	**1 680**	**28**	**1 207**	**490**	**270**
FNB personal loans	**1 438**	**149**	**1 817**	**312**	**573**
DirectAxis loans	**1 629**	**90**	**797**	**300**	**319**
Retail other	**893**	**52**	**468**	**464**	**330**
FNB retail NPLs	**13 828**	**2 709**	**4 289**	**2 361**	**1 781**
WesBank VAF	**7 542**	**939**	**–**	**1 644**	**129**
Total retail NPLs	**21 370**	**3 648**	**4 289**	**4 005**	**1 910**

R million	Operational stage 3/NPLs*	Technical cures	Lengthening of write-off point	Paying restructured debt-review stage 3/NPLs	Loans under COVID-19 relief in stage 3
June 2019					
Residential mortgages	5 611	2 477	–	550	
FNB card	1 297	16	745	214	
FNB personal loans	1 074	229	1 660	458	
DirectAxis loans	959	87	494	882	
Retail other	952	53	694	283	
FNB retail NPLs	9 893	2 862	3 593	2 387	
WesBank VAF	4 448	1 405	–	1 290	
Discovery card	86	3	–	48	
Total retail NPLs	14 427	4 270	3 593	3 725	

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

	Total stage 3/NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/NPLs	Lengthening of write-off point as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3 as a % of total stage 3/NPLs
	11 662	**35**	**46**	**20**	**–**	**7**	**2**
	3 675	**62**	**30**	**1**	**33**	**13**	**7**
	4 289	**25**	**34**	**3**	**42**	**7**	**13**
	3 135	**29**	**70**	**3**	**25**	**10**	**10**
	2 207	**11**	**(6)**	**2**	**21**	**21**	**15**
	24 968	**33**	**40**	**11**	**17**	**9**	**7**
	10 254	**44**	**70**	**9**	**–**	**16**	**1**
	35 222	**35**	**48**	**10**	**12**	**11**	**5**

	Total stage 3/NPLs	Total stage 3/NPLs % increase since 1 July 2018	Operational stage 3/NPLs % change since 1 July 2018	Technical cures as a % of stage 3/NPLs	Lengthening of write-off point as a % of stage 3/NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs
	8 638	9	8	29	–	6
	2 272	>100	94	1	33	9
	3 421	>100	33	7	49	13
	2 422	29	(2)	4	20	36
	1 982	89	24	3	35	14
	18 735	40	18	15	19	13
	7 143	4	5	20	–	18
	137	(3)	(11)	2	–	35
	26 015	23	15	16	14	14

Credit continued

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

	Total portfolio impairments				
	As at 30 June				
				2020	
R million	**2020**	2019	% change	**Stage 1**	**Stage 2**
Portfolio impairments					
SA retail	**9 818**	7 285	35	**4 817**	**5 001**
Retail – secured	**3 391**	2 809	21	**1 306**	**2 085**
Residential mortgages	**1 508**	870	73	**731**	**777**
Wesbank VAF	**1 883**	1 939	(3)	**575**	**1 308**
Retail – unsecured	**6 427**	4 476	44	**3 511**	**2 916**
FNB card	**1 479**	902	64	**917**	**562**
Personal loans	**3 465**	2 386	45	**1 812**	**1 653**
– FNB	**1 663**	1 367	22	**791**	**872**
– DirectAxis	**1 418**	1 019	39	**637**	**781**
– COVID-19 relief	**384**	–	–	**384**	**–**
Retail other	**1 483**	1 188	25	**782**	**701**
SA corporate and commercial	**8 885**	4 777	86	**3 266**	**5 619**
FNB commercial	**2 733**	1 509	81	**1 394**	**1 339**
– FNB commercial	**2 685**	1 509	81	**1 350**	**1 335**
– SME government-guaranteed loan scheme	**48**	–	–	**44**	**4**
WesBank corporate	**225**	159	42	**114**	**111**
RMB investment banking*	**4 957**	2 514	97	**1 435**	**3 522**
– Lending	**3 180**	1 720	85	**1 341**	**1 839**
– Loans to private equity investee companies	**1 777**	794	>100	**94**	**1 683**
RMB corporate banking*	**970**	595	63	**323**	**647**
HQLA corporate advances	**–**	–	–	**–**	**–**
Rest of Africa	**1 988**	1 611	23	**1 007**	**981**
FNB	**1 679**	1 372	22	**907**	**772**
RMB (corporate and investment banking)	**309**	239	29	**100**	**209**
FCC (including Group Treasury)	**717**	762	(6)	**565**	**152**
Securitisation notes	**20**	22	(9)	**20**	**–**
Discovery card	**–**	112	(100)	**–**	**–**
Other	**697**	628	11	**545**	**152**
Total portfolio impairments excluding UK operations	**21 408**	14 435	48	**9 655**	**11 753**
UK operations	**3 299**	1 232	>100	**1 680**	**1 619**
Aldermore retail	**334**	138	>100	**171**	**163**
Aldermore commercial	**1 035**	322	>100	**564**	**471**
Total MotoNovo	**1 930**	772	>100	**945**	**985**
– MotoNovo VAF (back book)	**839**	667	26	**295**	**544**
– MotoNovo VAF (front book)	**1 063**	72	>100	**626**	**437**
– MotoNovo loans (back book)	**28**	33	(15)	**24**	**4**
Total portfolio impairments including UK operations	**24 707**	15 667	58	**11 335**	**13 372**

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

Total portfolio impairments							
As at 30 June		Performing book coverage ratios (% of performing advances)					
2019		As at 30 June					
Stage 1	Stage 2	**Stage 1**	**Stage 2**	**2020**	Stage 1	Stage 2	2019
3 686	3 599	**1.39**	**13.74**	**2.57**	1.03	13.89	1.90
992	1 817	**0.47**	**7.87**	**1.11**	0.35	9.04	0.91
360	510	**0.37**	**5.22**	**0.71**	0.18	5.02	0.42
632	1 307	**0.70**	**11.29**	**2.01**	0.71	13.15	1.96
2 694	1 782	**5.35**	**29.43**	**8.51**	3.88	30.58	5.94
555	347	**3.77**	**25.74**	**5.57**	2.28	22.80	3.49
1 415	971	**6.39**	**27.19**	**10.06**	4.68	29.59	7.12
857	510	**4.99**	**26.64**	**8.70**	4.75	26.84	6.86
558	461	**6.25**	**27.83**	**10.91**	4.57	33.36	7.50
–	–	**16.49**	**–**	**16.49**	–	–	–
724	464	**6.07**	**42.59**	**10.21**	4.86	45.36	7.46
2 104	2 673	**0.77**	**12.09**	**1.88**	0.48	7.98	1.02
733	776	**1.50**	**16.24**	**2.71**	0.80	9.15	1.50
733	776	**1.46**	**16.26**	**2.67**	0.80	9.15	1.50
–	–	**14.29**	**10.81**	**13.91**	–	–	–
92	67	**0.47**	**5.98**	**0.86**	0.36	4.33	0.58
1 048	1 466	**0.62**	**12.30**	**1.92**	0.42	8.81	0.94
1 005	715	**0.60**	**7.22**	**1.27**	0.41	5.12	0.66
43	751	**1.88**	**53.36**	**21.80**	1.03	27.97	11.59
231	364	**0.54**	**8.35**	**1.44**	0.46	5.33	1.03
–	–	**–**	**–**	**–**	–	–	–
807	804	**1.76**	**19.73**	**3.20**	1.42	21.46	2.66
630	742	**1.91**	**18.78**	**3.25**	1.32	21.13	2.68
177	62	**1.04**	**24.25**	**2.94**	1.92	26.38	2.53
574	188	**1.53**	**337.78**	**1.94**	1.34	89.95	1.77
22	–	**0.08**	**–**	**0.08**	0.08	–	0.08
76	36	**–**	**–**	**–**	1.89	21.82	2.67
476	152	**5.24**	**337.78**	**6.67**	4.37	345.45	5.74
7 171	7 264	**1.11**	**13.37**	**2.24**	0.80	11.46	1.51
745	487	**0.63**	**4.70**	**1.10**	0.34	2.12	0.51
89	49	**0.12**	**1.13**	**0.22**	0.08	0.34	0.11
213	109	**0.97**	**3.93**	**1.48**	0.38	2.21	0.52
443	329	**1.41**	**12.35**	**2.57**	0.77	9.41	1.27
348	319	**1.01**	**10.16**	**2.42**	0.70	9.22	1.25
70	2	**1.68**	**16.71**	**2.66**	1.06	15.38	1.09
25	8	**8.36**	**36.36**	**9.40**	4.54	36.36	5.76
7 916	7 751	**1.00**	**10.93**	**1.97**	0.71	8.98	1.31

Credit continued

NOTE 3: ANALYSIS OF STAGE 3/NPLS

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs As at 30 June		
R million	2020	2019	% change
SA retail	**35 222**	25 878	36
Retail – secured	**21 916**	15 781	39
Residential mortgages	**11 662**	8 638	35
WesBank VAF	**10 254**	7 143	44
Retail – unsecured	**13 306**	10 097	32
FNB card	**3 675**	2 272	62
Personal loans	**7 424**	5 843	27
– FNB	**4 289**	3 421	25
– DirectAxis	**3 135**	2 422	29
– COVID-19 relief	**–**	–	–
Retail other	**2 207**	1 982	11
SA corporate and commercial	**11 039**	7 965	39
FNB commercial	**7 030**	4 556	54
– FNB commercial	**7 030**	4 556	54
– SME government-guaranteed loan scheme	**–**	–	–
WesBank corporate	**874**	524	67
RMB investment banking*	**2 282**	2 544	(10)
– Lending	**2 249**	2 458	(9)
– Loans to private equity investee companies	**33**	86	(62)
RMB corporate banking*	**853**	341	>100
HQLA corporate advances**	**–**	–	–
Rest of Africa	**4 197**	3 964	6
FNB	**4 197**	3 962	6
RMB (corporate and investment banking)	**–**	2	(100)
FCC (including Group Treasury)	**143**	137	4
Securitisation notes	**–**	–	–
Discovery card	**–**	137	(100)
Other	**143**	–	–
Total stage 3/NPLs excluding UK operations	**50 601**	37 944	33
UK operations	**6 680**	3 405	96
Aldermore retail	**3 238**	1 413	>100
Aldermore commercial	**1 562**	899	74
Total MotoNovo	**1 880**	1 093	72
– MotoNovo VAF (back book)	**1 574**	1 078	46
– MotoNovo VAF (new book)	**296**	10	>100
– MotoNovo loans (back book)	**10**	5	100
Total stage 3/NPLs including UK operations	**57 281**	41 349	39
Of which:			
Accrual book	**57 093**	40 976	39
Fair value book	**188**	373	(50)

% composition 2020	Stage 3/NPLs as % of advances As at 30 June 2020	2019
61	8.44	6.33
39	6.67	4.88
21	5.20	3.98
18	9.86	6.73
22	14.98	11.82
6	12.16	8.08
12	17.73	14.84
7	18.32	14.65
5	19.43	15.13
–	–	–
4	13.19	11.07
19	2.28	1.67
12	6.51	4.33
12	6.54	4.33
–	–	–
2	3.22	1.88
4	0.88	0.95
4	0.89	0.94
–	0.40	1.24
1	1.25	0.59
–	–	–
7	6.32	6.14
7	7.51	7.19
–	–	0.02
–	0.39	0.32
–	–	–
–	–	3.17
–	1.35	–
87	5.04	3.82
13	2.18	1.38
6	2.05	1.15
3	2.18	1.44
4	2.45	1.77
3	4.34	1.98
1	0.74	0.15
–	3.25	0.87
100	4.37	3.33
100	4.60	3.53
–	0.27	0.46

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

** *Managed by the Group Treasurer.*

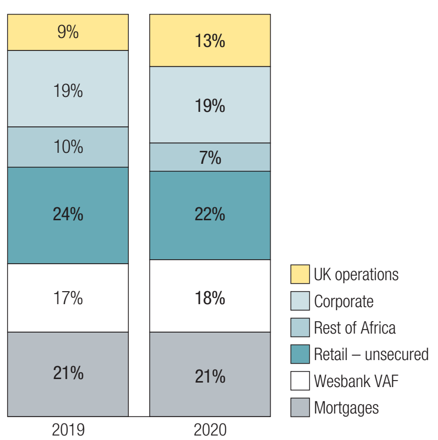
Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

R million	Stage 3/NPLs As at 30 June 2020	Stage 3/NPLs As at 30 June 2019	% change	% composition 2020	Stage 3/NPLs as % of advances As at 30 June 2020	Stage 3/NPLs as % of advances As at 30 June 2019
Sector analysis						
Agriculture	**2 909**	2 393	22	**5**	**6.38**	5.47
Financial institutions*	**306**	446	(31)	**1**	**0.19**	0.26
Building and property development	**2 418**	1 807	34	**4**	**3.16**	2.69
Government, Land Bank and public authorities	**1 192**	85	>100	**2**	**5.21**	0.33
Individuals	**40 001**	28 712	39	**70**	**6.10**	4.74
Manufacturing and commerce	**3 977**	3 872	3	**7**	**2.80**	2.84
Mining	**137**	556	(75)	**–**	**0.56**	4.51
Transport and communication	**1 216**	594	>100	**2**	**3.76**	1.90
Other services	**5 125**	2 884	78	**9**	**3.72**	2.31
Total stage 3/NPLs including UK operations	**57 281**	41 349	39	**100**	**4.37**	3.33
Geographical analysis						
South Africa	**46 155**	33 245	39	**80**	**5.41**	3.87
Rest of Africa	**4 356**	4 232	3	**8**	**3.85**	4.10
UK	**6 680**	3 405	96	**12**	**2.11**	1.35
Other Europe	**1**	–	–	**–**	**0.01**	–
Australasia	**–**	402	(100)	**–**	**–**	76.14
Asia	**89**	65	37	**–**	**1.12**	0.71
Total stage 3/NPLs including UK operations	**57 281**	41 349	39	**100**	**4.37**	3.33

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

NPL DISTRIBUTION



SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

R million	As at 30 June 2020			As at 30 June 2019		
	Stage 3/ NPLs	**Security held and expected recoveries**	**Specific impairment**	Stage 3/ NPLs	Security held and expected recoveries	Specific impairment
SA retail	**35 222**	**19 226**	**15 996**	25 878	14 076	11 802
Retail – secured	**21 916**	**15 530**	**6 386**	15 781	11 693	4 088
Residential mortgages	**11 662**	**9 254**	**2 408**	8 638	6 967	1 671
WesBank VAF	**10 254**	**6 276**	**3 978**	7 143	4 726	2 417
Retail – unsecured	**13 306**	**3 696**	**9 610**	10 097	2 383	7 714
FNB card	**3 675**	**953**	**2 722**	2 272	524	1 748
Personal loans	**7 424**	**2 192**	**5 232**	5 843	1 414	4 429
– FNB	**4 289**	**1 328**	**2 961**	3 421	710	2 711
– DirectAxis	**3 135**	**864**	**2 271**	2 422	704	1 718
– COVID-19 relief	**–**	**–**	**–**	–	–	–
Retail other	**2 207**	**551**	**1 656**	1 982	445	1 537
SA corporate and commercial	**11 039**	**6 885**	**4 154**	7 965	4 671	3 294
FNB commercial	**7 030**	**3 735**	**3 295**	4 556	2 253	2 303
– FNB commercial	**7 030**	**3 735**	**3 295**	4 556	2 253	2 303
– SME government-guaranteed loan scheme	**–**	**–**	**–**	–	–	–
WesBank corporate	**874**	**593**	**281**	524	345	179
RMB investment banking*	**2 282**	**1 937**	**345**	2 544	1 825	719
– Lending	**2 249**	**1 927**	**322**	2 458	1 818	640
– Loans to private equity investee companies	**33**	**10**	**23**	86	7	79
RMB corporate banking*	**853**	**620**	**233**	341	248	93
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
Rest of Africa	**4 197**	**1 552**	**2 645**	3 964	1 612	2 352
FNB	**4 197**	**1 552**	**2 645**	3 962	1 612	2 350
RMB (corporate and investment banking)	**–**	**–**	**–**	2	–	2
FCC (including Group Treasury)	**143**	**(39)**	**182**	137	(49)	186
Securitisation notes	**–**	**–**	**–**	–	–	–
Discovery card	**–**	**–**	**–**	137	16	121
Other	**143**	**(39)**	**182**	–	(65)	65
Total excluding UK operations	**50 601**	**27 624**	**22 977**	37 944	20 310	17 634
UK operations	**6 680**	**4 984**	**1 696**	3 405	2 544	861
Aldermore retail	**3 238**	**2 855**	**383**	1 413	1 244	169
Aldermore commercial	**1 562**	**1 055**	**507**	899	639	260
Total MotoNovo	**1 880**	**1 074**	**806**	1 093	661	432
– MotoNovo VAF (back book)	**1 574**	**912**	**662**	1 078	658	420
– MotoNovo VAF (front book)	**296**	**162**	**134**	10	3	7
– MotoNovo loans (back book)	**10**	**–**	**10**	5	–	5
Total including UK operations	**57 281**	**32 608**	**24 673**	41 349	22 854	18 495

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

** *Managed by the Group Treasurer.*

Credit continued

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

	Total stage 3/specific impairments		
	As at 30 June		
R million	**2020**	2019	% change
Specific impairments			
SA retail	**15 996**	11 802	36
Retail – secured	**6 386**	4 088	56
Residential mortgages	**2 408**	1 671	44
Wesbank VAF	**3 978**	2 417	65
Retail – unsecured	**9 610**	7 714	25
FNB card	**2 722**	1 748	56
Personal loans	**5 232**	4 429	18
– FNB	**2 961**	2 711	9
– DirectAxis	**2 271**	1 718	32
– COVID-19 relief	**–**	–	–
Retail other	**1 656**	1 537	8
SA corporate and commercial	**4 154**	3 294	26
FNB commercial	**3 295**	2 303	43
– FNB commercial	**3 295**	2 303	43
– SME government-guaranteed loan scheme	**–**	–	–
WesBank corporate	**281**	179	57
RMB investment banking*	**345**	719	(52)
– Lending	**322**	640	(50)
– Loans to private equity investee companies	**23**	79	(71)
RMB corporate banking*	**233**	93	>100
HQLA corporate advances**	**–**	–	–
Rest of Africa	**2 645**	2 352	12
FNB	**2 645**	2 350	13
RMB (corporate and investment banking)	**–**	2	(100)
FCC (including Group Treasury)	**182**	186	(2)
Securitisation notes	**–**	–	–
Discovery card	**–**	121	(100)
Other	**182**	65	>100
Total stage 3/specific impairments/implied loss given default excluding UK operations	**22 977**	17 634	30
UK operations	**1 696**	861	97
Aldermore retail	**383**	169	>100
Aldermore commercial	**507**	260	95
Total MotoNovo	**806**	432	87
– MotoNovo VAF (back book)	**662**	420	58
– MotoNovo VAF (front book)	**134**	7	>100
– MotoNovo loans (back book)	**10**	5	100
Total stage 3/specific impairments/implied loss given default including UK operations	**24 673**	18 495	33

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

** *Managed by the Group Treasurer.*

Total stage 3/specific impairments	
Coverage ratios (% of stage 3/NPLs)	
As at 30 June	
2020	2019
45.4	45.6
29.1	25.9
20.6	19.3
38.8	33.8
72.2	76.4
74.1	76.9
70.5	75.8
69.0	79.2
72.4	70.9
–	–
75.0	77.5
37.6	41.4
46.9	50.5
46.9	50.5
–	–
32.2	34.2
15.1	28.3
14.3	26.0
69.7	91.9
27.3	27.3
–	–
63.0	59.3
63.0	59.3
–	100.0
127.3	135.8
–	–
–	88.3
127.3	–
45.4	46.5
25.4	25.3
11.8	12.0
32.5	28.9
42.9	39.5
42.1	39.0
45.3	70.0
100.0	100.0
43.1	44.7

Credit continued

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

	Balance sheet impairments		
	As at 30 June		
R million	**2020**	2019	% change
Total impairments			
SA retail	**25 814**	19 087	35
Retail – secured	**9 777**	6 897	42
Residential mortgages	**3 916**	2 541	54
WesBank VAF	**5 861**	4 356	35
Retail – unsecured	**16 037**	12 190	32
FNB card	**4 201**	2 650	59
Personal loans	**8 697**	6 815	28
– FNB	**4 624**	4 078	13
– DirectAxis	**3 689**	2 737	35
– COVID-19 relief	**384**	–	–
Retail other	**3 139**	2 725	15
SA corporate and commercial	**13 039**	8 071	62
FNB commercial	**6 028**	3 812	58
– FNB commercial	**5 980**	3 812	57
– SME government-guaranteed loan scheme	**48**	–	–
WesBank corporate	**506**	338	50
RMB investment banking*	**5 302**	3 233	64
– Lending	**3 502**	2 360	48
– Loans to private equity investee companies	**1 800**	873	>100
RMB corporate banking*	**1 203**	688	75
HQLA corporate advances**	**–**	–	–
Rest of Africa	**4 633**	3 963	17
FNB	**4 324**	3 722	16
RMB (corporate and investment banking)	**309**	241	28
FCC (including Group Treasury)	**899**	948	(5)
Securitisation notes	**20**	22	(9)
Discovery card	**–**	233	(100)
Other	**879**	693	27
Total impairments excluding UK operations	**44 385**	32 069	38
UK operations	**4 995**	2 093	>100
Aldermore retail	**717**	307	>100
Aldermore commercial	**1 542**	582	>100
Total MotoNovo	**2 736**	1 204	>100
– MotoNovo VAF (back book)	**1 501**	1 087	38
– MotoNovo VAF (front book)	**1 197**	79	>100
– MotoNovo loans (back book)	**38**	38	–
Total impairments including UK operations	**49 380**	34 162	45

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

** *Managed by the Group Treasurer.*

Balance sheet impairments							
As at 30 June						Coverage ratios (% of stage 3/NPLs)	
2020			2019			As at 30 June	
Stage 1	**Stage 2**	**Stage3**	Stage 1	Stage 2	Stage 3	**2020**	2019
4 817	**5 001**	**15 996**	3 686	3 599	11 802	**73.3**	73.8
1 306	**2 085**	**6 386**	992	1 817	4 088	**44.6**	43.7
731	**777**	**2 408**	360	510	1 671	**33.6**	29.4
575	**1 308**	**3 978**	632	1 307	2 417	**57.2**	61.0
3 511	**2 916**	**9 610**	2 694	1 782	7 714	**120.5**	120.7
917	**562**	**2 722**	555	347	1 748	**114.3**	116.6
1 812	**1 653**	**5 232**	1 415	971	4 429	**117.1**	116.6
791	**872**	**2 961**	857	510	2 711	**107.8**	119.2
637	**781**	**2 271**	558	461	1 718	**117.7**	113.0
384	**–**	**–**	–	–	–	**–**	–
782	**701**	**1 656**	724	464	1 537	**142.2**	137.5
3 266	**5 619**	**4 154**	2 104	2 673	3 294	**118.1**	101.3
1 394	**1 339**	**3 295**	733	776	2 303	**85.7**	83.7
1 350	**1 335**	**3 295**	733	776	2 303	**85.1**	83.7
44	**4**	**–**	–	–	–	**–**	–
114	**111**	**281**	92	67	179	**57.9**	64.5
1 435	**3 522**	**345**	1 048	1 466	719	**232.3**	127.1
1 341	**1 839**	**322**	1 005	715	640	**155.7**	96.0
94	**1 683**	**23**	43	751	79	**>1000**	>1000
323	**647**	**233**	231	364	93	**141.0**	201.8
–	**–**	**–**	–	–	–	**–**	–
1 007	**981**	**2 645**	807	804	2 352	**110.4**	100.0
907	**772**	**2 645**	630	742	2 350	**103.0**	93.9
100	**209**	**–**	177	62	2	**–**	>1000
565	**152**	**182**	574	188	186	**628.7**	692.0
20	**–**	**–**	22	–	–	**–**	–
–	**–**	**–**	76	36	121	**–**	170.1
545	**152**	**182**	476	152	65	**614.7**	–
9 655	**11 753**	**22 977**	7 171	7 264	17 634	**87.7**	84.5
1 680	**1 619**	**1 696**	745	487	861	**74.8**	61.5
171	**163**	**383**	89	49	169	**22.1**	21.7
564	**471**	**507**	213	109	260	**98.7**	64.7
945	**985**	**806**	443	329	432	**145.5**	110.2
295	**544**	**662**	348	319	420	**95.4**	100.8
626	**437**	**134**	70	2	7	**404.4**	790.0
24	**4**	**10**	25	8	5	**380.0**	760.0
11 335	**13 372**	**24 673**	7 916	7 751	18 495	**86.2**	82.6

Credit continued

NOTE 6: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge		
	Year ended 30 June		
R million	**2020**	2019	% change
SA retail	**12 747**	7 039	81
Retail – secured	**4 185**	2 135	96
Residential mortgages	**1 411**	232	>100
WesBank VAF	**2 774**	1 903	46
Retail – unsecured	**8 562**	4 904	75
FNB card	**1 997**	937	>100
Personal loans	**4 899**	2 682	83
– FNB	**2 447**	1 296	89
– DirectAxis	**2 068**	1 386	49
– COVID-19 relief	**384**	–	–
Retail other	**1 666**	1 285	30
SA corporate and commercial	**6 491**	1 232	>100
FNB commercial	**2 949**	750	>100
– FNB commercial	**2 901**	750	>100
– SME government-guaranteed loan scheme	**48**	–	–
WesBank corporate	**249**	82	>100
RMB investment banking*	**2 670**	374	>100
– Lending	**1 691**	169	>100
– Loans to private equity investee companies	**979**	205	>100
RMB corporate banking*	**623**	26	>100
HQLA corporate advances**	**–**	–	–
Rest of Africa	**1 630**	890	83
FNB	**1 569**	878	79
RMB (corporate and investment banking)	**61**	12	>100
FCC (including Group Treasury)	**114**	156	(27)
Securitisation notes	**(2)**	(3)	(33)
Discovery card	**–**	90	(100)
Other	**116**	69	68
Total impairment charge excluding UK operations	**20 982**	9 317	>100
UK operations	**3 401**	1 183	>100
Aldermore retail	**257**	71	>100
Aldermore commercial	**1 229**	290	>100
Total MotoNovo	**1 915**	822	>100
– MotoNovo VAF (back book)	**808**	776	4
– MotoNovo VAF (front book)	**1 091**	69	>100
– MotoNovo loans (back book)	**16**	(23)	(>100)
Total impairment charge including UK operations	**24 383**	10 500	>100
Of which:			
Portfolio impairments charge	**10 613**	2 704	>100
Specific impairments charge	**13 770**	7 796	77

As a % of average advances	
Year ended 30 June	
2020	2019
3.09	1.78
1.28	0.67
0.64	0.11
2.64	1.80
9.83	6.28
6.85	3.68
12.06	7.50
10.46	6.39
12.87	8.94
32.99	–
9.62	7.60
1.35	0.27
2.77	0.75
2.73	0.75
27.83	–
0.90	0.27
1.01	0.15
0.66	0.07
12.95	3.08
0.99	0.05
–	–
2.49	1.41
2.83	1.61
0.61	0.14
0.28	0.37
(0.01)	(0.01)
–	2.07
1.08	0.57
2.10	0.98
1.23	0.50
0.18	0.06
1.83	0.49
2.76	1.33
1.78	1.35
4.65	2.08
3.61	(2.85)
1.91	0.88
0.83	0.23
1.08	0.65

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

** *Managed by the Group Treasurer.*

Credit continued

RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book		Fair value book		Total book	
	As at 30 June		As at 30 June		As at 30 June	
R million	**2020**	2019	**2020**	2019	**2020**	2019
Non-performing book	**24 543**	18 300	**130**	195	**24 673**	18 495
Performing book	**23 904**	15 314	**803**	353	**24 707**	15 667
Total balance sheet impairments	**48 447**	33 614	**933**	548	**49 380**	34 162

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 30 June		
R million	**2020**	2019	% change
Opening balance	**34 162**	29 078	17
Transfers to non-current assets held for sale	**(265)**	–	–
(Disposals)/acquisitions	**(100)**	(3)	>100
Exchange rate difference	**1 070**	(171)	(>100)
Bad debts written off	**(14 362)***	(8 922)	61
Net new impairments created	**25 750**	12 415	>100
Net interest recognised on stage 3 advances	**3 125**	1 765	77
Closing balance	**49 380**	34 162	45

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

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

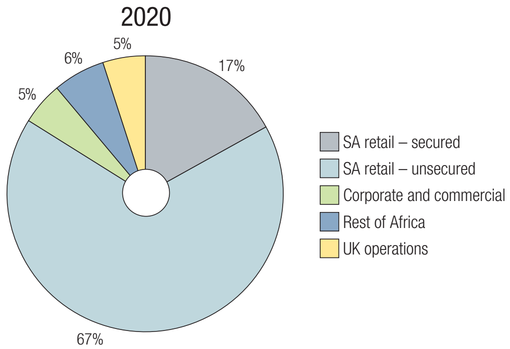
INCOME STATEMENT IMPAIRMENTS

	Year ended 30 June		
R million	**2020**	2019	% change
Specific impairment charge	**15 447**	9 744	58
– Specific impairment charge – amortised cost	**15 317**	9 744	57
– Credit fair value adjustments – non-performing book	**130**	–	–
Portfolio impairment charge	**10 303**	2 671	>100
– Portfolio impairment charge – amortised cost	**9 873**	2 602	>100
– Credit fair value adjustments – performing book	**430**	69	>100
Total impairments before recoveries and modifications	**25 750**	12 415	>100
Modification losses	**1 007**	633	59
– COVID-19 relief	**–**	–	–
– Debt review and other	**1 007**	633	59
Recoveries of bad debts written off	**(2 374)**	(2 548)	(7)
Total impairments including UK operations	**24 383**	10 500	>100

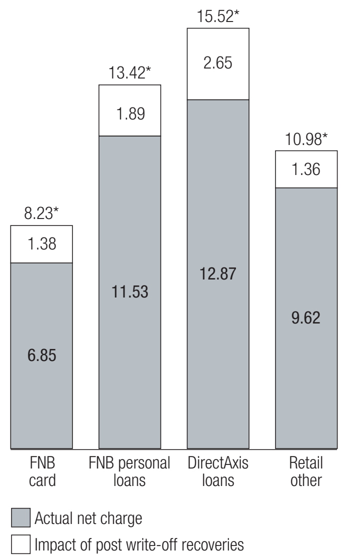
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R2 374 million (2019: R2 548 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB personal loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



SA RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES
%



* *Gross of recoveries (%).*

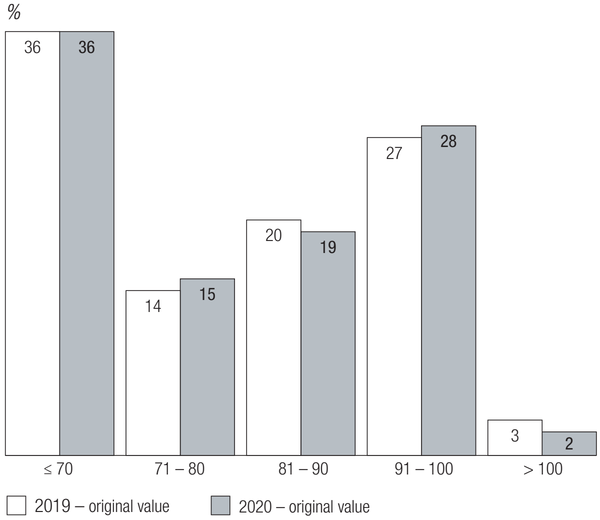
Credit continued

RISK ANALYSIS

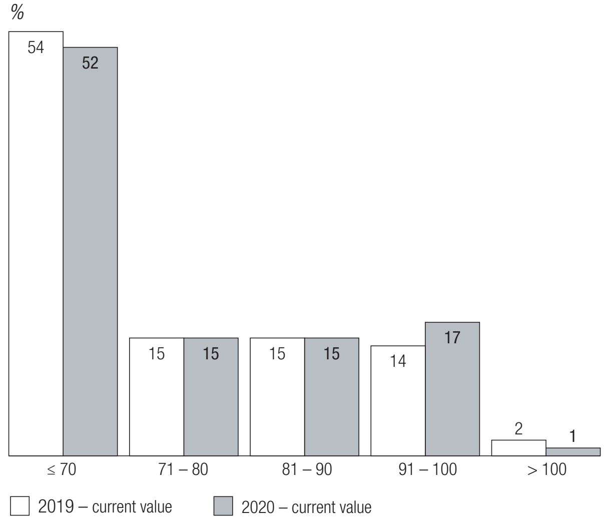
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

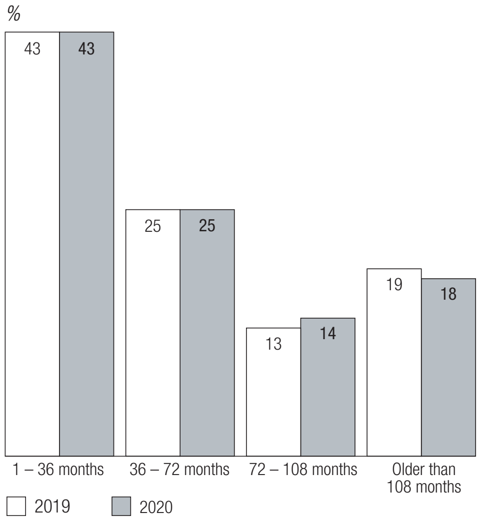
RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE



RESIDENTIAL MORTGAGES
AGE DISTRIBUTION TOTAL



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

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

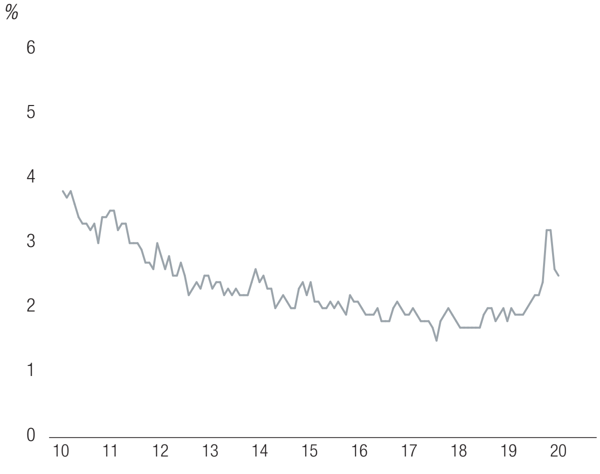
Vintage performance metrics were also affected by relief measures provided to customers who suffered income loss during the lockdown period. Specifically, agreements under relief did not roll into default. For the calculation of vintage performance, exposures that were subject to COVID-19 relief are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

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

FNB residential mortgages

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

FNB RESIDENTIAL MORTGAGE ARREARS

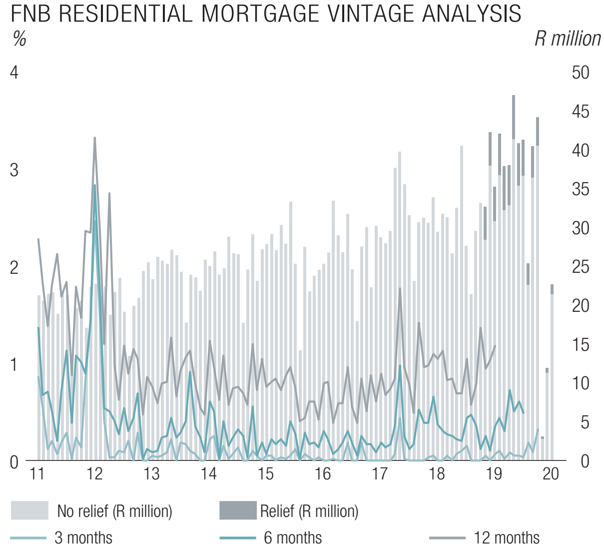


FNB continues to pursue a risk-adjusted approach to residential mortgage origination, which has yielded positive results in managing the risk-return profile. New vintages remain stable and within risk triggers, however, an increase has been noted in the six- and 12-month vintages for origination since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

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

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

FNB RESIDENTIAL MORTGAGE VINTAGE ANALYSIS



Credit continued

FNB card

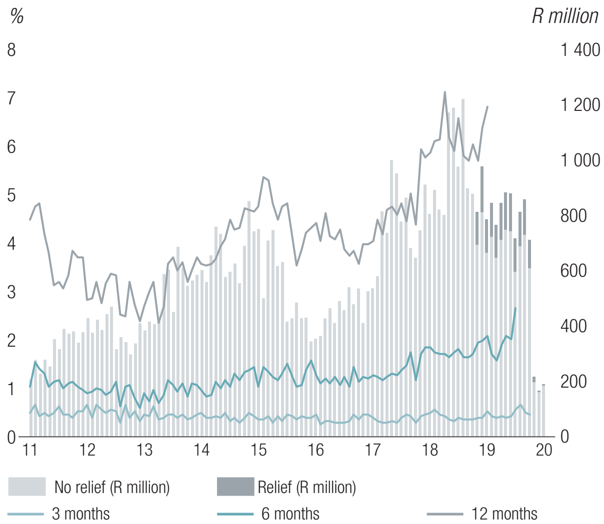
The vintages analysis below include new credit card sales and credit limit increases granted.

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

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

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

FNB CARD VINTAGE ANALYSIS



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

FNB personal loans

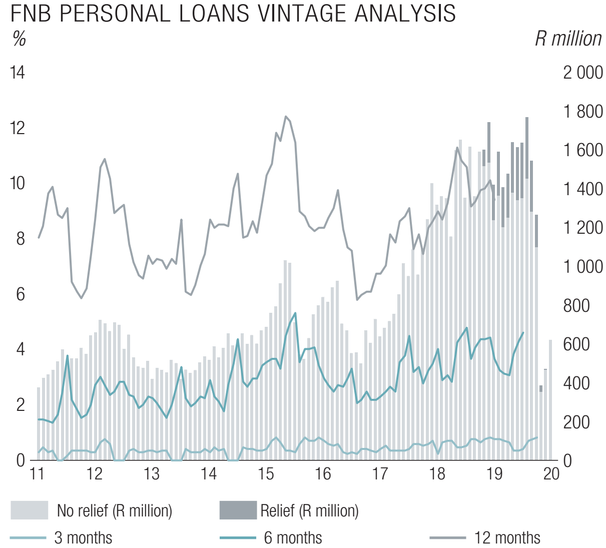
New vintages remain within risk triggers, however, an increase in the three- and six-month vintages was noted for origination since September 2019, and further showing the effects of lockdown measures.

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

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

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

FNB PERSONAL LOANS VINTAGE ANALYSIS



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

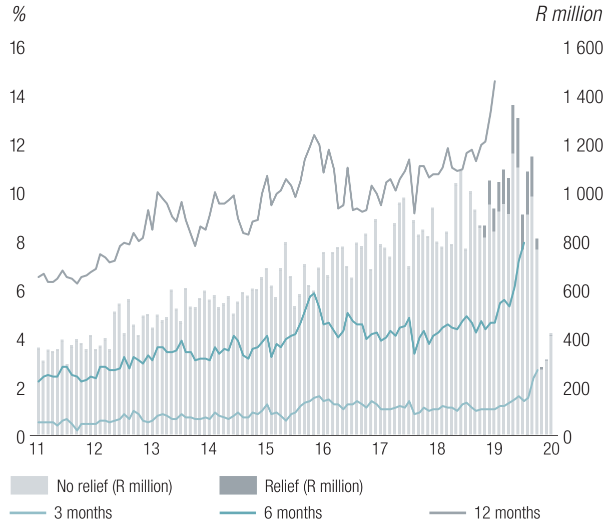
DirectAxis loans

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

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

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

DIRECTAXIS LOANS VINTAGE ANALYSIS

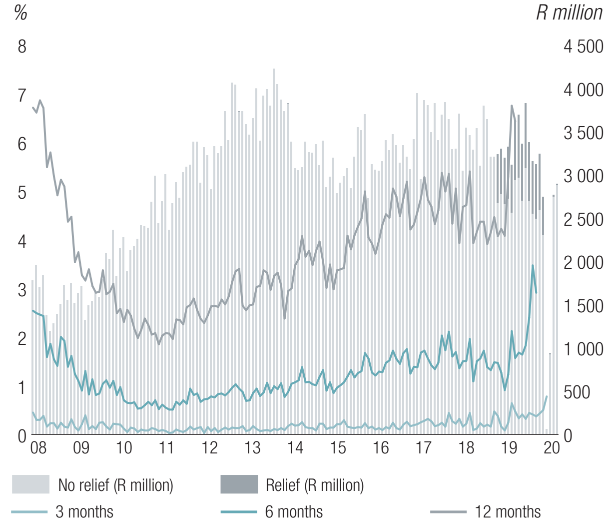


Note: The DirectAxis debt review accounts are reflected as default (12 month vintage), aligned to FNB personal loans since July 2018. Prior to this date, debt-review was reflected in their respective stages.

WesBank retail VAF

As anticipated, default rates in WesBank VAF retail show increased strain due to lockdown. This is despite the credit risk tightening changes made in 2019 and WesBank's focus on origination in low-risk buckets. Prior to COVID-19, the improving trend in vintages was evident. Approximately 77% of payment relief accounts have been on the books longer than 12 months.

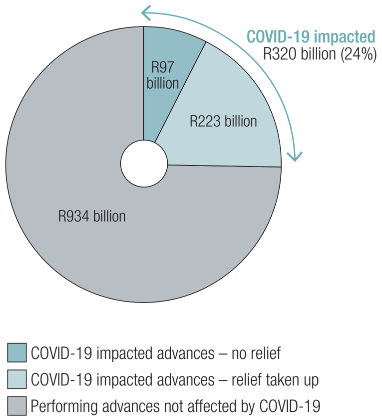
WESBANK RETAIL VAF VINTAGE ANALYSIS



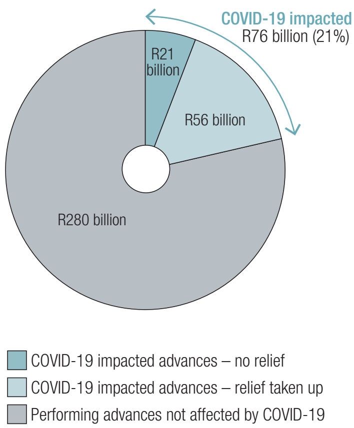
Credit continued

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

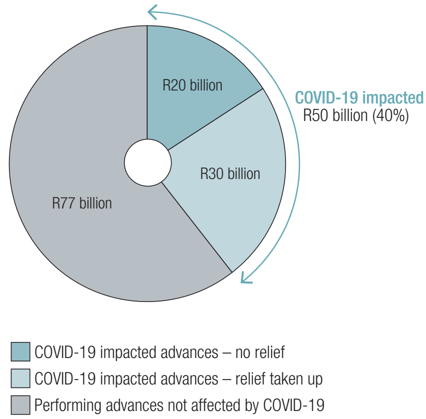
TOTAL GROUP (PERFORMING BOOK)



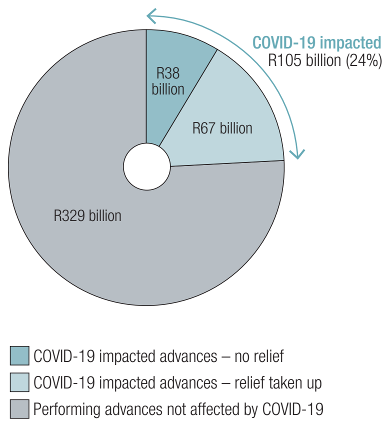
CORPORATE (PERFORMING BOOK)



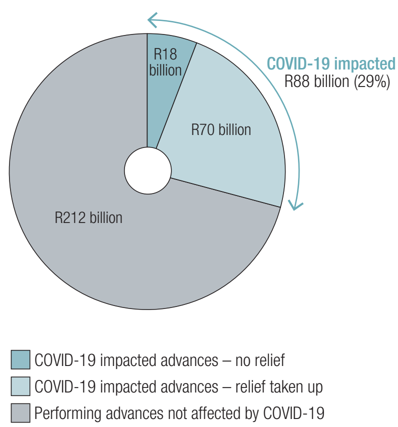
COMMERCIAL (PERFORMING BOOK)



RETAIL (PERFORMING BOOK)

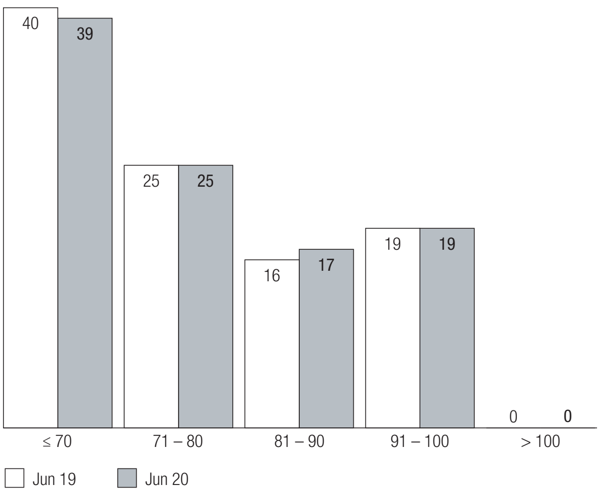


UK OPERATIONS (PERFORMING BOOK)

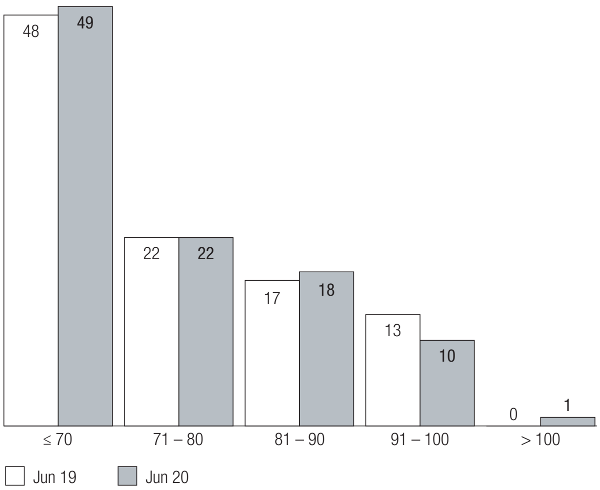


Aldermore residential mortgage and buy to let

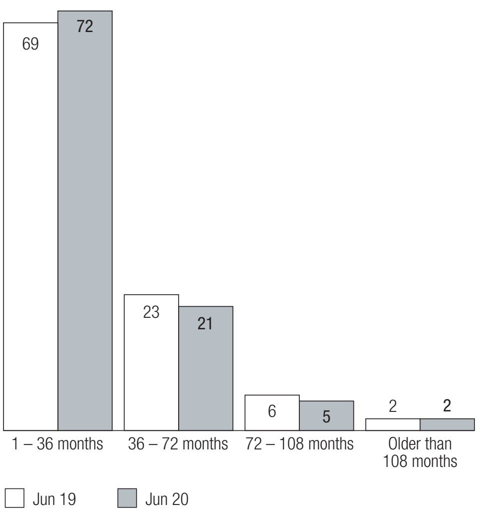
ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



ALDERMORE RESIDENTIAL MORTGAGES
AGE DISTRIBUTION
%

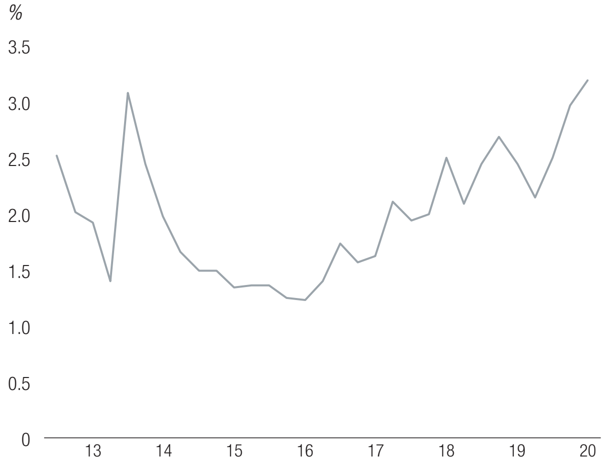


Credit continued

The following graph shows arrears in the Aldermore residential loans portfolio. Arrears levels increased in December 2013 as an acquired mortgage portfolio was migrated to Aldermore systems. Arrears levels subsequently reduced as the portfolio grew rapidly, and started to gradually increase through 2017 – 2019 due to maturing of the book and slowdown in growth. Customers on payment deferral arrangements are excluded from the arrears. More recently, arrears levels have been affected by COVID-19 due to customers who have not yet asked for forbearance or who have become distressed post an initial payment holiday. Collections staff have been focused heavily on the processing of payment holidays and therefore some business-as-usual (BAU) collection activity has been reduced.

Arrears include 502 accounts totalling £67.8 million, comprising 3.25% of the portfolio (compared to the February 2020 (pre-pandemic) position of 194 accounts totalling £25.6 million, or 1.24% of the portfolio).

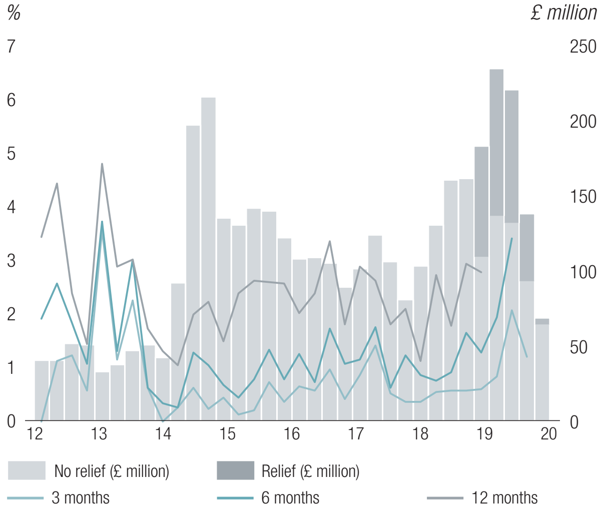
ALDERMORE RESIDENTIAL MORTGAGE ARREARS



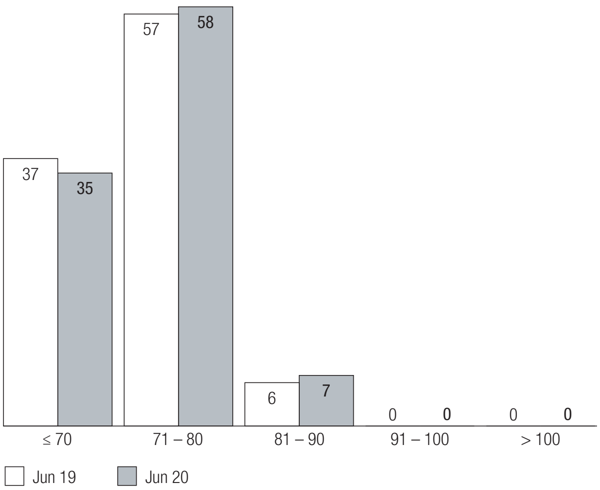
For standard residential mortgages, Aldermore typically operates in a higher LTV range than the larger High Street banks, but uses experienced manual underwriting to identify low-to medium-risk lending opportunities within that range. Aldermore covers a wide range of applications within this business, including helping first-time buyers and self-employed customers.

The credit loss ratio for the portfolio was 27.7 bps at June 2020.

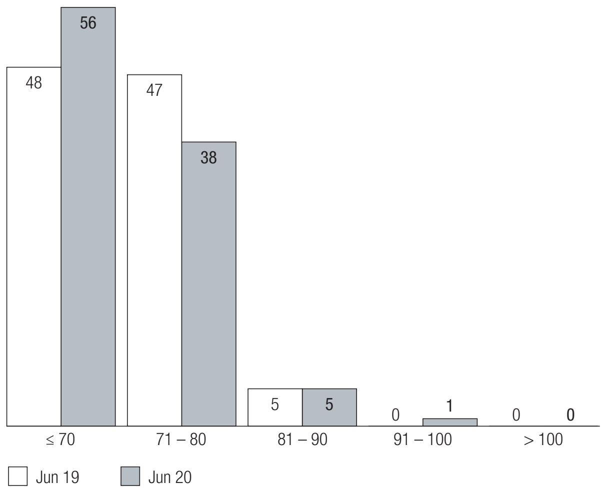
ALDERMORE RESIDENTIAL MORTGAGES VINTAGE ANALYSIS



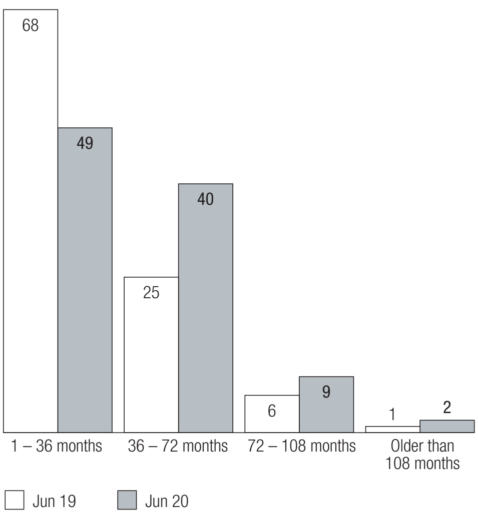
ALDERMORE BUY-TO-LET
BALANCE-TO-ORIGINAL VALUE
%



ALDERMORE BUY-TO-LET
BALANCE-TO-MARKET VALUE
%



ALDERMORE BUY-TO-LET
AGE DISTRIBUTION
%



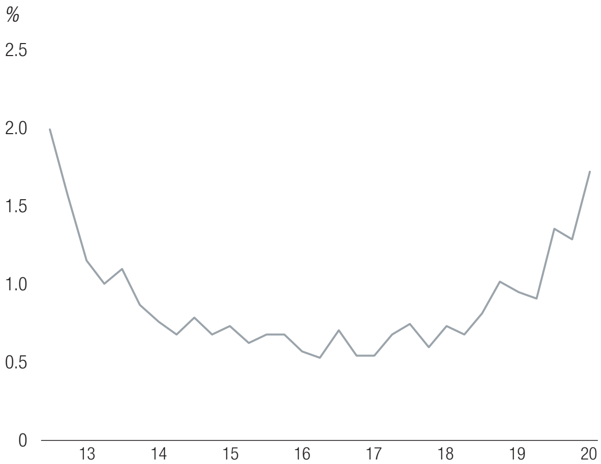
Credit continued

Aldermore operates a growing and competitive buy-to-let business which prior to COVID-19 was experiencing a good credit risk performance. Arrears levels were low and had been relatively stable since 2014. As with residential mortgages, arrears levels are now being affected by COVID-19 as some customers have not yet asked for forbearance or have become distressed following an initial payment holiday. Collections have focused on the processing of payment holidays and therefore some BAU collection activity has been reduced.

With the deployment of the new buy-to-let underwriting standards in January 2017 (affordability) and September 2017 (portfolio landlords), greater rigour is being applied to affordability assessment for this portfolio.

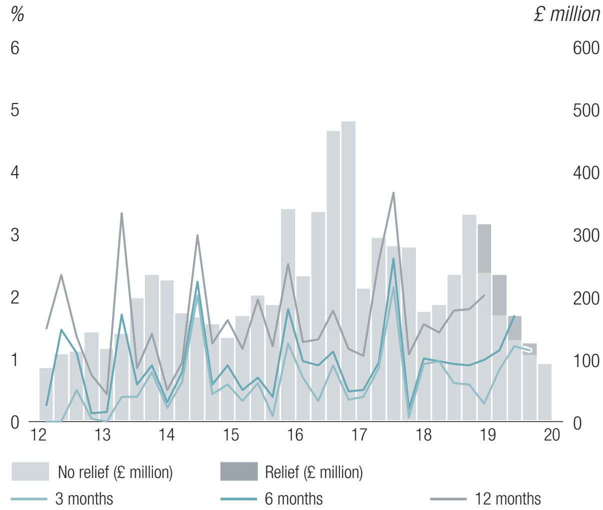
Current arrears levels are 459 accounts totalling £91.1 million, 1.73% of the portfolio (compared to the pre-COVID-19 February 2020 position of 127 accounts, to the value of £23.9 million, comprising 0.46% of the portfolio).

ALDERMORE BUY-TO-LET ARREARS



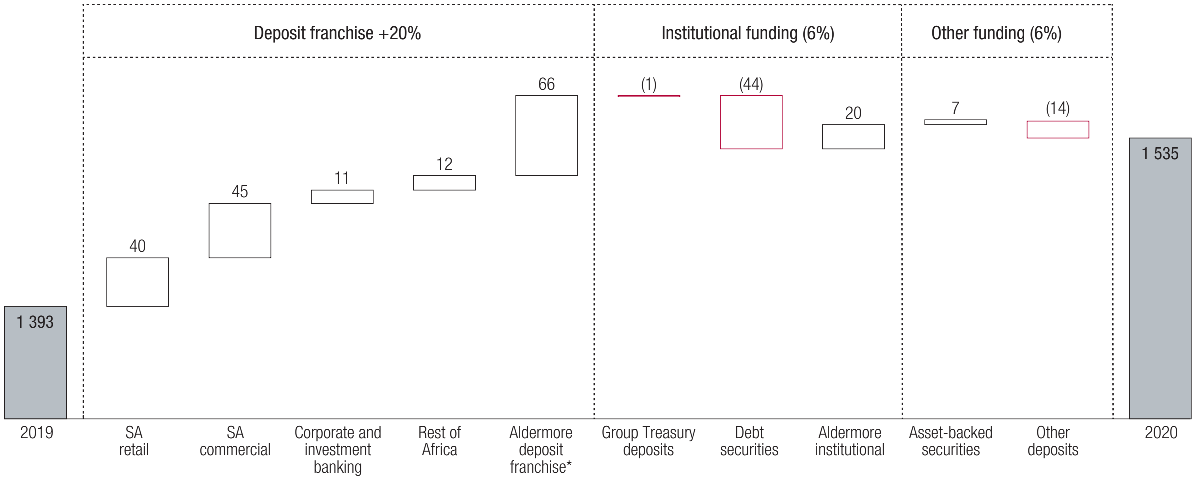
Credit loss ratio for the portfolio was 15.3 bps at the end of the financial year.

ALDERMORE BUY-TO-LET VINTAGE ANALYSIS



Deposits – up 10%

FUNDING GROWTH BY SEGMENT
R billion



* *Aldermore deposits increased 21% in pounds.*

KEY DRIVERS

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

* *Source: BA900, 30 June 2020.*

Funding and liquidity

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

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

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

FUNDING MANAGEMENT

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

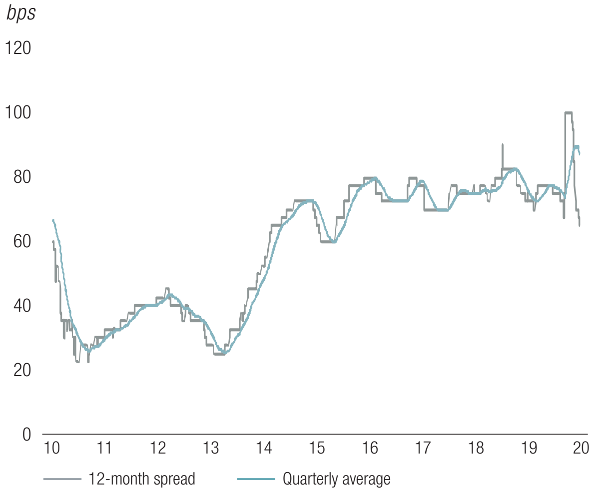
- concentration of customer current accounts with the large South African banks;
- the closed rand system, where rand transactions are cleared and settled through registered banks and clearing institutions domiciled in South Africa;
- the prudential exchange control framework; and
- South African banks'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

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

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

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

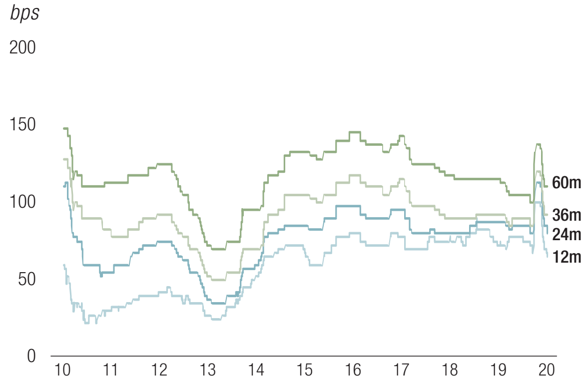
12-MONTH MID-MARKET FUNDING SPREAD



Sources: Bloomberg (RMBP screen) and Reuters.

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

LONG-TERM FUNDING SPREADS



Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

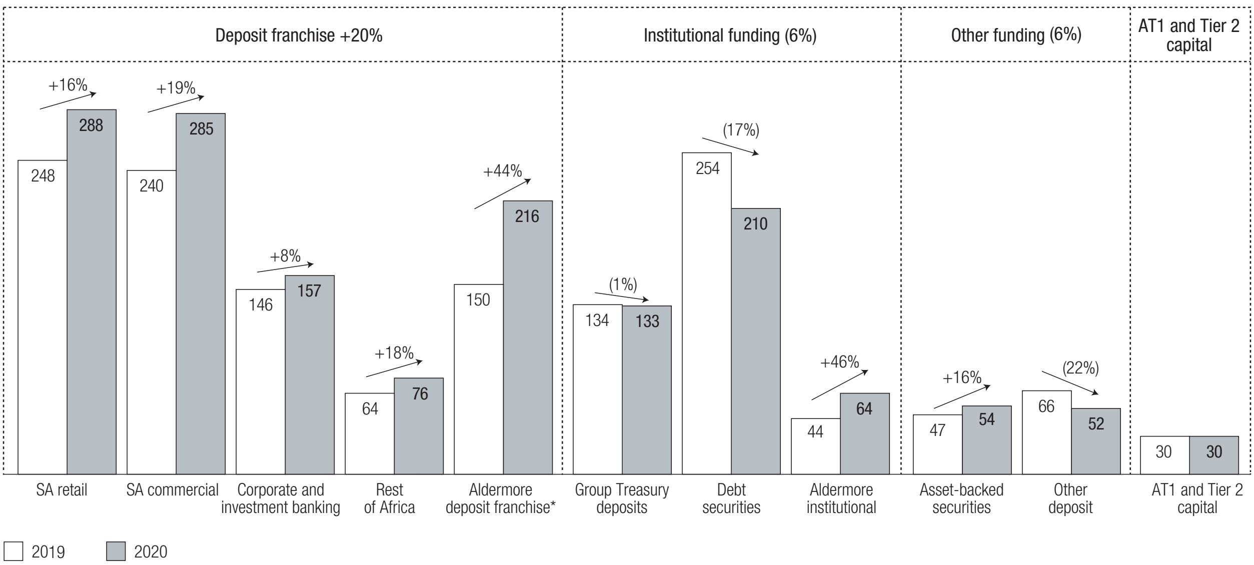
FirstRand Bank remains the primary debt-issuing entity in the group and generates a greater proportion of its funding from deposits compared to the South African industry aggregate. Its funding profile also reflects the structural features described previously.

The group manages its funding profile by source, counterparty type, market, product and currency. The deposit franchise remains the most efficient and stable source of funding, representing 65% of total group funding liabilities at June 2020 (2019: 60%).

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

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

FUNDING PORTFOLIO GROWTH
R billion



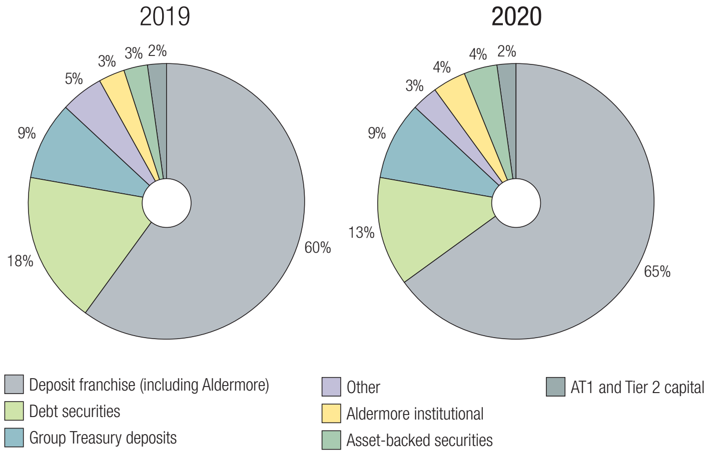
Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

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

* *Aldermore deposits increased 21% in pounds.*

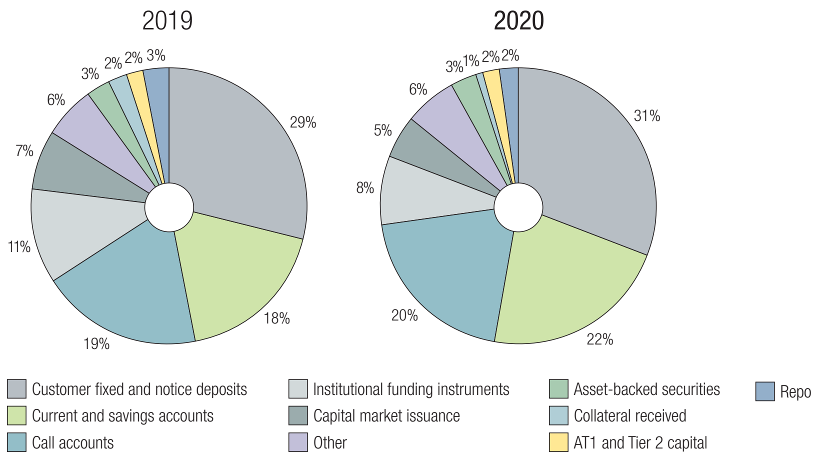
The graphs below show that the group's funding mix has improved, with further growth in deposits relative to institutional funding sources.

FUNDING MIX



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

FUNDING BY INSTRUMENT TYPE



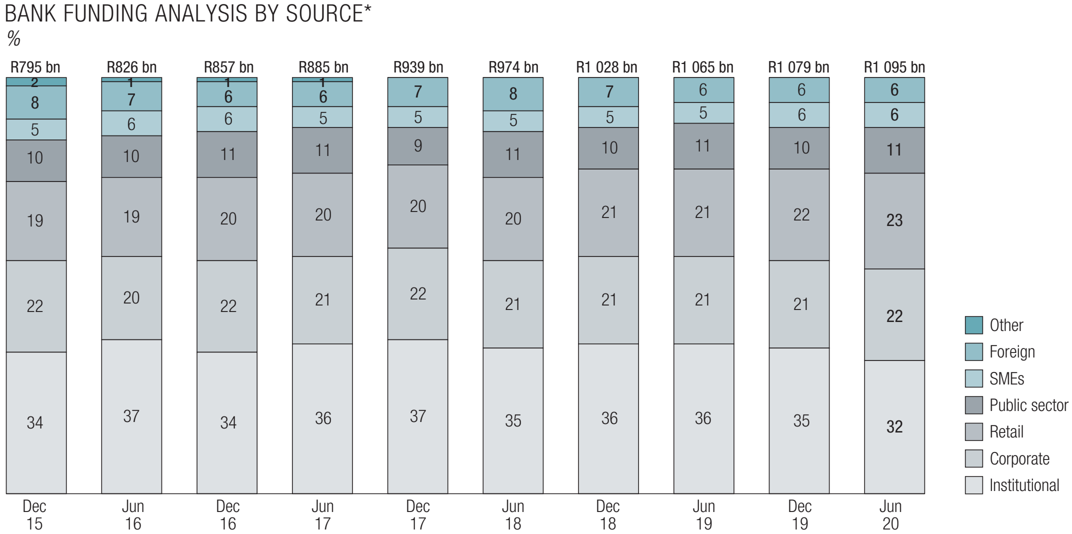
Funding and liquidity continued

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

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

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

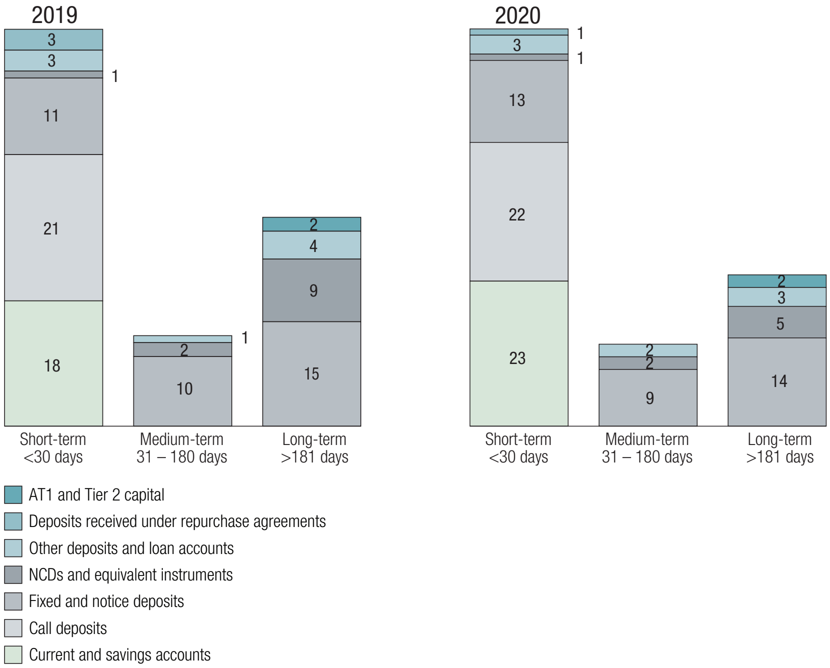
BANK FUNDING ANALYSIS BY SOURCE*



* *Excludes foreign branches.*

GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM

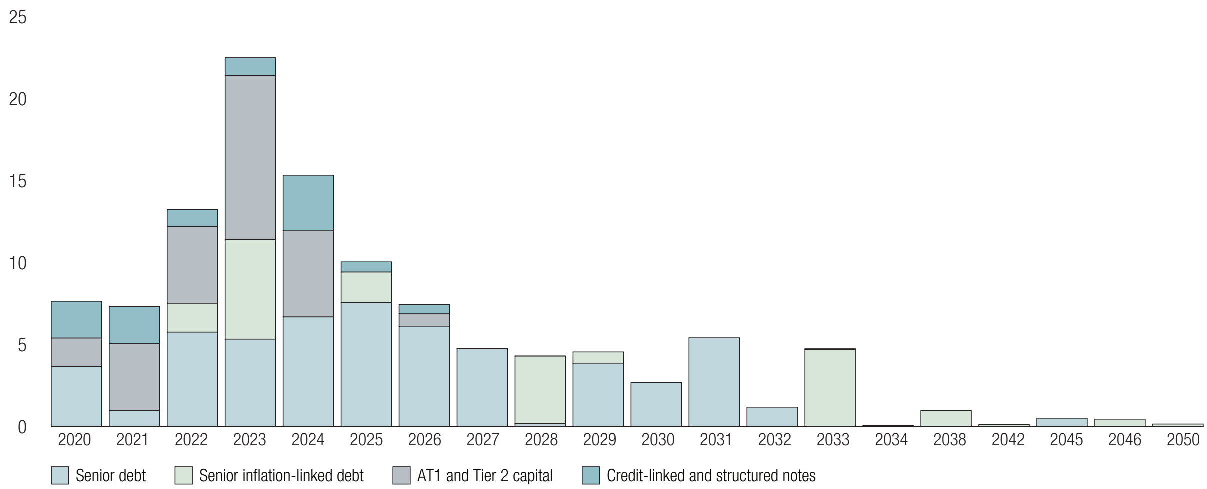
%



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

MATURITY PROFILE OF FIRSTRAND BANK* CAPITAL MARKET INSTRUMENTS

R billion



* *Including foreign branches.*

Funding and liquidity continued

Funds transfer pricing

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

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

FOREIGN CURRENCY BALANCE SHEET

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

MotoNovo

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

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

Aldermore

Aldermore actively follows a diversified and flexible funding strategy and is predominantly funded by retail, business and corporate deposits. These account for approximately 79% of total funding with the deposit franchise totalling £11 billion at June 2020.

Aldermore's funding strategy is complemented by its continued access to institutional funding. Notwithstanding the end of the Bank of England's Term Funding Scheme, Aldermore returned to the securitisation market in September 2019 with its third prime residential mortgage-backed securitisation, Oak 3, and an auto warehouse facility to support the growth of MotoNovo. Aldermore continues to access 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 the liquidity risk position managed to more stringent internal parameters. Aldermore has maintained a diverse portfolio of HQLA, which has been managed within a prudent risk appetite throughout the year.

Risk management approach

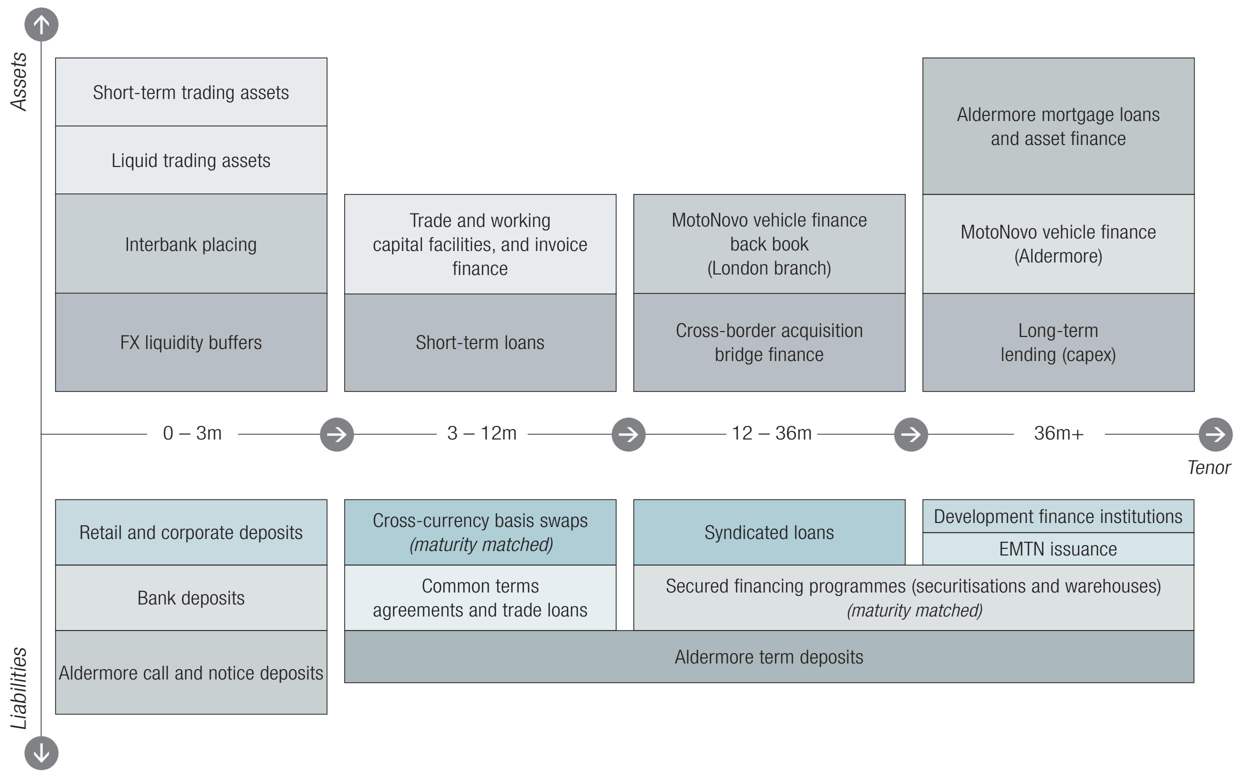
The group seeks to avoid undue liquidity risk exposure and thus maintains liquidity risk within the risk appetite approved by the board and risk committee. As an authorised dealer, the bank is subject to foreign currency macro-prudential limits as set out in the *Exchange Control Circular 9/2016*, issued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

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

Philosophy on foreign currency external debt

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



Funding and liquidity continued

LIQUIDITY RISK POSITION

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

COMPOSITION OF LIQUID ASSETS

	As at 30 June	
R billion	**2020**	2019
Cash and deposits with central banks	**60**	43
Government bonds and bills	**169**	151
Other liquid assets	**51**	55
Total liquid assets	**280**	249

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

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

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

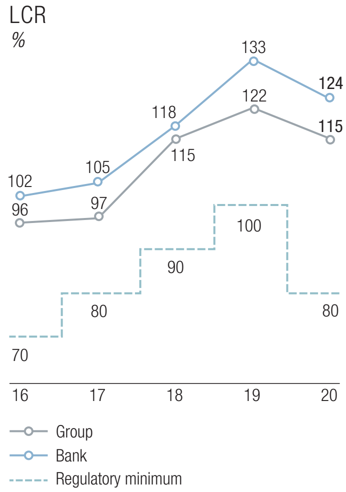
	Group*		Bank*	
%	LCR**	NSFR	LCR**	NSFR
Regulatory minimum#	80	100	80	100
Actual	115	117	124	116

* *The group's LCR and NSFR include the bank's operations in South Africa, and all registered banks and foreign branches in the group. 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 2020 for FirstRand Bank South Africa and the London branch. The remaining banking entities, including Aldermore, and the India and Guernsey branches, are based on the month-end or 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.



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

Capital

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

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

The capital planning process ensures that the CET1, Tier 1 and total capital adequacy ratios remain within or above target ranges and regulatory minimums across economic and business cycles. Capital is managed on a forward-looking basis and the group remains appropriately capitalised under a range of normal and severe stress scenarios, which include expansion initiatives, as well as ongoing regulatory, accounting and tax developments. The group aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. FirstRand actively manages its capital stack to ensure an efficient capital structure, closely aligned to group internal targets.

Economic capital (EC) is incorporated in the group's internal target assessment, specifically focusing on the level of loss-absorbing capital required to cover the group's economic risk. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. The group continues to enhance the use of EC by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the group remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitment to stakeholders over a one-year horizon.

Regular reviews of the EC position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. At 30 June 2020, the group reported an EC multiple (loss absorbing capital/ EC requirement) of 1.5 times on a post-diversification basis.

Capital continued

YEAR UNDER REVIEW

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

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

In addition, the Prudential Regulation Authority reduced the UK countercyclical buffer (CCyB) requirement from 1% to 0% in March 2020. This reduced the group's CCyB requirement from 18 bps at 30 June 2019 to nil at 30 June 2020.

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

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

CAPITAL ADEQUACY AND LEVERAGE POSITIONS

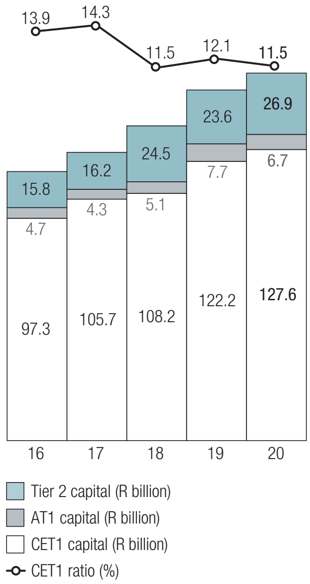
	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	7.0	8.5	10.5	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits**				
2020	**11.5**	**12.1**	**14.5**	**7.1**
2019	12.1	12.9	15.2	7.5

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

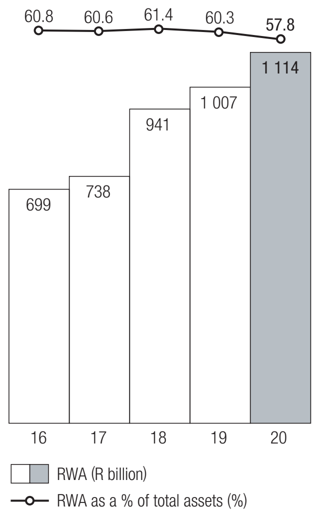
** *Includes the transitional impact of IFRS 9. Ratios excluding unappropriated profits are CET1 of 11.4%, Tier 1 of 12.0%, total capital adequacy of 14.4% and a leverage ratio of 7.0%. Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for further detail.*

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

CAPITAL ADEQUACY*



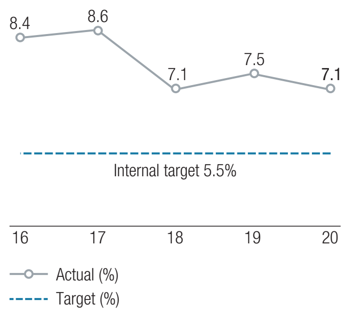
RWA HISTORY



* *Includes unappropriated profits.*

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratios and is a function of Tier 1 capital, and total on- and off-balance sheet exposures. The decrease in the leverage ratio to June 2020 mainly relates to an increase in total exposures, partly offset by an increase in Tier 1 capital.

LEVERAGE*



* *Includes unappropriated profits.*

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

Capital continued

Supply of capital

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

COMPOSITION OF CAPITAL*

	As at 30 June	
R million	**2020**	2019
CET1 capital	**127 647**	122 194
Tier 1 capital	**134 312**	129 846
Total qualifying capital	**161 256**	153 494

* *Includes unappropriated profits of R744 million. Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for a detailed breakdown of the composition of capital.*

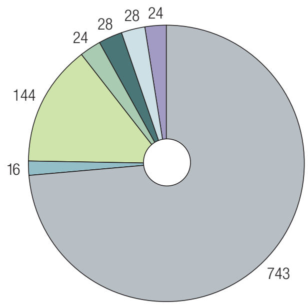
KEY DRIVERS: 2020 vs 2019		
CET1	↑	• Net earnings generation was negatively impacted by COVID-19, however, this was offset by an increase in the foreign currency translation reserve due to the depreciation of the rand. • Reduction in CET1 due to the transitional impact of IFRS 9.
AT1	↓	• Redemption of the Aldermore contingent convertible security in April 2020 and additional 10% haircut on the group's NCNR preference shares, partly offset by FRB's AT1 tap issuance in July 2019 and movement in third-party capital.
Tier 2	↑	• Benefit from foreign currency translation movements and increased surplus provisions over expected losses, partly offset by the redemption of the FRB15 in March 2020 and movement in third-party capital.

Demand for capital

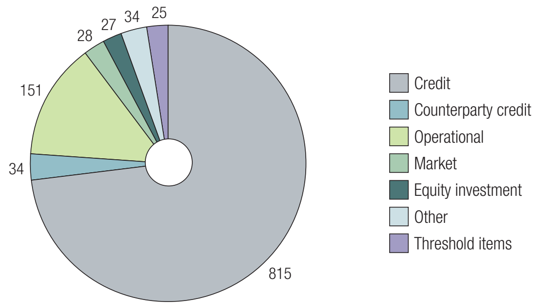
The charts and table below summarise the year-on-year movements in RWA.

RWA ANALYSIS

2019
R1 007 billion



2020
R1 114 billion



KEY DRIVERS: 2020 vs 2019

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

Capital continued

Capital adequacy position for the group, its regulated subsidiaries and the bank's foreign branches

The group's registered banking subsidiaries and foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. The group's approach is that all entities must be adequately capitalised on a standalone basis. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of in-country regulatory minimums.

Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet regulatory and economic capital requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends or return of profits. During the year, RMB Nigeria declared and paid a dividend to FREMA. FREMA is in the process of converting the naira dividend into dollars, and this repatriation is expected to be concluded over a lengthy period, given dollar liquidity constraints in Nigeria. No further restrictions were experienced on the repayment of dividends or profits for the remaining group entities.

In line with international practice, certain in-country regulators have adopted similar COVID-19 temporary relief measures for their minimum regulatory requirements. The revised minimum requirements, RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are summarised in the table below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

	As at 30 June				
	2020				2019
	Total minimum requirement %	**RWA* R million**	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %
Basel III (PA regulations)					
FirstRand**	10.5†	**1 114 321**	**12.1**	**14.5**	15.2
FirstRand Bank**,#		**748 079**	**12.8**	**15.7**	16.8
FirstRand Bank South Africa**		**703 893**	**12.4**	**15.5**	16.8
FirstRand Bank London		**41 603**	**14.8**	**15.9**	12.2
FirstRand Bank India		**2 615**	**31.5**	**31.8**	29.8
FirstRand Bank Guernsey		**512**	**12.9**	**12.9**	16.7
Basel III (local regulations)					
Aldermore Bank	**12.3**	**137 257**	**14.1**	**16.6**	15.7
FNB Namibia‡	**10.0**	**30 982**	**15.2**	**17.6**	19.4
Basel II (local regulations)					
FNB Mozambique	**12.0**	**2 083**	**27.3**	**27.2**	16.8
RMB Nigeria	**10.0**	**4 660**	**44.9**	**44.9**	44.8
FNB Botswana‡	**12.5**	**27 110**	**16.4**	**21.4**	17.4
FNB Eswatini	**8.0**	**4 791**	**21.2**	**22.1**	23.3
First National Bank Ghana‡	**11.5**	**2 429**	**50.5**	**51.4**	99.0
Basel I (local regulations)					
FNB Tanzania	**14.5**	**1 298**	**20.5**	**20.5**	23.9
FNB Lesotho	**8.0**	**898**	**14.7**	**17.0**	15.1
FNB Zambia	**10.0**	**3 976**	**16.7**	**23.2**	24.2

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

** *Includes unappropriated profits.*

\# *Includes foreign branches.*

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

‡ *Total minimum requirement adjusted for COVID-19 relief measures. Effective April 2020 for both FNB Botswana and FNB Namibia, and March 2020 for First National Bank Ghana.*

Regulatory update

COVID-19 REGULATORY UPDATE	In response to the COVID-19 pandemic, the PA implemented the following temporary measures to provide capital and liquidity relief to enable banks to counter economic risks to the financial system as a whole. • *Directive 1 of 2020, Temporary measures to aid compliance with the liquidity coverage ratio during the Coronavirus (COVID-19) pandemic stress period* Given the financial market turmoil and reduced market liquidity, banks could find it increasingly difficult to comply with the prescribed 100% LCR requirement set out in the regulations. The PA, therefore, deemed it appropriate to temporarily amend the minimum requirement specified for banks' compliance with LCR to 80%, effective 1 April 2020. The period for which the relief will remain in place is dependent on how the crisis evolves and its impact on the banking system, but a return to the 100% limit will be phased in. This action was consistent with measures taken by international regulators and provided the system with capacity to utilise liquidity buffers built up since 2015. As this is a temporary change in the limit, when the 100% limit is restored the buffers will need to be replenished. • *Directive 2 of 2020, Matters related to temporary capital relief to alleviate risks posed by the COVID-19 pandemic* The PA considers the COVID-19 pandemic to be a stress event posing risk to the entire financial system and has, therefore, temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. Any bank or banking group will also be allowed to draw down against its capital conservation buffer while the directive remains in place. In the event that banks or banking groups enter the capital conservation buffer, they will be required to consult the PA. • *Directive 3 of 2020, Matters related to the treatment of restructured credit exposures due to the Coronavirus (COVID-19) pandemic* The banking sector has been encouraged to continue to extend credit to sectors in need, particularly households and small businesses, and to provide relief measures to reduce the strain on these sectors in an effort to sustain the local economy and maintain financial stability. The PA has been supportive of the various COVID-19 relief initiatives offered to customers, such as payment holidays being offered by banks in order to provide relief to certain borrowers in the retail sector in an effort to mitigate the impact of the pandemic. The PA is also cognizant of the possible effect of the pandemic on the corporate sector. The PA has, therefore, decided to amend the requirements specified in *Directive 7 of 2015* to provide temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk during this time. • *Guidance Note 4 of 2020, Recommendations on the distribution of dividends on ordinary shares and payment of cash bonuses to executive officers and material risk takers, in light of the negative economic impact of the Coronavirus Disease (COVID-19) pandemic and the temporary regulatory capital relief provided by the Prudential Authority* The PA indicated in this guidance note that the general expectation is that no distribution of dividends on ordinary shares take place in 2020 and that the payment of cash bonuses to executive officers and material risk takers also not be made during the same period. The PA further expects banks' boards to take appropriate action in respect of the accrual, vesting and payment of variable remuneration, in a manner that is aligned to the principles enumerated in the guidance note and in accordance with the relevant legal requirements, as applicable.
BASEL III REFORMS	The PA issued *Guidance Note 7 of 2020, Proposed implementation dates in respect of specified regulatory reforms.* The implementation of these reforms has been further postponed given the impact of the COVID-19 pandemic. The following reforms have been postponed to 1 January 2021 from 1 October 2020: • standardised approach to counterparty credit risk; • capital requirement for bank exposures to central counterparties; and • capital requirements for banks' equity investments in funds. The proposed implementation dates for the revisions of the securitisation framework and large exposures framework have been delayed to 1 April 2021.

Regulatory update continued

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

Performance measurement

The group aims to deliver sustainable returns to shareholders with each business unit evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, net income after cost of capital.

NIACC is embedded across the group and, as a function of normalised earnings and the cost of capital, provides a clear indication of economic value added.

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 as well as Basel III requirements.

NIACC has decreased largely due to the reduction in normalised earnings of 38%. This was mainly driven by materially higher credit impairments. Average shareholders' equity increased by 9%. The group's ROE was significantly impacted by the COVID-19 crisis, with ROE declining from 22.8% in 2019 to 12.9% in 2020, below the group's cost of equity of 14%, resulting in negative NIACC for the first time since the global financial crisis.

NIACC AND ROE

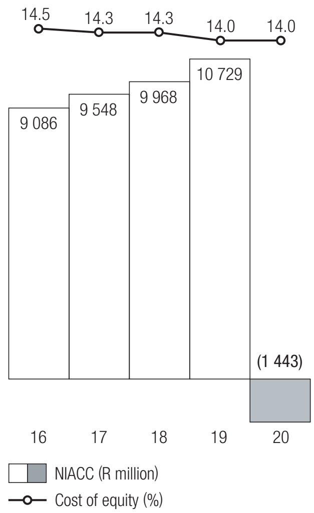
	Year ended 30 June		
R million	**2020**	2019	% change
Normalised earnings attributable to ordinary shareholders	**17 265**	27 894	(38)
Capital charge*	**(18 708)**	(17 165)	9
NIACC**	**(1 443)**	10 729	(>100)
Average ordinary shareholders' equity and reserves	**133 628**	122 606	9
ROE (%)	**12.9**	22.8	
Cost of equity# (%)	**14.0**	14.0	
Return on average RWA	**1.63**	2.86	

* *Capital charge based on cost of equity.*

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

\# *Cost of equity is based on the capital asset pricing model and was applicable until 30 June 2020.*

NIACC AND COST OF EQUITY



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

Performance measurement continued

SHAREHOLDER VALUE CREATION

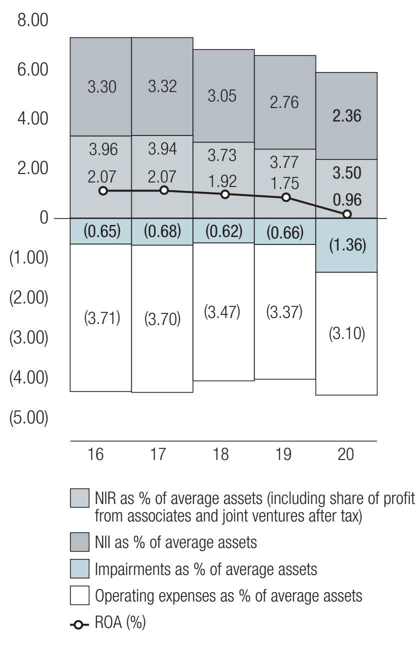
The table below shows the decomposition of the ROE into the ROA and gearing. Decomposition of the ROE indicates that the reduction in ROE was largely driven by reduction in ROA.

	Year ended 30 June				
	2020	2019	2018	2017	2016
ROA (%)	**0.96**	1.75	1.92	2.07	2.07
Gearing*	**13.4**	13.0	12.0	11.3	11.6
ROE (%)	**12.9**	22.8	23.0	23.4	24.0

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

The following graph provides a summary of the drivers of the ROA over time. The decline in ROA from 1.92% to 1.75% from 2018 to 2019 was mainly due to the inclusion of Aldermore, given its structurally lower ROA, which reflects the secured nature of its advances, as well as the reduction in NIR at RMB. The decline in ROA from 1.75% at June 2019 to 0.96% at June 2020 was primarily driven by higher impairments and lower NIR. Average assets reflected strong growth of 12.5%, which reflects significant growth in derivative assets. Average asset growth excluding derivative assets was 9.5% and average net advances growth was 6.4%.

ROA ANALYSIS



Note: The graph shows each item before taxation 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.

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

OPERATING BUSINESS PERFORMANCE

Targeted hurdle rates are set for business units and capital is allocated to each operating business using the following inputs:

- targeted capital levels informed by regulatory capital and economic capital requirements; and
- regulatory capital impairments where relevant.

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

ROE AND NORMALISED EARNINGS PER BUSINESS

	Year ended 30 June			
	2020		2019	
R million	**Normalised earnings***	**ROE%**	Normalised earnings*,**	ROE%**
FNB	**12 115**	**25.8**	17 457	41.5
RMB	**5 664**	**16.0**	6 946	21.0
WesBank	**820**	**8.0**	1 733	17.8
UK operations#	**835**	**3.9†**	2 201	11.8†
FCC‡	**(2 169)**	**(12.3)**	(443)	(2.3)
FirstRand group	**17 265**	**12.9**	27 894	22.8
Total rest of Africa^	**1 837**	**14.2**	1 796	16.0

* *Include the return on capital in rest of Africa operations and the cost of other capital, preference share costs and Treasury costs and therefore differ from franchise normalised earnings in the segment report on pages 32 to 39.*

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

Reflect Aldermore group including MotoNovo front and back books. In the segment report on pages 32 to 39, the MotoNovo back book is included in FCC.

† *ROEs calculated in pound terms.*

‡ *Includes Ashburton Investments and Group Treasury as well as unallocated surplus capital.*

^ *Reflects the businesses' combined operations in legal entities in the rest of Africa.*

BUSINESS ROAs

	ROA	
	Year ended 30 June	
%	**2020**	2019*
FNB	**2.51**	3.80
RMB	**0.98**	1.40
WesBank	**0.60**	1.24
UK operations**	**0.26**	0.81
FCC#	**(0.86)**	(0.19)
FirstRand group	**0.96**	1.75

* *The comparatives were restated for segmentation changes.*

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

Includes Ashburton Investments and Group Treasury.

Credit ratings

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

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

SOUTH AFRICAN SOVEREIGN LONG-TERM RATINGS

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

Sources: S&P and Moody's.

FIRSTRAND BANK LIMITED RATINGS

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

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

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

Sources: S&P and Moody's.

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

FIRSTRAND LIMITED RATINGS

		Counterparty rating*		National scale rating	
	Outlook	Long-term	Short-term	Long-term	Short-term
S&P	Stable	B	B	zaA-	zaA-2

* *Relates to the issuer credit rating for S&P.*

Source: S&P.

FirstRand Limited's ratings reflect its status as the non-operating holding company of the FirstRand group and the entity's consequent structural subordination to and reliance on dividends from operating companies to meet its obligations, which expose it to potential regulatory impositions. It is standard practice for a holding company to be rated below the operating company (in this case, FRB). The group issues debt out of the bank, which is the credit counterparty.

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 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.

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

Significant judgements and estimates used by management

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

- impairment of advances whereby specific additional disclosure is contained in pages 171 to 192; and
- the valuation of complex financial instruments whereby specific additional disclosure is contained in pages 193 to 210.

Supplementary additional disclosure is included in the unaudited section of this booklet on pages 53 to 69 and 85 to 124 relating to the impairment of advances.

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

ACCOUNTING POLICIES

The accounting policies and other methods of computation applied in the preparation of the 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.

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

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

AUDITORS' REPORT

These summary consolidated financial statements for the year ended 30 June 2020 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. Refer to page 151.

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.

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

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 financial information from the issuer's registered office.

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

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 2019*, remain unchanged.

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 and on the following page of 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), which is available for inspection at the registered office.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Consolidated private equity subsidiaries

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

FirstRand shares held for client trading activities

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

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

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

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

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

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

Margin-related items included in fair value income

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

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

- the margin on the component of the wholesale advances book in RMB that is measured at FVTPL;
- fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent to the USD funding and liquidity pool.

Presentation continued

IAS 19 remeasurement of plan assets

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

Realisation on the sale of private equity subsidiaries

In terms of *Circular 01/2019 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 160.

Independent auditors' report on the summary consolidated financial statements

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Opinion

The summary consolidated financial statements of FirstRand Limited, set out on pages 148 and pages 152 to 215 of the accompanying provisional report, which comprise the summary consolidated statement of financial position as at 30 June 2020, the summary consolidated income statement, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the 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 9 September 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE 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

5 Magwa Crescent
Waterfall City
9 September 2020

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered Auditor
Director: Johannes Grosskopf

4 Lisbon Lane
Waterfall City
9 September 2020

COVID-19 impact

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

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

Significant judgements and estimates impacted by COVID-19

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

DESCRIPTION	ADDITIONAL INFORMATION
Impairment of goodwill	
In line with the group's accounting policies, the group assessed its goodwill balances for impairment. The current year assessment incorporated the budgetary information for the next financial period, which contains the punitive impact of COVID-19, as well as the budgets for a period of between three and five years. The disclosures relating to the assumptions and judgements used for assessing goodwill for impairment have been updated to include a sensitivity analysis. This disclosure provides the users of the financial statements with additional insight into the reasonable range of possible outcomes.	Pages 211 and 212.
Impairment provisions of advances	
Incorporating forward-looking information	
Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the group's forward-looking assumptions for the purposes of its expected credit losses (ECL) calculation, has been provided. Noting the wide range of possible scenarios and macroeconomic outcomes, and the relative uncertainty of the social and economic consequences of COVID-19, these scenarios represent reasonable and supportable forward-looking views as at the reporting date.	Pages 183 to 188.
Significant increase in credit risk	
The group has not followed an overall blanket approach to the ECL impact of COVID-19 (where COVID-19 is seen as a significant increase in credit risk trigger that will result in the entire portfolio of advances moving into their respective next staging bucket). A more systematic and targeted approach to the impact of COVID-19 on the customer base is being undertaken, which is in line with the group's existing policy documented in the group credit impairment framework.	Pages 189 to 192.
Fair value measurement	
The valuation techniques for fair value measurement of financial instruments have been assessed by the respective valuation committees at a business unit and group level to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participant input as opposed to group-specific inputs. The appropriateness of the inputs to valuations, which include the use of correlations, price volatilities, funding costs and bid-offer spreads, price earnings multiples, counterparty and own credit spreads, was also considered. Changes in valuation inputs have also been considered in terms of the impact they have on the classification of exposures in the fair value hierarchy, transfers within the fair value hierarchy and the level 3 sensitivity analysis that may be required if applicable.	Pages 193 to 210.

Assessment of the going concern principle

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

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

Summary consolidated income statement – IFRS (audited)

for the year ended 30 June

R million	**2020**	2019	% change
Interest income calculated using effective interest rate	**121 046**	119 797	1
Interest on other financial instruments and similar income	**841**	471	79
Interest and similar income	**121 887**	120 268	1
Interest expense and similar charges	**(58 972)**	(59 811)	(1)
Net interest income before impairment of advances	**62 915**	60 457	4
Impairment and fair value of credit on advances	**(24 383)**	(10 500)	>100
– Impairment on amortised cost advances	**(23 823)**	(10 431)	>100
– Fair value of credit on advances	**(560)**	(69)	>100
Net interest income after impairment of advances	**38 532**	49 957	(23)
Non-interest revenue	**41 691**	45 808	(9)
– Net fee and commission income	**30 058**	30 731	(2)
– Fee and commission income	**36 244**	36 533	(1)
– Fee and commission expense	**(6 186)**	(5 802)*	7
– Insurance income	**3 941**	4 128	(5)
– Fair value income	**4 084**	4 587	(11)
– Fair value gains or losses	**8 869**	9 338	(5)
– Interest expense on fair value activities	**(4 785)**	(4 751)	1
– Gains less losses from investing activities	**561**	3 610	(84)
– Other non-interest income	**3 047**	2 752	11
Income from operations	**80 223**	95 765	(16)
Operating expenses	**(55 276)**	(54 043)*	2
Net income from operations	**24 947**	41 722	(40)
Share of profit of associates after tax	**24**	946	(97)
Share of profit of joint ventures after tax	**5**	284	(98)
Income before indirect tax	**24 976**	42 952	(42)
Indirect tax	**(1 348)**	(1 280)	5
Profit before tax	**23 628**	41 672	(43)
Income tax expense	**(4 848)**	(9 819)*	(51)
Profit for the year	**18 780**	31 853	(41)
Attributable to			
Ordinary equityholders	**17 021**	30 211	(44)
Other equity instrument holders	**1 145**	760*	51
Equityholders of the group	**18 166**	30 971	(41)
Non-controlling interests	**614**	882	(30)
Profit for the year	**18 780**	31 853	(41)
Earnings per share (cents)			
– Basic	**303.5**	538.6	(44)
– Diluted	**303.5**	538.6	(44)
Headline earnings per share (cents)			
– Basic	**308.9**	497.2	(38)
– Diluted	**308.9**	497.2	(38)

* *Restated prior year following the adoption of IAS 12 amendments and reclassification of customer loyalty expenses. In the prior year R240 million relating to operating lease expenses incurred on SLOW lounges were reclassified from operating expenses to fee and commission expense, so as to better reflect the nature of the expense. Refer to pages 168 to 170.*

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

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

for the year ended 30 June

R million	2020	2019	% change
Profit for the year	**18 780**	31 853*	(41)
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**1 154**	498	>100
Gains arising during the year	**592**	829	(29)
Reclassification adjustments for amounts included in profit or loss	**1 036**	(137)	(>100)
Deferred income tax	**(474)**	(194)	>100
FVOCI debt reserve	**(61)**	(4)	>100
Losses arising during the year	**(91)**	(2)	>100
Reclassification adjustments for amounts included in profit or loss	**3**	(4)	(>100)
Deferred income tax	**27**	2	>100
Exchange differences on translating foreign operations	**6 208**	(444)	(>100)
Gains/(losses) arising during the year	**6 170**	(428)	(>100)
Deferred income tax	**38**	(16)	(>100)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interest	**33**	45	(27)
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	**(157)**	(2)	>100
Losses arising during the year	**(202)**	(2)	>100
Deferred income tax	**45**	–	–
Remeasurements on defined benefit post-employment plans	**532**	(229)	(>100)
Gains/(losses) arising during the year	**744**	(307)	(>100)
Deferred income tax	**(212)**	78	(>100)
Other comprehensive income/(loss) for the year	**7 709**	(136)	(>100)
Total comprehensive income for the year	**26 489**	31 717	(16)
Attributable to			
Ordinary equityholders	**24 634**	30 068	(18)
Other equity instrument holders	**1 145**	760*	51
Equityholders of the group	**25 779**	30 828	(16)
Non-controlling interests	**710**	889	(20)
Total comprehensive income for the year	**26 489**	31 717	(16)

* *Restated prior year following the adoption of IAS 12 amendments. Refer to pages 168 to 170 for more details.*

Summary consolidated statement of financial position – IFRS (audited)

As at 30 June

R million	2020	2019
ASSETS		
Cash and cash equivalents	**136 002**	102 518
Derivative financial instruments	**147 515**	47 104
Commodities	**21 344**	21 176
Investment securities	**297 469**	241 726
Advances	**1 261 715**	1 205 752
– Advances to customers	**1 191 281**	1 142 845
– Marketable advances	**70 434**	62 907
Other assets*	**11 256**	8 578
Current tax asset	**598**	267
Non-current assets and disposal groups held for sale	**3 065**	–
Reinsurance assets	**240**	196
Investments in associates	**6 882**	6 369
Investments in joint ventures	**1 749**	1 769
Property and equipment**	**21 369**	17 800
Intangible assets	**11 638**	10 491
Investment properties	**722**	689
Defined benefit post-employment asset	**–**	6
Deferred income tax asset	**4 975**	4 621
Total assets	**1 926 539**	1 669 062
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 062**	5 374
Derivative financial instruments	**162 193**	52 597
Creditors, accruals and provisions	**21 038**	21 922
Current tax liability	**499**	1 643
Liabilities directly associated with disposal groups held for sale	**1 427**	–
Deposits	**1 535 015**	1 393 104
Employee liabilities	**8 820**	13 042
Other liabilities**	**8 203**	5 974
Policyholder liabilities	**6 430**	5 263
Tier 2 liabilities	**24 614**	24 191
Deferred income tax liability	**1 318**	1 359
Total liabilities	**1 774 619**	1 524 469
Equity		
Ordinary shares	**56**	56
Share premium	**8 008**	8 023
Reserves	**129 465**	121 594
Capital and reserves attributable to equityholders of the group	**137 529**	129 673
Other equity instruments	**10 245**	10 734
Non-controlling interests	**4 146**	4 186
Total equity	**151 920**	144 593
Total equity and liabilities	**1 926 539**	1 669 062

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

** *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved, as comparative information has been prepared on an IAS 17 basis. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for more details.*

Summary consolidated statement of cash flows – IFRS (audited)

for the year ended 30 June

R million	2020	2019
Cash flows from operating activities		
Interest and fee commission receipts*	**153 420**	153 134
Trading and other income	**3 340**	3 033
Interest payments**	**(57 696)**	(58 428)
Other operating expenses**	**(45 895)**	(43 278)
Dividends received	**2 208**	3 816
Dividends paid	**(17 861)**	(16 598)
Dividends paid to non-controlling interest	**(736)**	(584)
Taxation paid	**(8 669)**	(10 621)
Cash generated from operating activities	**28 111**	30 474
Movements in operating assets and liabilities	**11 741**	(22 745)
– Liquid assets and trading securities	**(45 030)**	(30 463)
– Advances	**(17 961)**	(95 933)
– Deposits	**74 964**	120 674
– Other assets#	**(763)**	660
– Creditors#	**(1 357)**	2 263
– Employee liabilities	**(7 033)**	(5 906)
– Other liabilities**	**8 921**	(14 040)
Net cash generated from operating activities	**39 852**	7 729
Cash flows from investing activities		
Acquisition of investments in associates	**(551)**	(418)
Proceeds on disposal of investments in associates	**594**	1 278
Acquisition of investment in joint ventures	**(257)**	(45)
Proceeds on disposal of investment in joint ventures	**109**	22
Acquisition of investment in subsidiaries	**(366)**	–
Proceeds on disposal of subsidiaries	**–**	(2)
Acquisition of property and equipment	**(5 510)**	(3 503)
Proceeds on disposal of property and equipment	**752**	749
Acquisition of intangible assets and investment properties	**(454)**	(684)
Proceeds on disposal of non-current assets held for sale	**–**	331
Net cash outflow from investing activities	**(5 683)**	(2 272)
Cash flows from financing activities		
Proceeds on the issue of other liabilities	**4 583**	1 637
Redemption of other liabilities	**(5 174)**	(541)
Principal payments towards lease liabilities**	**(884)**	–
Proceeds from issue of Tier 2 liabilities	**275**	2 625
Capital repaid on Tier 2 liabilities	**(2 186)**	(7 579)
Acquisition of additional interest in subsidiaries from non-controlling interest	**(6)**	(23)
Disposal of additional interest in subsidiaries to non-controlling interest	**6**	–
Redemption of AT1 equity instruments	**(1 250)**	–
Proceeds from issue of AT1 equity instruments	**761**	4 965
Net cash inflow from financing activities	**(3 875)**	1 084
Net increase in cash and cash equivalents	**30 294**	6 541
Cash and cash equivalents at the beginning of the year	**102 518**	96 024
Effect of exchange rate changes on cash and cash equivalents	**3 604**	(47)
Transfer to non-current assets held for sale	**(414)**	–
Cash and cash equivalents at the end of the year	**136 002**	102 518
Mandatory reserve balance included above†	**31 193**	29 191

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

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

\# *In the prior year, the movement of R2 923 million in other assets and creditors were presented as a net movement. Due to the different underlying nature of these cash flows, these items have been disclosed separately in the current year and the prior year has been expanded in a similar way to achieve appropriate comparability.*

† *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

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2018	56	7 994	**8 050**	(723)	343
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	29	**29**	–	–
Total comprehensive income for the year	–	–	**–**	(229)	498
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2019	56	8 023	**8 079**	(952)	841
Adjustment for adoption of IFRS 16	–	–	**–**	–	–
Restated balance as at 1 July 2019	56	8 023	**8 079**	(952)	841
Net proceeds of issue of share capital	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Additional Tier 1 capital issued during the year	–	–	**–**	–	–
Additional Tier 1 capital redeemed during the year	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Distributions on other equity instruments	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Movement in treasury shares	–	(15)	**(15)**	–	–
Total comprehensive income for the year	–	–	**–**	532	1 154
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2020	56	8 008	**8 064**	(420)	1 995

* *Other reserves include the FVOCI reserve.*

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

Restated following the adoption of IAS 12 amendments. Refer to pages 168 to 170.

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equity-holders**	**Other equity instruments****	**Non-controlling interests**	**Total equity**
4	2 832	686	104 348	**107 490**	**5 769**	**3 906**	**125 215**
–	–	–	–	**–**	**–**	**(4)**	**(4)**
–	1	–	–	**1**	**–**	**4**	**5**
–	–	–	–	**–**	**4 965**	**–**	**4 965**
3	–	109	(128)	**(16)**	**–**	**7**	**(9)**
–	–	–	(15 931)	**(15 931)**	**–**	**(584)**	**(16 515)**
–	–	–	–	**–**	**(760)#**	**–**	**(760)**
–	–	(123)	123	**–**	**–**	**–**	**–**
–	–	–	(32)	**(32)**	**–**	**(32)**	**(64)**
–	–	–	14	**14**	**–**	**–**	**43**
–	(447)	35	30 211	**30 068**	**760#**	**889**	**31 717**
(6)	–	–	6	**–**	**–**	**–**	**–**
1	2 386	707	118 611	**121 594**	**10 734**	**4 186**	**144 593**
–	(20)	–	5	**(15)**	**–**	**–**	**(15)**
1	2 366	707	118 616	**121 579**	**10 734**	**4 186**	**144 578**
–	–	–	–	**–**	**–**	**(9)**	**(9)**
–	–	–	–	**–**	**–**	**–**	**–**
–	–	–	–	**–**	**761**	**–**	**761**
–	–	–	–	**–**	**(1 250)**	**–**	**(1 250)**
26	–	278	(303)	**1**	**–**	**(9)**	**(8)**
–	–	–	(16 716)	**(16 716)**	**–**	**(736)**	**(17 452)**
–	–	–	–	**–**	**(1 145)**	**–**	**(1 145)**
–	–	(2)	2	**–**	**–**	**–**	**–**
–	–	–	(12)	**(12)**	**–**	**4**	**(8)**
–	–	–	(20)	**(20)**	**–**	**–**	**(35)**
–	6 120	(193)	17 021	**24 634**	**1 145**	**710**	**26 489**
(3)	–	–	2	**(1)**	**–**	**–**	**(1)**
24	8 486	790	118 590	**129 465**	**10 245**	**4 146**	**151 920**

Statement of headline earnings – IFRS (audited)

for the year ended 30 June

R million	2020	2019	% change
Profit for the year (refer page 154)	**18 780**	31 853	(41)
Other equity instrument holders	**(1 145)**	(760)	51
Non-controlling interests	**(614)**	(882)	(30)
Earnings attributable to ordinary equityholders	**17 021**	30 211	(44)
Adjusted for	**305**	(2 324)	(>100)
Gain on investment activities of a capital nature	**–**	(1 928)*	(100)
Gain on disposal of non-private equity associates	**66**	(1 052)*	(>100)
– Gain on disposal of non-private equity associates	**–**	(1 083)	
– Impairment of non-private equity associates	**66**	31	
Gains on disposal of investments in subsidiaries	**–**	(6)	(100)
Loss/(gain) on disposal of property and equipment	**14**	(52)	(>100)
Fair value movement on investment properties	**(26)**	–	–
Transfer from foreign currency translation reserve	**(17)**	(70)	(76)
Gain on disposal of investments in joint ventures	**1**	–	–
Impairment of goodwill	**212**	–	–
Impairment of assets in terms of IAS 36	**129**	123	5
Other	**(1)**	–	–
Tax effects of adjustments	**(50)**	660*	(>100)
Non-controlling interest adjustments	**(23)**	1	(>100)
Headline earnings	**17 326**	27 887	(38)

* *Includes the impact of the gain on the Discovery transaction of c.R3 billion (c.R2.3 billion after tax).*

Reconciliation from headline to normalised earnings

for the year ended 30 June

R million	2020	2019	% change
Headline earnings	**17 326**	27 887	(38)
Adjusted for	**(61)**	7	(>100)
TRS and IFRS 2 liability remeasurement*	**77**	80	(4)
Treasury shares**	**65**	(1)	(>100)
IAS 19 adjustment	**(118)**	(97)	22
Private equity-related#	**(85)**	25	(>100)
Normalised earnings	**17 265**	27 894	(38)

* *The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term share incentive schemes.*

The TRS is accounted for as a derivative in terms of IFRS with the fair value change recognised in NIR unless it qualifies for hedge accounting.

In the current year, FirstRand's share price decreased R30.49 and during the prior year increased by R4.66.

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 150.

** *Includes 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 2020

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

* *FirstRand shares held for client trading activities.*

	IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
	–	–	–	98	**62 915**
	–	–	–	–	**(24 383)**
	–	–	–	98	**38 532**
	–	–	(37)	(759)	**41 720**
	–	–	29	(759)	**41 691**
	–	–	(66)	–	**29**
	–	–	(37)	(661)	**80 252**
	164	–	(341)	554	**(55 276)**
	164	–	(378)	(107)	**24 976**
	–	–	–	–	**(1 348)**
	164	–	(378)	(107)	**23 628**
	(46)	–	50	30	**(4 848)**
	118	–	(328)	(77)	**18 780**
				–	
	–	–	–	–	**(1 145)**
	–	–	23	–	**(614)**
	118	–	(305)	(77)	**17 021**
	(118)	–	305	77	**244**
	–	–	–	–	**17 265**

Reconciliation of normalised to IFRS summary consolidated income statement

for the year ended 30 June 2019

R million	Normalised	Private equity expenses	Treasury shares*	Margin-related items included in fair value income
Net interest income before impairment of advances	60 299	–	–	77
Impairment charge	(10 500)	–	–	–
Net interest income after impairment of advances	49 799	–	–	77
Total non-interest revenue	44 068	32	1	(77)
– Operational non-interest revenue	42 811	32	(3)	(77)
– Share of profit of associates and joint ventures after tax	1 257	–	4	–
Income from operations	93 867	32	1	–
Operating expenses	(53 899)	(32)	–	–
Income before indirect tax	39 968	–	1	–
Indirect tax	(1 280)	–	–	–
Profit before tax	38 688	–	1	–
Income tax expense	(9 152)	–	–	–
Profit for the year	29 536	–	1	–
Attributable to				
Other equity instrument holders	(760)	–	–	–
Non-controlling interests	(882)	–	–	–
Ordinary equityholders	27 894	–	1	–
Headline and normalised earnings adjustments	–	–	(1)	–
Normalised earnings attributable to ordinary equityholders of the group	27 894	–	–	–

* *FirstRand shares held for client trading activities.*

IAS 19 adjustment	Private equity-related	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
–	–	–	81	60 457
–	–	–	–	(10 500)
–	–	–	81	49 957
–	(26)	3 108	(68)	47 038
–	(26)	3 139	(68)	45 808
–	–	(31)	–	1 230
–	(26)	3 108	13	96 995
135	–	(123)	(124)	(54 043)
135	(26)	2 985	(111)	42 952
–	–	–	–	(1 280)
135	(26)	2 985	(111)	41 672
(38)	–	(660)	31	(9 819)
97	(26)	2 325	(80)	31 853
–	–	–	–	(760)
–	1	(1)	–	(882)
97	(25)	2 324	(80)	30 211
(97)	25	(2 324)	80	(2 317)
–	–	–	–	27 894

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2020

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

* *FirstRand shares held for client trading activities.*

Reconciliation of normalised to IFRS summary consolidated statement of financial position

as at 30 June 2019

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	102 518	–	102 518
Derivative financial instruments	47 104	–	47 104
Commodities	21 176	–	21 176
Investment securities	241 753	(27)	241 726
Advances	1 205 752	–	1 205 752
– Advances to customers	1 142 845	–	1 142 845
– Marketable advances	62 907	–	62 907
Other assets	8 578	–	8 578
Current tax asset	267	–	267
Non-current assets and disposal groups held for sale	–	–	–
Reinsurance assets	196	–	196
Investments in associates	6 369	–	6 369
Investments in joint ventures	1 719	50	1 769
Property and equipment	17 800	–	17 800
Intangible assets	10 491	–	10 491
Investment properties	689	–	689
Defined benefit post-employment asset	6	–	6
Deferred income tax asset	4 621	–	4 621
Total assets	1 669 039	23	1 669 062
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 374	–	5 374
Derivative financial instruments	52 597	–	52 597
Creditors, accruals and provisions	21 922	–	21 922
Current tax liability	1 643	–	1 643
Liabilities directly associated with disposal groups held for sale	–	–	–
Deposits	1 393 104	–	1 393 104
Employee liabilities	13 042	–	13 042
Other liabilities	5 974	–	5 974
Policyholder liabilities	5 263	–	5 263
Tier 2 liabilities	24 191	–	24 191
Deferred income tax liability	1 359	–	1 359
Total liabilities	1 524 469	–	1 524 469
Equity			
Ordinary shares	56	–	56
Share premium	8 056	(33)	8 023
Reserves	121 538	56	121 594
Capital and reserves attributable to ordinary equityholders of the group	129 650	23	129 673
Other equity instruments	10 734	–	10 734
Non-controlling interests	4 186	–	4 186
Total equity	144 570	23	144 593
Total equity and liabilities	1 669 039	23	1 669 062

* *FirstRand shares held for client trading activities.*

Restatement and changes in presentation of prior year numbers

IMPACT OF NEW AND REVISED STANDARDS

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

CHANGE IN PRESENTATION

Customer loyalty programme expenses

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

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

RESTATED SUMMARY CONSOLIDATED INCOME STATEMENT – IFRS (AUDITED)

R million	As reported at 30 June 2019	Restatement for IAS 12 amendments	Restatement for customer loyalty programme expenses	Restated 30 June 2019
Net interest income before impairment of advances	60 457	–	–	60 457
Impairment and fair value of credit on advances	(10 500)	–	–	(10 500)
Net interest income after impairment of advances	49 957	–	–	49 957
Non-interest revenue	46 048	–	(240)	45 808
– Net fee and commission income	30 971	–	(240)	30 731
– Fee and commission income	36 533	–	–	36 533
– Fee and commission expense	(5 562)	–	(240)	(5 802)
– Insurance income	4 128	–	–	4 128
– Fair value income	4 587	–	–	4 587
– Fair value gains or losses	9 338	–	–	9 338
– Interest expense on fair value activities	(4 751)	–	–	(4 751)
– Gains less losses from investing activities	3 610	–	–	3 610
– Other non-interest income	2 752	–	–	2 752
Income from operations	96 005	–	(240)	95 765
Operating expenses	(54 283)	–	240	(54 043)
Net income from operations	41 722	–	–	41 722
Share of profit of associates after tax	946	–	–	946
Share of profit of joint ventures after tax	284	–	–	284
Income before indirect tax	42 952	–	–	42 952
Indirect tax	(1 280)	–	–	(1 280)
Profit before tax	41 672	–	–	41 672
Income tax expense	(9 912)	93	–	(9 819)
Profit for the year	31 760	93	–	31 853
Attributable to				
Ordinary equityholders	30 211	–	–	30 211
Other equity instrument holders	667	93	–	760
Equityholders of the group	30 878	93	–	30 971
Non-controlling interests	882	–	–	882
Profit for the year	31 760	93	–	31 853

Restatement and changes in presentation of prior year numbers continued

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

R million	As reported at 30 June 2019	Restatement for IAS 12 amendments	Restated 30 June 2019
Profit for the year	31 760	93	31 853
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	498	–	498
Gains arising during the year	829	–	829
Reclassification adjustments for amounts included in profit or loss	(137)	–	(137)
Deferred income tax	(194)	–	(194)
FVOCI debt reserve	(4)	–	(4)
Losses arising during the year	(2)	–	(2)
Reclassification adjustments for amounts included in profit or loss	(4)	–	(4)
Deferred income tax	2	–	2
Exchange differences on translating foreign operations	(444)	–	(444)
Losses arising during the year	(428)	–	(428)
Deferred income tax	(16)	–	(16)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	45	–	45
Items that may not subsequently be reclassified to profit or loss			
FVOCI equity reserve	(2)	–	(2)
Losses arising during the year	(2)	–	(2)
Remeasurement on defined benefit post-employment plans	(229)	–	(229)
Losses arising during the year	(307)	–	(307)
Deferred income tax	78	–	78
Other comprehensive loss for the year	(136)	–	(136)
Total comprehensive income for the year	31 624	93	31 717
Attributable to			
Ordinary equityholders	30 068	–	30 068
Other equity instrument holders	667	93	760
Equityholders of the group	30 735	93	30 828
Non-controlling interests	889	–	889
Total comprehensive income for the year	31 624	93	31 717

Advances (audited)

R million	2020	2019
Category analysis		
Overdrafts and cash management accounts	**81 129**	82 642
Term loans	**73 658**	67 926
Card loans	**33 106**	35 516
Instalment sales, hire purchase agreements and lease payments receivable	**246 989**	232 103
Property finance	**461 876**	408 078
Personal loans	**56 658**	53 569
Preference share agreements	**48 739**	49 576
Assets under agreement to resell	**26 964**	45 315
Investment bank term loans	**164 792**	155 780
Long-term loans to group associates and joint ventures	**2 975**	2 473
Other	**43 775**	44 029
Total customer advances	**1 240 661**	1 177 007
Marketable advances	**70 434**	62 907
Gross value of advances	**1 311 095**	1 239 914
Impairment and fair value of credit of advances	**(49 380)**	(34 162)
Net advances	**1 261 715**	1 205 752

NOTE 1 – IMPAIRMENT OF ADVANCES

BREAKDOWN OF IMPAIRMENT CHARGE RECOGNISED IN THE INCOME STATEMENT

	2020			2019		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value
Increase in loss allowance	**(25 750)**	**(25 190)**	**(560)**	(12 415)	(12 346)	(69)
Recoveries of bad debts	**2 374**	**2 374**	**–**	2 548	2 548	–
Modification loss	**(1 007)**	**(1 007)**	**–**	(633)	(633)	–
Impairment of advances recognised in the income statement	**(24 383)**	**(23 823)**	**(560)**	(10 500)	(10 431)	(69)

Note: Refer to note 3 on pages 174 to 179 for a reconciliation of the loss allowance per class.

Advances (audited) continued

NOTE 2 – ANALYSIS OF ADVANCES PER CLASS

	2020			
R million	Total	Amortised cost	Fair value through profit or loss	Loss allowance
Residential mortgages	220 488	224 404	–	(3 916)
WesBank VAF*	98 153	104 014	–	(5 861)
Total retail secured	318 641	328 418	–	(9 777)
FNB card**	26 009	30 210	–	(4 201)
Personal loans*	33 177	41 874	–	(8 697)
Retail other	13 593	16 732	–	(3 139)
Total retail unsecured	72 779	88 816	–	(16 037)
FNB commercial	101 888	107 889	27	(6 028)
– FNB commercial excluding scheme	101 591	107 544	27	(5 980)
– Government guaranteed scheme	297	345	–	(48)
WesBank corporate	26 608	27 114	–	(506)
RMB corporate banking	67 242	68 318	127	(1 203)
RMB investment banking	275 445	211 763	68 984	(5 302)
Total corporate and commercial	471 183	415 084	69 138	(13 039)
Rest of Africa**	61 747	66 070	310	(4 633)
Group Treasury and other*,**	36 114	36 025	988	(899)
UK operations	301 251	306 246	–	(4 995)
– Retail*	231 076	234 529	–	(3 453)
– Commercial	70 175	71 717	–	(1 542)
Total advances	1 261 715	1 240 659	70 436	(49 380)

* *In order to provide a full strategic overview of the total UK operations of Aldermore and MotoNovo, the above reflects the total operational MotoNovo, which include the new book written since 1 May 2019 with Aldermore Group and the back book reported in FCC. The 2019 information has been reclassified accordingly. The table below show the changes.*

	2019			2019		
	Gross advances			Loss allowance		
R million	*As previously reported*	*Movement*	*Updated amount*	*As previously reported*	*Movement*	*Updated amount*
*WesBank VAF**	*160 703*	*(54 561)*	*106 142*	*5 443*	*(1 087)*	*4 356*
*FNB card***	*32 443*	*(4 328)*	*28 115*	*2 883*	*(233)*	*2 650*
*Personal loans**	*39 947*	*(578)*	*39 369*	*6 853*	*(38)*	*6 815*
Rest of Africa#	*65 610*	*(1 053)*	*64 557*	*3 963*	*–*	*3 963*
*Group Treasury and other**,#*	*37 743*	*5 381*	*43 124*	*715*	*233*	*948*
*UK Operations – Retail**	*129 072*	*55 139*	*184 211*	*386*	*1 125*	*1 511*
Total movement		*–*			*–*	

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

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

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

\# *Advances related to group treasury activities included in Rest of Africa.*

2019			
Total	Amortised cost	Fair value through profit or loss	Loss allowance
214 623	217 164	–	(2 541)
101 786	106 142	–	(4 356)
316 409	323 306	–	(6 897)
25 465	28 115	–	(2 650)
32 554	39 369	–	(6 815)
15 183	17 908	–	(2 725)
73 202	85 392	–	(12 190)
101 319	105 057	74	(3 812)
101 319	105 057	74	(3 812)
–	–	–	–
27 607	27 945	–	(338)
57 244	57 827	105	(688)
282 665	206 751	79 147	(3 233)
468 835	397 580	79 326	(8 071)
60 594	64 188	369	(3 963)
42 176	42 547	577	(948)
244 536	246 629	–	(2 093)
182 700	184 211	–	(1 511)
61 836	62 418	–	(582)
1 205 752	1 159 642	80 272	(34 162)

Advances (audited) continued

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

as at 30 June 2020

	2020*				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
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 changes 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 changes in exposure and net movement on GCA and ECL provided/(released)#	(18 804)	–	(18 804)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(1 434)	–	(1 434)	–	–
– Other changes in stage 2 exposures and ECL	(17 370)	–	(17 370)	–	–
Stage 3	(2 409)	(16 267)	(13 063)	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 changes in exposure and net movement on GCA and ECL provided/(released)#	(2 409)	–	–	(2 409)	–
Purchased or originated credit-impaired	22	–	–	–	22
Current year changes 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 changes 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					
Acquisition/(disposal) of advances‡	(2 832)	(2 586)	–	(246)	–
Acquisition/(disposal) of subsidiaries	1 608	1 608	–	–	–
Transfer (to)/from non-current assets or disposals groups held for sale	(2 646)	(2 150)	(259)	(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 at 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

	2020				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
	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	–
	(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

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

** *The group transfers opening balances (the back book), at the value as at 1 July, based on the impairment stage at the end of the reporting period. Any change in exposure and additional ECL raised or released is included in the impairment stage as at the end of the reporting period. Exposures that are in back book can move directly from stage 3 to stage 1 if the curing requirements have been met in a reporting period. The opening balances as at 1 July is transferred to the impairment stage at 30 June in the transfers section and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation. The current year movement for stage 2 advances is split between exposure where there has been a change in the measurement basis from 12 months to lifetime ECL and changes in other risk parameters.*

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

- *additional amounts advanced on the back book and any settlements. Transfers on the back book is reflected separately; and*
- *new business originated during the financial year, the transfers between stages of the new origination and any settlements.*

Current year ECL provided/(released) relates to:

- *an increase/(decrease) in the carrying amount of the back book during the current year, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and*
- *includes interest on stage 3 advances for stage 3 exposures in the back book and new business. In the prior year it was separately presented.*

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

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

^ *Decrease in the advance as a result of write-off is equal to the decrease in ECL, as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R12 935 million.*

MODIFICATION – COVID-19 RELIEF PROVIDED TO CUSTOMERS

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

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

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

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

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

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

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

Within Aldermore, financial relief mechanisms included in addition to those described above, payment holidays with no interest charged to the customer during the payment holiday. The customer's instalments were unaltered, but the term of the credit agreement was extended by the payment holiday period, or the credit agreement was not extended, and the final three instalments of the agreement were increased.

Other financial relief mechanisms employed by the group included reducing the interest charged during the payment holiday period, or in some instances penalty interest was suspended during the payment holiday period.

Other debt relief measures resulted in the group suffering a modification loss as the present value of the original cash flows and the present value of the revised cash flows were not equivalent.

Advances (audited) continued

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

as at 30 June 2019

	2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment*
Amortised cost	1 088 679	970 760	84 728	33 191	–
Fair value	53 797	51 679	1 795	323	–
Amount as at 1 July 2018	1 142 476	1 022 439	86 523	33 514	–
Transfer between stages**	–	(25 342)	7 137	18 205	–
Stage 1	–	54 424	(52 510)	(1 914)	–
Stage 2	–	(68 546)	71 765	(3 219)	–
Stage 3	–	(11 220)	(12 118)	23 338	–
Disposal of advances#	(4 285)	(4 285)	–	–	–
Exchange rate differences	(3 060)	(2 408)	(418)	(234)	–
Bad debts written off†	(8 922)	–	–	(8 922)	–
Changes due to modification that did not result in derecognition	(633)	–	(33)	(600)	–
Current period provision created/(released)	–	–	–	–	–
Net changes in exposure‡	114 338	121 815	(6 863)	(719)	105
Interest on stage 3 advances	–	–	–	–	–
Amount as at 30 June 2019	1 239 914	1 112 219	86 346	41 244	105
Amortised cost	1 159 642	1 033 119	85 547	40 976	–
Fair value	80 272	79 100	799	268	105

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

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

\# *The majority of disposals relates to RMB and are due to loan syndications whereby the full exposure is recognised in new business and changes in exposure and the sell down to other external parties are recognised as disposals.*

† *Decrease in the advance as a result of write-off is equal to the decrease ECL as exposures are 100% provided for before being written off. The total contractual amount outstanding on financial assets that were written off during the period and are still subject to enforcement activity is R6 936 million.*

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

- *Net settlements and other changes in exposures of advances included in the opening balance, which occurred during the financial year.*
- *New business originated during the financial year and the transfers between stages of the new origination.*

	2019				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit impairment
	28 589	6 719	7 732	14 138	–
	489	269	15	205	–
	29 078	6 988	7 747	14 343	–
	–	1 422	(3 020)	1 598	–
	–	2 485	(2 189)	(296)	–
	–	(701)	1 466	(765)	–
	–	(362)	(2 297)	2 659	–
	(3)	(3)	–	–	–
	(171)	6	(144)	(33)	–
	(8 922)	–	–	(8 922)	–
	–	–	–	–	–
	12 415	(497)	3 168	9 744	–
	–	–	–	–	–
	1 765	–	–	1 765	–
	34 162	7 916	7 751	18 495	–
	33 614	7 614	7 702	18 298	–
	548	302	49	197	–

Advances (audited) continued

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

AMORTISED COST

R million	Retail secured		Retail unsecured		
	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2018	2 362	4 120	1 569	4 598	2 023
Stage 1	269	677	458	1 221	637
Stage 2	378	1 240	241	961	546
Stage 3	1 715	2 203	870	2 416	840
Acquisition/(disposal) of advances	–	–	–	–	–
Exchange rate differences	120	–	–	–	(120)
Bad debts written off	(362)	(2 201)	(437)	(1 495)	(885)
Current period provision created/(released)*	318	2 110	1 371	3 392	1 455
– Stage 1	(95)	(288)	31	198	20
– Stage 2	322	571	296	448	273
– Stage 3	91	1 827	1 044	2 746	1 162
Interest on stage 3 advances	103	327	147	320	252
Amount as at 30 June 2019	2 541	4 356	2 650	6 815	2 725
Stage 1	**360**	**632**	**555**	**1 415**	**724**
Stage 2	**510**	**1 307**	**347**	**971**	**464**
Stage 3	**1 671**	**2 417**	**1 748**	**4 429**	**1 537**
Acquisition/(disposal) of advances	**–**	**–**	**–**	**(90)**	**–**
Transfers from/(to) non-current assets or disposal groups held for sale	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**–**	**–**	**–**	**–**
Bad debts written off	**(259)**	**(1 907)**	**(1 114)**	**(4 351)**	**(1 754)**
Current period provision created/(released)*	**1 634**	**3 412**	**2 665**	**6 323**	**2 168**
– Stage 1	**275**	**(265)**	**349**	**627**	**(13)**
– Stage 2	**423**	**564**	**458**	**966**	**415**
– Stage 3	**936**	**3 113**	**1 858**	**4 730**	**1 766**
Amount as at 30 June 2020	**3 916**	**5 861**	**4 201**	**8 697**	**3 139**
Stage 1	**731**	**575**	**917**	**1 812**	**782**
Stage 2	**777**	**1 308**	**562**	**1 653**	**701**
Stage 3	**2 408**	**3 978**	**2 722**	**5 232**	**1 656**

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

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

	Corporate and commercial						UK operations		
	FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Retail	Commercial	Total amortised cost
	3 457	333	945	2 876	3 598	712	1 544	452	28 589
	680	93	163	570	726	403	629	193	6 719
	879	91	723	1 330	685	183	372	103	7 732
	1 898	149	59	976	2 187	126	543	156	14 138
	–	–	–	(3)	–	–	–	–	(3)
	(7)	1	2	4	(155)	6	(15)	(7)	(171)
	(751)	(104)	(322)	(358)	(638)	(174)	(974)	(211)	(8 912)
	836	99	25	317	959	222	901	341	12 346
	(214)	(36)	(51)	69	(62)	(27)	(62)	160	(357)
	448	4	(77)	54	363	31	40	186	2 959
	602	131	153	194	658	218	923	(5)	9 744
	277	9	38	29	197	4	55	7	1 765
	3 812	338	688	2 865	3 961	770	1 511	582	33 614
	733	**92**	**231**	**924**	**805**	**398**	**532**	**213**	**7 614**
	776	**67**	**364**	**1 419**	**804**	**186**	**378**	**109**	**7 702**
	2 303	**179**	**93**	**522**	**2 352**	**186**	**601**	**260**	**18 298**
	–	**–**	**–**	**(10)**	**–**	**–**	**–**	**–**	**(100)**
	–	**–**	**–**	**–**	**(223)**	**(42)**	**–**	**–**	**(265)**
	–	**–**	**10**	**113**	**208**	**–**	**504**	**216**	**1 051**
	(1 286)	**(114)**	**(141)**	**(572)**	**(1 282)**	**(196)**	**(842)**	**(350)**	**(14 168)**
	3 502	**282**	**526**	**2 338**	**1 969**	**122**	**2 280**	**1 094**	**28 315**
	489	**10**	**71**	**151**	**212**	**(58)**	**453**	**249**	**2 550**
	1 070	**64**	**347**	**1 803**	**182**	**(14)**	**699**	**346**	**7 323**
	1 943	**208**	**108**	**384**	**1 575**	**194**	**1 128**	**499**	**18 442**
	6 028	**506**	**1 083**	**4 734**	**4 633**	**654**	**3 453**	**1 542**	**48 447**
	1 394	**114**	**323**	**1 288**	**1 007**	**320**	**1 116**	**564**	**10 943**
	1 339	**111**	**647**	**3 111**	**981**	**152**	**1 148**	**471**	**12 961**
	3 295	**281**	**113**	**335**	**2 645**	**182**	**1 189**	**507**	**24 543**

Advances (audited) continued

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

FAIR VALUE

	Corporate and commercial				
R million	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	Total fair value
Amount as at 1 July 2018	–	312	4	173	489
Stage 1	–	92	4	173	269
Stage 2	–	15	–	–	15
Stage 3	–	205	–	–	205
Bad debts written off	–	(10)	–	–	(10)
Current period provision created/(released)	–	66	(2)	5	69
– Stage 1	–	(120)	(2)	(18)	(140)
– Stage 2	–	186	–	23	209
– Stage 3	–	–	–	–	–
Amount as at 30 June 2019	–	368	2	178	548
Stage 1	**–**	**124**	**2**	**176**	**302**
Stage 2	**–**	**47**	**–**	**2**	**49**
Stage 3	**–**	**197**	**–**	**–**	**197**
Exchange rate differences	**–**	**19**	**–**	**–**	**19**
Bad debts written off	**–**	**(194)**	**–**	**–**	**(194)**
Current period provision created/(released)	**120**	**375**	**(2)**	**67**	**560**
– Stage 1	**–**	**46**	**(2)**	**67**	**111**
– Stage 2	**–**	**320**	**–**	**–**	**320**
– Stage 3	**120**	**9**	**–**	**–**	**129**
Amount as at 30 June 2020	**120**	**568**	**–**	**245**	**933**
Stage 1	**–**	**147**	**–**	**245**	**392**
Stage 2	**–**	**411**	**–**	**–**	**411**
Stage 3	**120**	**10**	**–**	**–**	**130**

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

IMPAIRMENT OF ADVANCES

In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure.

The group adopted the PD/LGD approach to calculate ECL for advances. The ECL is based on an average of three macroeconomic scenarios incorporating a base scenario, an upside scenario and a downside scenario, weighted by the probability of occurrence.

Regression modelling techniques are used to determine which borrower and transaction characteristics are predictive of certain behaviours, based on relationships observed in historical data related to the group of accounts to which the model will be applied. This results in the production of models that are used to predict impairment parameters (PD, LGD and EAD) based on the predictive characteristics identified through the regression process.

FORWARD-LOOKING INFORMATION

Forward-looking macroeconomic information has been incorporated into expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments. Both quantitative models and expert judgement-based adjustments consider a range of forecasted macroeconomic scenarios as inputs.

Macroeconomic scenarios are defined by taking global and domestic macroeconomic considerations into account, and forecasts are developed for baseline, downside, upside and stress scenarios. The baseline, downside and upside scenarios are used in the ECL calculations. Development of these scenarios is overseen by the FirstRand Macro Forum, which is responsible for oversight and is independent from credit and modelling functions.

To arrive at the macroeconomic forecasts, teams of economists both locally and within the various subsidiaries assess the micro and macroeconomic developments to formulate the macroeconomic forecasts. A number of internal and external economists are then requested to assign a probability to each scenario. The rationale for the probabilities assigned by each of the economists requested to respond is noted and explained.

ECL results are calculated as probability-weighted average results across multiple macroeconomic scenarios. The creation of macroeconomic scenarios and the determination of associated probabilities are subjective, with final ECL results dependent on the assumptions applied during the process.

Quantitative techniques applied estimate the impact of forecasted macroeconomic factors on expected credit losses using various techniques dependent on the portfolio within which models will be applied.

Within the RMB corporate banking and IBD portfolios, macroeconomic stress testing models are applied to estimate the impact of forward-looking information on expected credit losses. These stress testing models are industry-specific and make use of regression techniques, observed macroeconomic correlations and expert judgement, depending on the extent of data available in each industry. The outputs from these models are used to determine the level of stress that a particular industry is expected to experience, and through-the-cycle (TTC) impairment parameters are scaled accordingly, with scaling factors based on historic S&P default data.

Within the commercial portfolio, the economic capital model is used to determine credit loss curves per portfolio under various scenarios, taking into account the industries represented in each portfolio. Judgement is applied to select appropriate loss curves for determining forward-looking ECL estimates commensurate with the current economic environment and forward-looking expectations.

Within retail portfolios, forward-looking ECL is modelled using regression-based techniques that determine the relationship between key macroeconomic factors and credit risk parameters based on historically observed correlations. Modelled correlations and macroeconomic variable weightings are adjusted on the basis of expert judgement to ensure that the relationships between macroeconomic forecasts and risk parameters are intuitive and that ECL is reflective of forward-looking expectations of credit performance.

The approach applied within Aldermore is aligned with the approach applied within domestic retail portfolios, with FLI-adjusted ECL estimates determined on the basis of a combination of regression-based modelling and expert judgement. The forward-looking macroeconomic information applied within Aldermore includes six probability-weighted macroeconomic scenarios, ranging from an upside scenario to a severe downside scenario.

Where the impact of forward-looking macroeconomic information on ECL is determined based on historical relationships between macroeconomic movements and default rates, and it is not expected for these relationships to hold under current macroeconomic conditions, judgemental post-model adjustments have been applied to ensure that relationships between macroeconomic forecasts and ECL estimates are intuitive, with ECL increasing where macroeconomic conditions are expected to worsen, and reflecting additional relevant information not catered for in models. This approach is followed across all portfolios.

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

The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020 for the group's South-African and Africa operations.

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

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

Aldermore, including MotoNovo, uses an external firm specialising in economic forecasting to provide forward-looking macroeconomic information. The table sets out the scenarios and the probabilities assigned to each scenario at 30 June 2020, which represents the group's UK operations:

Scenarios	Probability
Severe Downside	**15%** (2019: 10%)
Downside	**10%** (2019: 10%)
Stagnation	**10%** (2019: 10%)
Base	**45%** (2019: 50%)
Mild upside	**10%** (2019: 10%)
Upside	**10%** (2019: 10%)

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

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

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

South Africa

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

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

United Kingdom

Following the initial global and domestic shock induced by the COVID-19 pandemic, the outlook for the United Kingdom (UK) remains weak. High-frequency indicators of the UK economy show that activity should lift into the second half of 2020, but their relative weakness also suggest that the recovery will be protracted. The loosening of lockdown restrictions increases the risk of further waves of infection and introduces the likelihood of an even more protracted recovery if further rounds of lockdown and social distancing are ultimately required. This leaves the UK economy in an abnormally stagnant state, which is placing significant strain on household and corporate incomes. Lower GDP, higher unemployment and lower household incomes will leave a gap in UK income statements and balance sheets, which increases the likelihood of further government spending and quantitative easing with interest rates likely to remain lower for longer until GDP and inflation begin to lift.

Other Africa

General

The outlook for the rest of Africa portfolio has come under particular pressure, most notably the SACU countries which all are heavily reliant on activity in South Africa. Without exception, the real economies in these countries are extremely weak with increased fiscal risk becoming an important driver of their medium-term outlook.

A second important theme to note for the rest of Africa portfolio is the negative implications that the fall in the oil price will have for the oil and gas producing economies of Nigeria, Ghana and Mozambique. This will add a further measure of fiscal and foreign exchange weakness to the domestic economic outlook, although the oil price is expected to recover in 2021.

Namibia

The Namibian economy has been in a recessionary environment since 2016, with GDP growth lagging far behind population growth. The COVID-19 pandemic and associated lockdown measures are expected to exacerbate this existing contraction in GDP growth. Namibia went into a 21-day lockdown on 28 March 2020, which was further extended to 38 days ending 4 May 2020. The government subsequently embarked on a gradual reopening of the economy where most economic activities have been allowed to resume with some social distancing precautions. While domestic economic activities have been allowed to resume, the economy still faces a number of COVID-19 related pressures. Firstly, a global slowdown and falling external demand will weigh on exports and export-dependent industries. This is further worsened by restrictions on the movement of goods and people, which will disrupt supply chains in various industries such as wholesale and retail trade, manufacturing and construction. Secondly, domestic demand is unlikely to rebound to significantly higher levels as consumer and investor confidence remains low due to the uncertainties surrounding COVID-19 in an already weak economic environment. Finally, the government faces significant funding constraints and is unable to provide enough fiscal support to lift activity meaningfully.

This backdrop is expected to result in a significant contraction in GDP growth in 2020 followed by an extremely weak recovery after the initial shock. Inflation is expected to remain low due to low domestic demand, with some upward pressure arising in 2021 through expected higher global oil prices. Similar to South Africa, interest rates are expected to remain low given the low global interest rate environment, low inflation and the interest rate cuts implemented by the SARB.

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

Botswana

Botswana is expected to experience a significant contraction in GDP in 2020 followed by a weak recovery in 2021. Weaker global demand has resulted in lower global diamond prices and weaker local production. At the same time the tourism sector will continue to be severely affected by the pandemic, with travel bans limiting anticipated growth within the local hospitality and aviation industries. Botswana's trade sector, which has been a key driver of growth in recent years, is also expected to contract significantly as a result of disruptions in global trade patterns due to lockdown measures implemented globally. The spill-over effect of these disruptions will be evident in manufacturing and construction, as local businesses continue to face difficulties procuring critical inputs for their production processes.

In order to mitigate the impact of COVID-19 on the economy, the government has drafted an economic recovery and transformation plan aimed at supporting businesses and the economy through this pandemic. The fiscal package proposes several interventions and projects that span most industries with the hope of transforming Botswana from a mineral-led, public-sector dominated economy to a more diversified, export-oriented economy. Although Botswana has the fiscal resources to embark on such a plan, there have been challenges with the implementation of development plans in the past. Given the expected weakness in consumer demand and GDP growth, inflation is expected to remain low. This, together with lower global oil prices, low global inflation and low global interest rates is expected to allow the central bank to maintain low interest rates, through the forecast horizon.

Significant macroeconomic factors for 30 June 2020

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

SIGNIFICANT MACROECONOMIC FACTORS FOR 30 JUNE 2020*

South Africa (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Applicable across all portfolios									
Real GDP growth	(0.60)	4.20	4.00	(0.60)	2.40	0.90	(2.00)	0.00	0.00
CPI inflation	3.30	3.00	3.00	3.00	3.80	4.50	4.70	5.90	7.60
Repo rate	2.75	2.75	2.75	3.25	3.25	3.25	6.00	6.25	6.50
Retail									
Real income growth	1.00	4.20	4.9	(1.8)	1.60	0.40	(0.90)	(0.20)	(0.30)
House price index growth**	6.30	17.90	17.8	(1.0)	6.40	3.80	(12.50)	(8.30)	(10.10)
Household debt income ratio	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50	71.50
Employment growth	(0.2)	1.30	1.2	(0.20)	0.70	0.30	(2.2)	(1.3)	(1.7)
Wholesale									
Fixed capital formation	1.80	9.10	12.00	(12.30)	1.00	(1.00)	(2.10)	(1.90)	(1.60)
Foreign exchange rate (USD/ZAR)	12.30	11.80	12.00	15.40	15.90	16.70	17.30	19.7	22.00

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

** *Applicable to the secured portfolio.*

UK (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	5.52	7.06	3.00	1.04	7.31	2.35	(11.73)	10.95	3.17
CPI inflation	2.23	2.27	1.94	0.49	1.65	1.76	(1.78)	(0.26)	2.24
House price index growth*	0.16	5.03	13.95	(4.99)	(0.26)	6.03	(14.7)	(13.68)	(7.09)
Employment growth	2.60	0.80	(1.96)	1.87	0.51	(6.04)	2.08	1.34	(1.45)

* *Applicable to the secured portfolio.*

Other Africa

Namibia (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	0.00	1.50	2.50	(3.70)	1.20	1.70	(6.50)	(3.00)	(1.50)
CPI inflation	2.75	3.00	3.00	3.00	3.50	4.00	4.90	5.92	6.75
Repo rate	3.00	2.75	2.75	3.50	3.50	3.50	6.00	6.25	6.50

Botswana (%)	Upside scenario			Baseline expectation			Downside scenario		
	2021	2022	2023	2021	2022	2023	2021	2022	2023
Real GDP growth	(0.30)	4.90	6.00	(2.10)	3.30	3.50	(6.91)	0.25	0.85
CPI inflation	2.00	2.20	2.20	2.20	3.10	3.20	3.35	4.78	5.63
Repo rate	3.25	3.25	3.00	3.50	3.50	3.50	4.50	5.25	6.00

Significant macroeconomic factors for 30 June 2019

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

Sensitivity analysis of forward-looking information on impairment provisions

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

	2020	
	R million	% change on total IFRS 9 provision
Impairment provision on performing advances	**23 903**	
Scenarios		
Baseline	**23 766**	**(1)**
Upside	**21 626**	**(10)**
Downside	**26 505**	**11**

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

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

Post-model adjustments

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

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

JUDGEMENT	RETAIL AND RETAIL SME	WHOLESALE AND COMMERCIAL SME
Measurement of the 12-month and lifetime ECL	Parameters are determined on a pooled basis, with exposures pooled on a portfolio level at a minimum. Where appropriate, more granular pooling is applied. The inputs used to determine parameter values include historically observed behaviour, as well as behavioural and demographic information related to individual exposures currently on book. PD parameters are determined through assessment of the influence that various risk drivers have had on historical default rates. EAD parameter estimates are based on product characteristics and historical draw-down and payment behaviour. LGDs are determined by estimating expected future cash flows and are adjusted for forward-looking information such as the house price index, prime lending rate and GDP. These cash flows include direct costs and proceeds from the sale of collateral. Collateral recovery rates are based on historically observed outcomes. The statistical models applied implicitly assume that risk drivers that influence default risk, payment behaviour and recovery expectations within the historical data will continue to be relevant in the future.	Parameters are determined based on the application of statistical models that produce estimates based on counterparty-specific financial information and transaction characteristics. These characteristics include the nature of available collateral. Due to the specialised nature of these exposures, parameters produced by models are taken through a robust review and challenge process before being applied to calculate expected credit losses, and are required to be signed off by a committee of wholesale and commercial credit experts who can motivate adjustments to modelled parameters.
	Parameters are calibrated for the calculation of 12-month and lifetime ECL using term structures that consider borrower risk, account age, historical behaviour, transaction characteristics and correlations between parameters. Term structures have been developed over the entire remaining contractual lifetime of an instrument. The remaining lifetime is limited to the contractual term of instruments in the portfolio, except for instruments with an undrawn commitment such as credit cards, where there is no contractual expiry date. In such instances the remaining term is determined with reference to the change in client requirements that would trigger a review of the contractual terms, for example an increase in credit limit. Expected credit losses on open accounts are discounted from the expected date of default to the reporting date using the asset's original effective interest rate or a reasonable approximation thereof.	

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

JUDGEMENT	RETAIL AND RETAIL SME	WHOLESALE AND COMMERCIAL SME
Determination of whether the credit risk of financial instruments have increased significantly since initial recognition	Although COVID-19 has had a negative impact on the economies in which the group operates, in isolation COVID-19 initially reflected a liquidity constraint more than an inherent increase in credit risk for the entire portfolio of advances held by the group. As such the group did not impose a blanket downgrade on all ECL stages. A more systematic and targeted approach to the impact of COVID-19 on the group's customer base was undertaken, following the group's existing credit framework, which allowed for well-balanced and consistent decision-making that considered not only the impact of COVID-19, but existing economic trends as well. As such, the group did not view requests for payment deferrals and liquidity assistance as the sole indicator that SICR had occurred for performance advances. IFRS 9 contains a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. This means that where payments are 30 days past due, the financial asset needs to migrate from stage 1 to stage 2. Instead of rebutting this presumption, the group views that where the customer and the group have agreed to a deferral of payment for a specified period, that such an extension will not trigger the counting of days past due.	
SICR assessment of COVID-19 relief exposures	In accordance with IFRS 9, all exposures are assessed to determine whether there has been a SICR at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are based on client behaviour, client-based behaviour scores and judgemental factors. These triggers are portfolio specific and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk with reference to historic default rates within that portfolio. The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk. These levels are monitored and validated on a continuous basis. Management also considers other judgemental triggers, for example behaviour on other products. Additional judgemental triggers, such as employment in industries in distress, have also been considered in the context of COVID-19 and its financial impacts.	In accordance with IFRS 9, all exposures are assessed to determine whether there has been a significant increase in credit risk at each reporting date (monthly), in which case the expected credit loss is calculated on a lifetime basis. SICR triggers are determined based on client behaviour, client internal FirstRand rating or risk score, as well as judgemental factors which may result in the client being added to the watch list through the group's ongoing risk management process. These triggers are determined at a deal and client level and are calibrated over time to determine what level of deterioration is reflective of a significant increase in credit risk. Additional judgmental triggers, such as belonging to an industry in distress, are considered in the context of the financial impact of COVID-19. The group uses a relative movement in probability of default between reporting date and origination date to determine if there was a significant increase in credit risk, and the client's watch list status at a point in time. These levels are monitored and validated on a continuous basis.

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

	30 June 2020*	
R million	**5% increase in gross carrying amount of exposure**	**Increase in the loss allowance**
Retail	**30 010**	**2 529**
Wholesale, commercial and other (including Group Treasury)	**26 565**	**3 069**
Total increase in stage 2 advances and ECL	**56 575**	**5 598**

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

JUDGEMENT	DESCRIPTION
Treatment of financial relief offered in response to the impacts of COVID-19 – retail and commercial exposures (excluding SME Loan Guarantee Scheme)	The group has offered financial relief through various mechanisms in response to COVID-19. These included the following: • additional facilities or new loans being granted; • restructure of existing exposures with no change in the present value of the estimated future cash flows; and • restructure of existing exposures with a change in the present value of the estimated future cash flows. Prior to COVID-19 relief being granted to an applying customer, the customer was assessed against eligibility for relief criteria. In doing so, the group was able to identify customers who were in good standing but were facing financial distress due to the impact of COVID-19 directly or indirectly. The COVID-19 relief provided to these customers were deemed to be temporary and cash flow in nature. Where a customer was already experiencing financial distress and was in arrears prior to 29 February 2020, any relief provided was deemed to permanent in nature. Where the relief is expected to be temporary in nature and as such qualifies as a non-distressed restructure, the staging of the exposure as at 29 February 2020 has been maintained, and adjustments have been made to coverage to allow for incremental credit risk and potential masking of normal arrears. Where the relief is expected to be permanent in nature, the exposure has been treated as a distressed restructure, and staging and coverage have been adjusted in line with the group's normal practice. Where the relief has been enacted through the issuance of a new loan as part of non-distressed restructure, the loan has been treated at initial recognition as a new exposure and coverage has been calculated on the basis of historical behaviour in similar products, including a post-model adjustment to allow for incremental credit risk attributable to COVID-19 relief provided. The terms of the new loan are distinct from other facilities granted to the customer previously, as the new loan is unsecured and its repayment terms differ from the terms of the customer's other facilities with the group. Where the relief provided as an emergency facility (as defined under the National Credit Act) is part of a distressed restructure, the staging of the emergency facility has been aligned to the staging of the underlying exposures. Where there are multiple underlying exposures with different stages, the worst of these stages has been applied. The ECL for all exposures on which relief has been offered and for all emergency facilities has been adjusted to reflect the impact of forward-looking macroeconomic information in line with the rest of the portfolio.
Treatment of financial relief offered in response to the impacts of COVID-19 – wholesale exposures	Debt relief measures for wholesale clients have been undertaken on a case-by-case basis within the boundaries of existing credit risk management processes. Treatment of financial relief offered to wholesale customers remains the same as for other wholesale restructures.

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

JUDGEMENT	DESCRIPTION
Treatment of SME Loan Guarantee Scheme	An arrangement facilitated by BASA, between the SARB and participating banks in South Africa was concluded during the current year. In terms of the arrangement, the SARB committed to provide dedicated funding at the repo rate to the banks who elected to participate in the SME Loan Guaranteed Scheme (the scheme). The group is a participant in the scheme. In terms of the scheme, the group will utilise the dedicated funding obtained from the SARB to on lend to qualifying SME customers who would be charged the prime interest rate on the advance (ring-fenced portfolio). The loans are repayable up to a maximum of seven years, with no early settlement penalties applicable. As part of the scheme, the group would share up to a maximum loss of 6% suffered if the advances in the portfolio were to default. The SARB would compensate the group for all other credit losses suffered (limited guarantee) on the ring-fenced portfolio. The SARB is compensated for accepting such credit risk exposure by receiving a credit loss protection premium from the group, the terms of which are identical for all participants in the scheme. The group is acting as principal in the overall structure and as such has recognised loans advanced to customers (note 11). The limited guarantee arrangement entered into with the SARB is viewed as a credit enhancement integral to the loans advanced, and the cost of the limited guarantee is adjusted to the effective interest rate of the loans advanced under the scheme. The group considers credit enhancements that are obtained from a third party at approximately the same time as the loan agreement is entered into with the customer, so as to mitigate the credit risk associated specifically with customer as integral to the loan agreement. The ECL on the loans advanced under this scheme factor in the maximum credit loss.
Determination of whether a financial asset is credit impaired	Exposures are classified as stage 3 if there are qualitative indicators that the obligor is unlikely to repay their credit obligations in full without any recourse action by the group, such as the realisation of security. Distressed restructures of accounts in stage 2 are also considered to be default events. For a retail account to cure from stage 3 to either stage 2 or stage 1, the account needs to meet a stringent cure definition. Cure definitions are determined on a portfolio level with reference to suitable analysis and are set such that the probability of a previously cured account re-defaulting is equivalent to the probability of default for an account that has not defaulted in the past. In most retail portfolios curing is set at 12 consecutive payments. For wholesale exposures, cures are assessed on a case-by-case basis, subsequent to an analysis by the relevant debt restructuring credit committee. A default event is a separate default event only if an account has met the portfolio-specific cure definition prior to the second or subsequent default. Default events that are not separate are treated as a single default event when developing LGD models and the associated term structures.

Fair value measurements (audited)

VALUATION METHODOLOGY

In terms of IFRS, the group is required to or elects to measure certain assets and liabilities at fair value. The group has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall group level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

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

Non-recurring fair value measurements

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

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

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

Financial instruments

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

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

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 209, for all other financial instruments at amortised cost, the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 2

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Strike price of the option, market-related discount rate, spot or forward rate and the volatility of the underlying
Forwards	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market-projected forward value.	Spot price of underlying instrument, market interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rate curves, volatilities, dividends and share prices
ADVANCES TO CUSTOMERS			
Other advances	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. In the event that credit spreads for a counterparty are observable or are an insignificant input, advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market-related interest rate. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place, in which case level 2 classifications are used.	Market transactions
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using a market-related interest rate adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk or the credit risk is an insignificant input, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rate curves
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rate curves
Treasury bills and other government and government-guaranteed stock	JSE debt market bond pricing model	The JSE debt market bond pricing model uses the JSE debt market mark-to-market bond yield.	Market interest rate curves

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate of the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rate curves
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business' investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	Market transactions (listed)
DEPOSITS			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature. The fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rate curves and foreign exchange rates
Other deposits	Discounted cash flows	The forward curve is adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2.	Market interest rate curves or performance of underlying

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
POLICYHOLDER LIABILITIES UNDER INVESTMENT CONTRACTS			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplied by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of the underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rate curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rate curves

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 3

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
DERIVATIVE FINANCIAL INSTRUMENTS			
Option	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
ADVANCES TO CUSTOMERS			
Investment banking book	Discounted cash flows	Certain of the group's investment banking advances do not meet the requirements to be carried at amortised cost and are at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances. As such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using a market-related interest rate, adjusted for credit inputs.	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
ADVANCES TO CUSTOMERS			
Other advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. In the case where the fair value of the credit is not significant year-on-year but may become significant in future and where the South African counterparties do not have actively traded or observable credit spreads, the group classifies other loans and advances to customers as level 3 in the fair value hierarchy.	Credit inputs
Advances under repurchase agreements	Discounted cash flow	The valuation entails accounting for the default of the counterparty and the sovereign entity. The effect of these defaults on the exchange rate is also included. Wrong-way risk is incorporated by factoring in the correlation between the FX rate and the default risk of the counterparty, as well as the default risk of the sovereign entity.	Credit input and market risk correlation factors
INVESTMENT SECURITIES			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates.	Unobservable P/E ratios
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
INVESTMENT SECURITIES **continued**			
Investments in funds and unit trusts	Third-party valuations	In the case of certain investments in funds (such as hedge funds) or unit trusts where an internal valuation technique is not applied, the group places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business' investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified them as level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third-party valuations to.	Third-party valuations used, minority and marketability adjustments
Investment properties	Discounted cash flow	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on a discounted cash flow model which is the sum of the present values of a stream of cash flows into the future with an appropriate exit or terminal value. Considerations related to above and below market rentals, fluctuating expenses and general property risk are factored into the model. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. Professional valuations are performed every two years and are reviewed internally by management. The latest valuation was performed during the current year. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Expected rentals, capitalisation and exit/ terminal rates.

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Non-recurring fair value measurements

For non-recurring far value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required, as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table.

There were no assets or liabilities measured at fair value on a non-recurring basis in the prior year. However, there were non-recurring fair value transactions in the current year.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2020. Assets and liabilities in the disposal group which are subject to the IFRS 5 measurement criteria were measured at fair value less costs to sell and classified as level 2 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability.

Fair value measurements (audited) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Fair value hierarchy

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

	2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	50	146 540	925	147 515
Advances	–	20 871	48 633	69 504
Investment securities	106 433	43 618	3 886	153 937
Non-recourse investments	–	8 611	–	8 611
Commodities	21 344	–	–	21 344
Investment properties	–	–	722	722
Non-recurring fair value measurements				
Disposal groups held for sale – financial assets	–	58	–	58
Total fair value assets	127 827	219 698	54 166	401 691
Liabilities				
Recurring fair value measurements				
Short trading positions	5 062	–	–	5 062
Derivative financial instruments	292	160 045	1 856	162 193
Deposits	1 299	39 918	5 063	46 280
Non-recourse deposits	–	8 611	–	8 611
Other liabilities	–	2	300	302
Policyholder liabilities under investment contracts	–	4 960	–	4 960
Non-recurring fair value measurements				
Disposal groups held for sale – financial liabilities	–	2	–	2
Total fair value liabilities	6 653	213 538	7 219	227 410

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

	2019			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	140	46 162	802	47 104
Advances	–	43 583	36 141	79 724
Investment securities	66 826	40 005	3 692	110 523
Non-recourse investments	–	12 253	–	12 253
Commodities	21 176	–	–	21 176
Investment properties	–	–	689	689
Total fair value assets – recurring	88 142	142 003	41 324	271 469
Liabilities				
Recurring fair value measurements				
Short trading positions	5 352	22	–	5 374
Derivative financial instruments	91	51 664	842	52 597
Deposits	1 378	53 809	1 238	56 425
Non-recourse deposits	–	12 253	–	12 253
Other liabilities	–	189	387	576
Policyholder liabilities under investment contracts*	–	4 415	–	4 415
Total fair value liabilities – recurring	6 821	122 352	2 467	131 640

* *The policyholder liabilities under investment contracts were incorrectly classified as level 1 in the prior year and were restated to reflect as a level 2 instruments.*

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

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

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

	2019		
R million	Transfers in	Transfers out	Reasons for significant transfer in
Level 1	–	–	There were no transfers into level 1.
Level 2	128	(151)	During the year, the inputs into the yield curves used to fair value derivative trades became observable warranting a transfer from level 3 to level 2 for these instruments.
Level 3	151	(128)	Derivatives linked to the Botswana pula were valued on an internally created curve, whose inputs are no longer observable. These changes in inputs resulted in a transfer out of level 2 to level 3.
Total transfers	279	(279)	

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	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2018	563	51 318	2 159	754	630	1 586	514
Gains/(losses) recognised in profit or loss	226	2 323	1 477	–	65	(1 769)	3
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–	–
Purchases, sales, issue and settlements	(49)	(17 558)	72	59	159	570	720
Acquisitions/(disposals) of subsidiaries	–	–	–	(124)	–	–	–
Net transfer to level 3	62	–	(27)	–	(12)	–	–
Exchange rate differences	–	58	10	–	–	–	1
Balance as at 30 June 2019	**802**	**36 141**	**3 692**	**689**	**842**	**387**	**1 238**
Gains/(losses) recognised in profit or loss	**142**	**4 458**	**(407)**	**26**	**1 418**	**154**	**76**
Losses recognised in other comprehensive income	**–**	**–**	**(203)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(86)**	**7 186**	**(55)**	**7**	**(434)**	**(241)**	**3 729**
Acquisitions/(disposals) of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net transfer to level 3	**67**	**–**	**814**	**–**	**30**	**–**	**–**
Exchange rate differences	**–**	**848**	**45**	**–**	**–**	**–**	**20**
Balance as at 30 June 2020	**925**	**48 633**	**3 886**	**722**	**1 856**	**300**	**5 063**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities are as a result of gains, settlements or the disposal of subsidiaries.

Gains or losses on advances classified as level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments due to changes in currency and base rates. These instruments are funded by liabilities whereby the risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

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

	2020		2019	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets				
Derivative financial instruments	**83**	**–**	162	–
Advances*	**4 291**	**–**	2 183	–
Investment securities	**(575)**	**(211)**	1 340	1
Investment properties	**91**	**–**	–	–
Total	**3 890**	**(211)**	3 685	1
Liabilities				
Derivative financial instruments	**(978)**	**–**	37	–
Deposits	**(41)**	**–**	12	–
Other liabilities	**(40)**	**–**	144	–
Total	**(1 059)**	**–**	193	–

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

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

Fair value measurements (audited) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

	Reasonable possible alternative fair value					
	2020			2019		
R million	**Fair value**	**Using more positive assump-tions**	**Using more negative assump-tions**	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**925**	**983**	**872**	802	815	792
Advances	**48 633**	**48 828**	**48 442**	36 141	36 350	35 935
Investment securities	**3 886**	**4 044**	**3 660**	3 692	3 848	3 492
Investment properties	**722**	**794**	**649**	689	758	620
Total financial assets measured at fair value in level 3	**54 166**	**54 649**	**53 623**	41 324	41 771	40 839
Liabilities						
Derivative financial instruments	**1 856**	**1 762**	**1 934**	842	836	846
Deposits	**5 063**	**5 010**	**5 132**	1 238	1 221	1 256
Other liabilities	**300**	**297**	**303**	387	377	397
Total financial liabilities measured at fair value in level 3	**7 219**	**7 069**	**7 369**	2 467	2 434	2 499

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed. For all other financial instruments, the carrying value is equal to or a reasonable approximation of the fair value.

	2020				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**1 192 211**	**1 202 775**	**–**	**141 944**	**1 060 831**
Investment securities	**134 921**	**133 464**	**104 689**	**25 846**	**2 929**
Total financial assets at amortised cost	**1 327 132**	**1 336 239**	**104 689**	**167 790**	**1 063 760**
Liabilities					
Deposits	**1 480 124**	**1 483 457**	**9 951**	**1 170 985**	**302 521**
Other liabilities	**4 735**	**4 778**	**–**	**3 118**	**1 660**
Tier 2 liabilities	**24 614**	**24 987**	**–**	**24 987**	**–**
Total financial liabilities at amortised cost	**1 509 473**	**1 513 222**	**9 951**	**1 199 090**	**304 181**

	2019				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	1 126 028	1 136 277	–	110 953	1 025 324
Investment securities	118 950	118 668	88 102	24 572	5 994
Total financial assets at amortised cost	1 244 978	1 254 945	88 102	135 525	1 031 318
Liabilities					
Deposits	1 324 426	1 318 847	4 768	1 102 313	211 766
Other liabilities	5 398	5 388	–	3 015	2 373
Tier 2 liabilities	24 191	24 752	–	24 752	–
Total financial liabilities at amortised cost	1 354 015	1 348 987	4 768	1 130 080	214 139

Fair value measurements (audited) continued

DAY 1 PROFIT OR LOSS

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

R million	**2020**	2019
Opening balance	**50**	54
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year*	**329**	31
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(182)**	(35)
Closing balance	**197**	50

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

Goodwill (audited)

SIGNIFICANT ESTIMATES, JUDGEMENTS AND ASSUMPTIONS RELATED TO GOODWILL

IMPAIRMENT OF GOODWILL

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating unit (CGU) is determined as the higher of the value in use or fair value less costs to sell. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates and is therefore not combined at group level. The group's goodwill impairment test is performed on the balances as at 31 March annually. However, for the current year, balances at 30 June 2020 were tested.

The goodwill balance at 30 June is allocated to the following significant CGUs:

R million	Segment the goodwill is allocated to	**2020**	2019
Aldermore	Aldermore	**7 571**	6 459
WesBank	WesBank	**405**	466
African operations	FNB rest of Africa	**268**	241
Other	Various	**142**	81
Total		**8 386**	7 247

The recoverable amount of the following CGUs were negatively impacted by declining profitability, worsened by the effects of COVID-19, resulting in an impairment charge being recognised.

R million	**2020**	2019
Total African operations	**212**	–

Goodwill (audited) continued

VALUE IN USE

The recoverable amount of all CGUs to which goodwill is allocated was determined using the value in use methodology. The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows (cash flow projections) to its present value using a pre-tax weighted average cost of capital discount rate.

Management's judgement in estimating the value in use of a CGU

The cash flow projections for each CGU are based on budgets and forecasts approved by the board as part of the annual budget and forecast process undertaken in April and May each year. The budgets and forecasts are based on historical data adjusted for management's expectation of future performance. Expected future performance is determined using both internal and external sources of information. The board challenges and endorses planning assumptions in light of internal capital allocation decisions necessary to support the strategy, current market conditions and macroeconomic outlook.

During the current year, the timing of the board's approval of the budgets and forecasts was extended, to allow for the preparation of the budgets and forecasts to reflect the board's estimation of the impact of COVID-19 for all periods to which the budgetary process was applied.

For the 30 June 2020 impairment test, all cash flow projections were based on approved budgets and forecasts, which took into account the risks associated with the impact of COVID-19. Cash flow projections up to June 2025 were prepared for Aldermore, whereas the cash flow projections until the end of June 2023 were considered for other CGUs.

The terminal cash flows are calculated from the final cash flow period which is extrapolated into perpetuity, using the estimated growth rates stated below. These growth rates are consistent with economic reports specific to the country in which each CGU operates.

To determine the net present value, the cash flows of the CGU are discounted using the weighted average cost of capital for the specific CGU, adjusted for specific risks relating to the CGU.

The table below shows the discount rates and the growth rates used in calculating the value in use for the CGUs.

	Discount rates		Growth rates	
R million	**2020**	2019	**2020**	2019
Aldermore	**11.47**	10.09	**2.00**	2.00
WesBank	**19.44**	19.44	**1.40**	4.50
African operations	**12.35 – 27.45**	12.30 – 27.70	**(5.00) – 5.60**	(2.00) – 3.00
Other	**19.44**	19.44	**1.40**	3.00

Impairment results – other than Aldermore

Other than those CGUs where goodwill has been fully impaired, a reasonable possible change in projected cash flows, discount rate or growth rate of the above-mentioned CGUs would not result in their recoverable amounts exceeding the carrying values. The recoverable amount is sufficiently in excess of the carrying amount, resulting in changes to the assumptions not changing the final outcome of the test.

Sensitivities of assumptions in calculating value in use for Aldermore CGU

In assessing goodwill for impairment, it was noted that goodwill attributable to Aldermore's CGU was sensitive to changes in assumptions supporting the recoverable amount. This is evidenced by the R450 million difference noted between the value in use calculated and the recoverable amount attributable to Aldermore. The sensitivity analysis performed therefore included stressing certain assumptions to determine the range at which point the value in use would equal the recoverable amount for Aldermore.

If all of the undiscounted cash flows were to be reduced by 2% with all other inputs remaining unchanged, the recoverable amount of Aldermore CGU would equal its carrying amount.

If the cash flows estimated remained unchanged, the recoverable amount of Aldermore CGU would equal its carrying amount if the rates were to change to the following:

	2020	
Input	**From**	**To**
Growth rate	**2.00%**	**1.85%**
Discount rate	**11.54%**	**11.58%**

Significant acquisition of subsidiaries (audited)

The group regards Ghana as an attractive market with long-term potential. On 4 May 2020, the group acquired the entire issued share capital of GHL Bank through First National Bank Ghana Limited. GHL Bank is a Ghana-based bank that primarily provides mortgages to customers. The acquisition of GHL Bank provides First National Bank Ghana with the foundation for a broader retail strategy going forward.

GHL Bank and First National Bank Ghana are included in the FNB Africa reportable segment of the group. On 30 June 2020, GHL Bank was merged with First National Bank Ghana and ceased to exist as a separate legal entity.

The accounting for the GHL Bank business combination is provisional at 30 June 2020 due to the inherent complexity and judgement associated with identifying intangible assets and determining the fair value of identifiable intangible assets and certain on-balance sheet items.

The acquired receivables consisted of advances, accounts receivable and debt investment securities. The fair value of these receivables was R1 878 million, the gross carrying value was R1 871 million and the ECL was R68 million at the acquisition date. Acquisition-related expenditure of R4 million has been disclosed as operating expenditure in the consolidated income statement.

From the date of acquisition, GHL Bank contributed R27 million of revenue (NII and NIR) and R3 million to profit before tax of the group. If the acquisition had taken place at the beginning of the current period, group revenue and profit before tax would not have been materially impacted.

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are set out as listed below.

	GHL Bank
R million	**2020**
ASSETS	
Cash and cash equivalents	**143**
Other assets	**26**
Current tax asset	**8**
Advances	**1 611**
Investment securities	**193**
Property and equipment	**111**
Intangible assets	**39**
Total assets acquired	**2 131**
LIABILITIES	
Creditors and accruals	**263**
Deposits	**268**
Employee liabilities	**2**
Other liabilities	**1 309**
Deferred income tax liability	**18**
Total liabilities acquired	**1 860**
Net asset value as at date of acquisition	**271**
Total goodwill is calculated as follows:	
Total cash consideration transferred	**509**
Less: net identifiable asset value at date of acquisition	**(271)**
Goodwill on acquisition	**238**

Contingencies and commitments (audited)

R million	2020	2019	% change
Contingencies and commitments			
Guarantees (endorsements and performance guarantees)	**33 609**	38 273	(12)
Letters of credit	**8 511**	8 733	(3)
Total contingencies	**42 120**	47 006	(10)
Irrevocable commitments*	**127 658**	129 186	(1)
Committed capital expenditure approved by the directors	**3 584**	4 034	(11)
Operating lease commitments**	**–**	3 390	(100)
Other	**50**	136	(63)
Contingencies and commitments	**173 412**	183 752	(6)
Legal proceedings			
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On Balance sheet provisions are only taken for claims that are expected to materialise	**426**	192	>100

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

** *The group elected not to restate comparative information as permitted by IFRS 16. Comparability will not be achieved as comparative information has been prepared on an IAS 17 basis. Refer to pages 165 to 176 of the online version of the analysis of results for the six months ended 31 December 2019 for details.*

Events after the reporting period (audited)

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

Summary segment report (audited)

	Year ended 30 June 2020												
	FNB					RMB							
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	16 712	1 146	**17 858**	1 226	**19 084**	6 459	1 856	**8 315**	**956**	(4 437)	**23 918**	(290)	**23 628**
Total assets	427 948	59 265	**487 213**	133 372	**620 585**	558 360	74 395	**632 755**	**328 301**	344 975	**1 926 616**	(77)	**1 926 539**
Total liabilities*	416 679	58 417	**475 096**	131 323	**606 419**	548 835	73 454	**622 289**	**304 550**	241 361	**1 774 619**	–	**1 774 619**

* *Total liabilities are net of interdivisional balances.*

	Year ended 30 June 2019												
	FNB					RMB							
R million	FNB SA	FNB rest of Africa	**Total FNB**	**WesBank**	**Retail and commercial**	Investment banking	Corporate banking	**Total RMB**	**Aldermore**	FCC (including Group Treasury and other)	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
Profit before tax	23 847	1 681	**25 528**	2 580	**28 108**	7 851	2 008	**9 859**	**2 389**	(1 668)	**38 688**	2 984	**41 672**
Total assets	419 082	57 552	**476 634**	138 254	**614 888**	459 295	64 681	**523 976**	**225 323**	304 852	**1 669 039**	23	**1 669 062**
Total liabilities*	401 763	57 608	**459 371**	135 146	**594 517**	449 127	63 214	**512 341**	**205 626**	211 985	**1 524 469**	–	**1 524 469**

* *Total liabilities are net of interdivisional balances.*

SUPPLEMENTARY INFORMATION

Headline earnings additional disclosure

Set out below is additional information pertaining to *Section 1 of Circular 01/2019 – Sector-Specific Rules for Headline Earnings*.

ISSUE 1 – RE-MEASUREMENT 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

	Year ended 30 June		
R million	**2020**	2019	% change
Aggregate cost of portfolio	**2 583**	2 232	16
Aggregate carrying value	**5 103**	4 298	19
Aggregate fair value*	**9 370**	8 457	11
Equity-accounted income**	**100**	773	(87)
Profit on realisation[#]	**420**	269	56

* *Aggregate fair value is disclosed including non-controlling interests.*

** *Income from associates and joint ventures is disclosed post tax.*

[#] *Profit on realisation is disclosed post tax and non-controlling interests.*

ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PROPERTY

	Year ended 30 June		
R million	**2020**	2019	% change
Carrying value of investment properties	**722**	689	5
Fair value of investment properties	**722**	689	5

Number of ordinary shares in issue

	2020		2019	
	IFRS	**Normalised**	IFRS	Normalised
Shares in issue				
Opening balance as at 1 July	**5 609 488 001**	**5 609 488 001**	5 609 488 001	5 609 488 001
Less: treasury shares	**(3 239 594)**	**–**	(385 962)	–
– Shares for client trading*	**(3 239 594)**	**–**	(385 962)	–
Number of shares in issue (after treasury shares)	**5 606 248 407**	**5 609 488 001**	5 609 102 039	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	**(1 327 218)**	**–**	(445 105)	–
– Shares for client trading*	**(1 327 218)**	**–**	(445 105)	–
Basic and diluted weighted average number of shares in issue	**5 608 160 783**	**5 609 488 001**	5 609 042 896	5 609 488 001

* *For normalised reporting, shares held for client trading activities are treated as externally issued.*

Key market indicators and share statistics

	Year ended 30 June	
	2020	2019
Market indicators		
$/ZAR exchange rate		
– Closing	**17.36**	14.13
– Average	**15.51**	14.17
£/ZAR exchange rate		
– Closing	**21.43**	17.98
– Average	**19.57**	18.33
SA prime overdraft (%)	**7.25**	10.25
SA average prime overdraft (%)	**9.35**	10.15
SA average CPI (%)	**3.68**	4.64
JSE All Share Index	**54 362**	58 204
JSE Banks Index	**5 133**	9 720
Share statistics		
Share price		
– High for the year (cents)	**6 990**	7 195
– Low for the year (cents)	**3 113**	5 900
– Closing (cents)	**3 806**	6 855
Shares traded		
– Number of shares (millions)	**3 536**	2 717
– Value of shares (R million)	**179 025**	179 308
– Turnover in shares traded (%)	**63.05**	48.44
Share price performance		
FirstRand average share price (cents)	**5 557**	6 608
JSE Bank Index (average)	**7 690**	9 261
JSE All Share Index (average)	**54 031**	55 420

Company information

DIRECTORS

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

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Website: www.firstrand.co.za

JSE SPONSOR

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Sandton 2196
Tel: +27 11 282 8000

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
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Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

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2090

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

Listed financial instruments of the group

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FirstRand Namibia Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium-term note programme

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

Structured note and preference share programme

Credit-linked notes					
FRC66	ZAG000088485	FRC69	ZAG000088766	FRC71	ZAG000088923

Note programme

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Structured notes					
FRS36	ZAG000077397	FRS135	ZAG000126608	FRS180	ZAG000154147
FRS37	ZAG000077793	FRS136	ZAG000126780	FRS182	ZAG000154386
FRS43	ZAG000078643	FRS137	ZAG000127549	FRS183	ZAG000154568
FRS46	ZAG000079807	FRS138	ZAG000127556	FRS184	ZAG000155490
FRS49	ZAG000081787	FRS142	ZAG000130782	FRS186	ZAG000156522
FRS51	ZAG000086117	FRS143	ZAG000130790	FRS187	ZAG000156514
FRS62	ZAG000090614	FRS145	ZAG000134263	FRS188	ZAG000156506
FRS64	ZAG000092529	FRS146	ZAG000134636	FRS194	ZAG000160516
FRS81	ZAG000100892	FRS147	ZAG000135724	FRS195	ZAG000160524
FRS85	ZAG000104985	FRS149	ZAG000136573	FRS197	ZAG000161373
FRS87	ZAG000105420	FRS150	ZAG000136615	FRS198	ZAG000161365
FRS90	ZAG000106410	FRS151	ZAG000136987	FRS199	ZAG000161381
FRS100	ZAG000111634	FRS152	ZAG000136995	FRS200	ZAG000161571
FRS101	ZAG000111774	FRS153	ZAG000137670	FRS201	ZAG000162025
FRS103	ZAG000111840	FRS158	ZAG000145012	FRS202	ZAG000162066
FRS104	ZAG000111857	FRS159	ZAG000145020	FRS204	ZAG000162538
FRS108	ZAG000113515	FRS160	ZAG000145038	FRS205	ZAG000162546
FRS109	ZAG000113564	FRS161	ZAG000145046	FRS206	ZAG000163304
FRS110	ZAG000113663	FRS162	ZAG000145111	FRS207	ZAG000164385
FRS112	ZAG000115395	FRS163	ZAG000145129	FRS208	ZAG000164377
FRS114	ZAG000116070	FRS164	ZAG000145160	FRS209	ZAG000164344
FRS119	ZAG000118951	FRS165	ZAG000145178	FRS211	ZAG000165762
FRS120	ZAG000119298	FRS167	ZAG000145764	FRS212	ZAG000166786
FRS121	ZAG000120643	FRS168	ZAG000145772	FRS213	ZAG000166802
FRS122	ZAG000121062	FRS169	ZAG000145780	FRS214	ZAG000166778
FRS123	ZAG000121328	FRS170	ZAG000145954	FRS215	ZAG000167339
FRS124	ZAG000122953	FRS171	ZAG000147448	FRS217	ZAG000167826
FRS126	ZAG000125188	FRS172	ZAG000147455	FRS218	ZAG000168527
FRS127	ZAG000125394	FRS173	ZAG000148180	FRS219	ZAG000168683
FRS129	ZAG000125865	FRS174	ZAG000148198	FRS220	ZAG000168717
FRS131	ZAG000126186	FRS175	ZAG000149451	FRS221	ZAG000169038
FRS132	ZAG000126194	FRS176	ZAG000149444	RMBI02	ZAG000052986
FRS134	ZAG000126574	FRS177	ZAG000152885		
Credit-linked notes					
FRC169	ZAG000104852	FRC221	ZAG000121229	FRC243	ZAG000135419
FRC181	ZAG000108549	FRC233	ZAG000128752	FRC245	ZAG000135468
FRC207	ZAG000117649	FRC234	ZAG000130816	FRC246	ZAG000135476
FRC208	ZAG000117656	FRC237	ZAG000135203	FRC249	ZAG000135542
FRC209	ZAG000118613	FRC239	ZAG000135245	FRC250	ZAG000135559
FRC213	ZAG000121047	FRC240	ZAG000135252	FRC251	ZAG000141813

Listed financial instruments of the group continued

Bond code	ISIN code	Bond code	ISIN code	Bond code	ISIN code
Credit-linked notes *continued*					
FRC252	ZAG000142225	FRC293	ZAG000158783	FRC317	ZAG000163551
FRC256	ZAG000145806	FRC294	ZAG000158791	FRC318	ZAG000163684
FRC261	ZAG000147653	FRC296	ZAG000159369	FRC319	ZAG000163700
FRC262	ZAG000147646	FRC297	ZAG000159351	FRC320	ZAG000163718
FRC265	ZAG000149485	FRC298	ZAG000159427	FRC321	ZAG000163759
FRC267	ZAG000150004	FRC299	ZAG000159575	FRC323	ZAG000163874
FRC271	ZAG000151556	FRC300	ZAG000159674	FRC324	ZAG000164021
FRC272	ZAG000151564	FRC301	ZAG000159872	FRC325	ZAG000164302
FRC274	ZAG000151952	FRC302	ZAG000160029	FRC326	ZAG000164310
FRC275	ZAG000152372	FRC303	ZAG000160425	FRC327	ZAG000164880
FRC276	ZAG000152430	FRC304	ZAG000160565	FRC328	ZAG000164898
FRC277	ZAG000153552	FRC305	ZAG000160920	FRC329	ZAG000165945
FRC279	ZAG000153578	FRC306	ZAG000160938	FRC330	ZAG000166133
FRC280	ZAG000153776	FRC307	ZAG000161597	FRC331	ZAG000166620
FRC282	ZAG000154063	FRC308	ZAG000161605	FRC332	ZAG000166687
FRC283	ZAG000154394	FRC309	ZAG000161738	FRC334	ZAG000166810
FRC284	ZAG000154642	FRC310	ZAG000161936	FRC335	ZAG000166950
FRC285	ZAG000155201	FRC311	ZAG000161977	FRC336	ZAG000166968
FRC286	ZAG000156548	FRC312	ZAG000161985	FRC337	ZAG000167297
FRC289	ZAG000157108	FRC313	ZAG000161993	FRC338	ZAG000168535
FRC290	ZAG000157447	FRC314	ZAG000162033	FRC339	ZAG000168626
FRC291	ZAG000157629	FRC315	ZAG000163155	FRC340	ZAG000168659
FRC292	ZAG000157777	FRC316	ZAG000163460	FRC341	ZAG000168675

Preference share programme

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

London Stock Exchange (LSE)

European medium-term note programme

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

Other

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

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

Issuer: First National Bank of Namibia Limited

NSX

Domestic medium-term note programme

ISIN code
Subordinated debt
NA000A19FKV1
NA000A19FKU3

ISIN code
Senior unsecured
NA000A188PY8
NA000A188PW2

JSE

ISIN code
Senior unsecured
ZAG000142902

Issuer: Aldermore Group plc

LSE

ISIN code
Tier 2
XS1507529144

Issuer: First National Bank of Botswana Limited

BSE

Domestic medium-term note programme

Bond code	ISIN code
Subordinated debt	
FNBB007	BW 000 000 1668
FNBB008	BW 000 000 1700
FNBB010	BW 000 000 2377

Bond code	ISIN code
Senior unsecured	
FNBB005	BW 000 000 1510
FNBB006	BW 000 000 1528
FNBB009	BW 000 000 1916

Listed financial instruments of the group continued

SECURITISATIONS AND CONDUITS LISTED DEBT

Issuer: Nitro Securitisation 6 (RF) Limited

JSE

Bond code	ISIN code
N6C26	ZAG000150541
N6D26	ZAG000150558
N6E26	ZAG000150566
N6F26	ZAG000150574
N6G26	ZAG000150582

Issuer: Nitro Programme (RF) Limited

JSE

Bond code	ISIN code
N7B25	ZAG000159039
N7C25	ZAG000159047
N7D25	ZAG000159054
N7E25	ZAG000159062

Issuer: Oak No. 2 plc

ISE

ISIN code
XS1843460442

Issuer: iVuzi

JSE

Bond code	ISIN code
IVZ002	ZAG000167545
IVZ003	ZAG000167610
IVZ004	ZAG000167651
IVZ005	ZAG000167792
IVZ006	ZAG000167909
IVZ007	ZAG000168014
IVZ008	ZAG000168188
IVZ009	ZAG000168246
IVZ010	ZAG000168451

Issuer: Turbo Finance 8 plc

Irish Stock Exchange (ISE)

ISIN code
XS1892532141
XS1892541647
XS1892541993
XS1892542298
XS1892542371
XS1894621827

Issuer: MotoPark Finance plc

ISE

ISIN code
XS1755432876
XS1755432959
XS1755433098
XS1755433171

Issuer: Oak No. 3 plc

ISE

ISIN code
XS2034869441

Issuer: iNguza

JSE

Bond code	ISIN code
ING383	ZAG000154048

Definitions

Additional Tier 1 (AT1) capital	NCNR preference share capital and AT1 capital instruments, as well as qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period.
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium, qualifying reserves and third-party capital, less specified regulatory deductions.
Contingent convertible securities	Fixed-rate perpetual subordinated contingent convertible securities issued by Aldermore. These instruments qualify as AT1 capital.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders’ equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders’ equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus qualifying provisions less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Vintage analysis	A percentage that expresses the origination balance of the loans in 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	Accrued and fair value
ABF	Asset-backed finance
APE	Annual premium equivalent
APN	Advisory Practice Note
AT1	Additional Tier 1
AUM	Assets under management
BASA	Banking Association of South Africa
BAU	Business as usual
BSE	Botswana Stock Exchange
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CBILS	Coronavirus Business Interruption Loan Scheme
CCyB	Countercyclical buffer
CET1	Common Equity Tier 1
CGU	Cash generating unit
CIB	Corporate and investment banking
CLF	Committed liquidity facility
CLR	Credit loss ratio
CoDI	Corporation for Deposit Insurance
COVID-19	Coronavirus disease
CSI	Corporate social investment
DA	DirectAxis
DIC	Dealer incentive costs
DM	Developed market
D-SIB	Domestic systemically important bank
EAD	Exposure at default
EC	Economic capital
ECL	Expected credit loss
ELI	Employee liability insurance
EMTN	European medium-term note
EV	Embedded value
FCC/GTSY	FirstRand Corporate Centre and Group Treasury
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRM	Financial resources management
FRN	Floating rate note
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GHL Bank	Ghana Home Loans Bank
HQLA	High-quality liquid assets
IB	Investment banking
ISA	International Standard on Auditing

IFRS	International Financial Reporting Standards
ISE	Irish Stock Exchange
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LISP	Linked investment service provider
LSE	London Stock Exchange
LTV	Loan to value
Moody's	Moody's Investors Service
MTM	Mark-to-market
MVNO	Mobile virtual network operator
NCD	Negotiable certificate of deposit
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
PA	Prudential Authority
PBT	Profit before tax
PD	Probability of default
P/E	Price/earnings
PRA	Prudential Regulation Authority
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
S&P	S&P Global Ratings
SA-CCR	Standardised approach for measuring counterparty credit risk
SACU	Southern African Customs Union
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small and medium enterprises
SPIRE	SA Pandemic Intervention and Relief Effort
TFS	Toyota Financial Services (Pty) Ltd
TRS	Total return swap
TTC	Through-the-cycle
UK	United Kingdom
VAF	Vehicle asset finance
VAPS	Value-added products and services
VNB	Value of new business
VWFS	Volkswagen Financial Services (Pty) Ltd
WIM	Wealth and investment management

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

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