FirstRand Bank

ANALYSIS OF FINANCIAL RESULTS **2020**

for the six months ended 31 December

about this report

This report covers the unaudited condensed financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2020.

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

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 121 and 122. Detailed reconciliations of normalised to IFRS results are provided on pages 131 and 132. Commentary is based on normalised results, unless indicated otherwise.

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

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FirstRand Bank

1929/001225/06
Certain entities within the FirstRand group are authorised financial services and credit providers. This analysis is available on the group's website:
www.firstrand.co.za
Email questions to
investor.relations@firstrand.co.za

ANALYSIS OF RESULTS

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OVERVIEW OF RESULTS

Simplified group structure

This report covers the results of FRB

FirstRand

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

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

SA banking – FirstRand Bank Limited (FRB)

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

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

- **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

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

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

Insurance – FirstRand Insurance Holdings (Pty) Ltd

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

Investment management – FirstRand Investment Management Holdings Limited

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

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

- **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.*

** *Wholly owned subsidiary of Aldermore Group plc.*

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

Structure shows effective consolidated shareholding

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

FirstRand Bank

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

performance highlights

Normalised earnings
R8.0bn ↓ 22%
Dec 19: R10.3bn

Normalised return on assets
1.11%
Dec 19: 1.59%

Normalised return on equity
16.3%
Dec 19: 21.5%

Advances (net of impairments)
R849bn ↓ 3%
Dec 19: R879bn

Net stable funding ratio
124%
Dec 19: 117%

Liquidity coverage ratio
127%
Dec 19: 166%

Deposits
R1 134bn ↑ 6%
Dec 19: R1 067bn

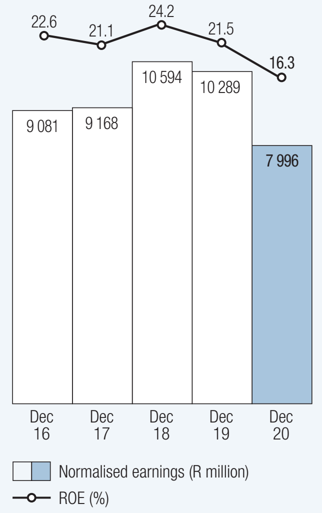
Credit loss ratio
1.60%
Dec 19: 1.07%

CET1 ratio
13.5%
Dec 19: 13.7%

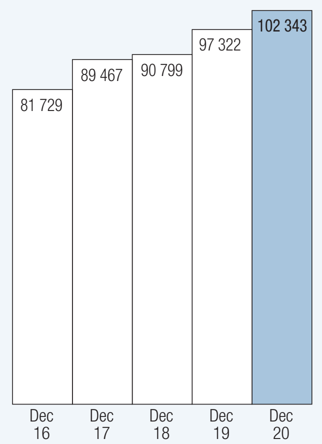
FNB RMB WesBank

Track record

NORMALISED EARNINGS *(R million)*
AND ROE *(%)*
CAGR (3%)



NORMALISED
NET ASSET VALUE *(R million)*
CAGR 6%



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

Key financial and operational results, ratios and statistics – normalised

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 131 and 132.

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Earnings performance				
Attributable earnings – IFRS (refer page 124)	**7 985**	10 253	(22)	13 739
Headline earnings	**7 986**	10 259	(22)	13 803
Normalised earnings	**7 996**	10 289	(22)	13 762
Normalised net asset value	**102 343**	97 322	5	94 312
Average normalised net asset value	**98 328**	95 893	3	94 388
Ratios and key statistics				
ROE (%)	**16.3**	21.5		14.6
ROA (%)	**1.11**	1.59		1.02
Diversity ratio (%)	**42.9**	42.9		42.6
Credit impairment charge	**7 161**	4 889	46	18 269
Credit loss ratio (%)	**1.60**	1.07		2.00
Stage 3/NPLs as % of advances	**5.35**	4.21		5.22
Total impairment coverage ratio (%)	**84.2**	75.0		79.9
Specific coverage ratio (%)	**46.2**	45.1		44.7
Performing book coverage ratio (%)	**2.14**	1.31		1.94
Cost-to-income ratio (%)	**54.9**	54.6		54.8
Effective tax rate (%)	**24.4**	22.8		17.8
Balance sheet				
Normalised total assets	**1 466 071**	1 294 221	13	1 414 712
Advances (net of credit impairment)	**849 020**	878 525	(3)	867 940
Average gross loan-to-deposit ratio (%)	**80.7**	86.0		85.1
Deposits	**1 134 330**	1 067 160	6	1 088 952
Capital adequacy – IFRS*				
Capital adequacy ratio (%)	**16.7**	17.1		15.7
Tier 1 ratio (%)	**14.2**	14.4		12.8
Common Equity Tier 1 ratio (%)	**13.5**	13.7		12.3
Leverage – IFRS*				
Leverage ratio (%)	**7.1**	7.5		6.7
Liquidity – IFRS**				
Liquidity coverage ratio (%)	**127**	166		124
Net stable funding ratio (%)	**124**	117		116

* *Including foreign branches. Ratios include unappropriated profits and the transitional impact of IFRS 9.*
** *The bank's LCR and NSFR reflect South African operations only.*

	Six months ended 31 December			Year ended 30 June
	2020	2019	% change	2020
Operational statistics				
Number of ATMs (including ADTs)	**5 205**	5 776	(10)	5 622
Number of branches	**594**	605	(2)	604
Number of employees	**38 258**	40 526	(6)	40 174
– South Africa	**37 801**	40 078	(6)	39 722
– Rest of Africa	**457**	448	2	452
FNB customer numbers (millions)	**8.52**	8.28	3	8.23
– Retail	**7.43**	7.28	2	7.20
– Commercial	**1.09**	1.00	9	1.03
FNB channel volumes (thousands of transactions)				
– ATM/ADT	**108 523**	121 677	(11)	224 141
– Internet banking	**88 840**	93 585	(5)	176 280
– Banking app	**184 748**	151 262	22	303 503
– Mobile (excluding prepaid)	**19 444**	22 170	(12)	41 260
– Point of sale merchants	**316 502**	332 664	(5)	587 152
– Card swipes*	**436 585**	466 226	(6)	814 099

* *December 2019 and June 2020 were restated to exclude Discovery card swipes.*

Condensed income statement – normalised

R million	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Year ended 30 June 2020
Net interest income before impairment of advances	**23 467**	23 924	(2)	46 484
Impairment charge	**(7 161)**	(4 889)	46	(18 269)
Net interest income after impairment of advances	**16 306**	19 035	(14)	28 215
Non-interest revenue	**17 633**	17 959	(2)	34 447
– Fee and commission income	**13 240**	13 480	(2)	25 110
– Insurance income	**234**	215	9	449
– Trading and other fair value income	**1 803**	1 691	7	4 049
– Investment income	**6**	138	(96)	130
– Other non-interest revenue	**2 350**	2 435	(3)	4 709
Income from operations	**33 939**	36 994	(8)	62 662
Operating expenses	**(22 565)**	(22 854)	(1)	(44 343)
Income before indirect tax	**11 374**	14 140	(20)	18 319
Indirect tax	**(478)**	(399)	20	(810)
Profit before tax	**10 896**	13 741	(21)	17 509
Income tax expense	**(2 659)**	(3 127)	(15)	(3 118)
Profit for the period	**8 237**	10 614	(22)	14 391
Other equity instrument holders	**(241)**	(325)	(26)	(629)
Normalised earnings attributable to ordinary equityholders of the bank	**7 996**	10 289	(22)	13 762

Condensed statement of other comprehensive income – normalised

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period	**8 237**	10 614	(22)	14 391
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**1 037**	(264)	(>100)	1 219
Gains/(loss) arising during the period	**2 031**	(160)	(>100)	657
Reclassification adjustments for amounts included in profit or loss	**(727)**	(206)	>100	1 036
Deferred income tax	**(267)**	102	(>100)	(474)
FVOCI debt reserve	**93**	(11)	(>100)	(82)
Gains/(losses) arising during the period	**129**	(15)	(>100)	(115)
Reclassification adjustments for amounts included in profit or loss	**–**	–	–	1
Deferred income tax	**(36)**	4	(>100)	32
Exchange differences on translating foreign operations	**(954)**	(34)	>100	1 246
(Losses)/gains arising during the period	**(916)**	(30)	>100	1 207
Deferred income tax	**(38)**	(4)	>100	39
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**(104)**	1	(>100)	(140)
(Losses)/gains arising during the period	**(134)**	1	(>100)	(180)
Deferred income tax	**30**	–	–	40
Remeasurements on defined benefit post-employment plans	**29**	9	>100	652
Gains arising during the period	**40**	13	>100	906
Deferred income tax	**(11)**	(4)	>100	(254)
Other comprehensive income/(loss) for the period	**101**	(299)	(>100)	2 895
Total comprehensive income for the period	**8 338**	10 315	(19)	17 286
Attributable to				
Ordinary equityholders	**8 097**	9 990	(19)	16 657
Other equity instrument holders	**241**	325	(26)	629
Total comprehensive income for the period	**8 338**	10 315	(19)	17 286

Condensed statement of financial position – normalised

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
ASSETS			
Cash and cash equivalents	**103 226**	76 894	99 781
Derivative financial instruments	**119 031**	46 453	120 511
Commodities	**20 046**	19 369	21 344
Investment securities	**265 856**	192 548	209 026
Advances	**849 020**	878 525	867 940
– Advances to customers	**779 680**	816 019	796 627
– Marketable advances	**69 340**	62 506	71 313
Other assets*	**5 914**	5 428	5 149
Non-current assets and disposal groups held for sale	**–**	–	1 558
Current tax asset	**–**	127	–
Amounts due by holding company and fellow subsidiaries	**81 166**	52 744	67 309
Investments in associates	**–**	66	–
Property and equipment	**17 275**	18 117	17 691
Intangible assets	**648**	677	692
Deferred income tax asset	**3 889**	3 273	3 711
Total assets	**1 466 071**	1 294 221	1 414 712
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**16 910**	3 372	4 786
Derivative financial instruments	**117 775**	50 823	134 488
Creditors, accruals and provisions	**14 947**	13 405	14 350
Current tax liability	**1 089**	59	368
Liabilities directly associated with disposal groups classified as held for sale	**–**	–	85
Deposits	**1 134 330**	1 067 160	1 088 952
Employee liabilities	**7 294**	8 303	7 814
Other liabilities	**5 361**	5 108	5 255
Amounts due to holding company and fellow subsidiaries	**39 895**	20 612	36 254
Tier 2 liabilities	**19 001**	22 331	22 322
Total liabilities	**1 356 602**	1 191 173	1 314 674
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**85 535**	80 514	77 504
Capital and reserves attributable to ordinary equityholders	**102 343**	97 322	94 312
Other equity instruments	**7 126**	5 726	5 726
Total equity	**109 469**	103 048	100 038
Total equities and liabilities	**1 466 071**	1 294 221	1 414 712

* *In the prior period, 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.*

Flow of funds analysis – normalised

R million	December 2020 vs June 2020 6-month movement	December 2019 vs June 2019 6-month movement	June 2020 vs June 2019 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**9 431**	3 620	610
Working capital movement	**(8 782)**	(10 165)	(9 681)
Short trading positions and derivative financial instruments	**(3 109)**	(2 485)	8 536
Deposits and long-term liabilities	**42 057**	8 624	30 407
Total	**39 597**	(406)	29 872
Application of funds			
Advances	**18 920**	16 018	26 603
Investments	**1 758**	(999)	(2 497)
Cash and cash equivalents	**(3 445)**	993	(21 894)
Investment securities (e.g. liquid asset portfolio)	**(56 830)**	(15 606)	(32 084)
Total	**(39 597)**	406	(29 872)

> Since June 2020, earnings have recovered faster than expected driven by a better than anticipated rebound in the economy, which has supported transactional volumes, growth in deposit balances and an improved credit experience. Over the past six months, FirstRand Bank accreted capital and strengthened its balance sheet.
>
> The level and speed of improvement in the bank's performance is testament to the quality of FirstRand Bank's portfolio and the strength of its customer franchises.
>
> *Alan Pullinger | CEO*

GROUP STRATEGY

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

South Africa

Group earnings remain significantly tilted towards South Africa and are mainly generated by FirstRand'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 through:

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

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

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

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

Rest of Africa

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

UK

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

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

All business written by MotoNovo post integration is funded through Aldermore's deposit franchise and funding platform, as well as leveraging capital market securitisations and warehouse transactions with international banks. Aldermore group and its subsidiaries are part of FRI and thus fall outside the bank. Loans originated by MotoNovo prior to integration with Aldermore (the back book) are still housed in FirstRand Bank London branch (but managed by MotoNovo), and will continue to be funded through existing funding mechanisms, but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the bank.

OPERATING ENVIRONMENT

The ongoing COVID-19 pandemic continues to present a challenging operating environment for the group.

In South Africa, lower global and domestic demand reduced corporate profitability across most sectors, resulting in higher unemployment and lower disposable household income. This, in turn, reduced government revenue, which triggered a further deterioration of the sovereign's credit quality. These developments manifested in revenue pressure, increased credit impairments and a higher cost of equity.

In this environment, demand for credit remained low among both households and corporates, resulting in subdued lending volumes. However, demand for savings and investment products continued to increase, largely due to growth in precautionary savings and customers' inability to spend during lockdown restrictions.

The low-inflation environment allowed the central bank to maintain low short-term interest rates. Whilst this has a negative endowment effect for the bank, rates are providing some support to the real economy. This is particularly noticeable in residential mortgages, where demand for mid-market housing has been underpinned by a new cohort of homeowners taking advantage of lower interest rates to enter the market.

While transactional volumes remained relatively muted, there were marked variations across industries. Card spend in sectors such as travel and hospitality remains at historical lows, but this was to some degree offset by the relative outperformance of industries exposed to online and IT services, groceries and essential goods, and sectors such as hardware and small-freight transport.

Many of the countries where the group operates in the rest of Africa are experiencing weak macroeconomic conditions and increased fiscal risk.

In the UK, the government's strong fiscal policy support of the economy, along with accommodative monetary policy, helped to limit the impact of the pandemic. The government's furlough scheme supported household income while a temporary stamp duty holiday for home buyers provided an underpin to mortgages.

Overall activity levels are still lower period-on-period, despite showing some improvement (off a very low base) since June 2020.

FINANCIAL PERFORMANCE

When assessing the results for the six months to 31 December 2020, it is important to note that the comparative period (the six months to 31 December 2019) was a pre-pandemic operating environment. Given the profound difference in operating environments period-on-period, the bank's normalised earnings decreased 22%, with the normalised ROE reducing from 21.5% to 16.3%.

Most of this decline was due to the elevated credit impairment charge, driven by forward-looking economic assumptions required under IFRS 9, especially at June 2020, and the continued impact of the weak operating environment on arrears and non-performing loans (NPLs). In addition, due to the effect of the pandemic, underlying customer income and affordability in all segments resulted in lower levels of transactional and credit origination.

When comparing the six months to 31 December 2020 to the preceding six months to June 2020 (a period which included the first three months of the lockdown restrictions introduced in March 2020) there are early indications of a positive rebound in performance, particularly with regard to non-interest revenue (NIR) and impairments. Albeit off a low base, to date the timing and extent of the rebound has positively exceeded the bank's initial expectations.

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2020**	**% composition**	2019	% composition	% change	2020	% composition
FNB	**6 382**	**80**	7 691	75	(17)	10 224	75
RMB*	**2 170**	**27**	2 071	20	5	4 398	32
WesBank	**297**	**4**	552	5	(46)	305	2
MotoNovo**	**(205)**	**(3)**	45	–	(>100)	(244)	(2)
FirstRand Corporate Centre (FCC) (including Group Treasury)*,**,#	**(407)**	**(5)**	255	3	(>100)	(292)	(2)
Ordinary equity instrument holders	**(241)**	**(3)**	(325)	(3)	(26)	(629)	(5)
Normalised earnings	**7 996**	**100**	10 289	100	(22)	13 762	100

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

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

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

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

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

Adherence to these principles has supported the bank over the period under review. Earnings have recovered faster than expected and the bank accreted NAV.

The level of improvement in the bank's performance, particularly since June 2020, reflects the quality of FirstRand Bank's portfolio and the strength of its customer franchise.

The following tables provide a rolling six-month view of the bank's performance and that of its operating businesses.

FIRSTRAND BANK FINANCIAL HIGHLIGHTS

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

SOURCES OF NORMALISED EARNINGS

	Six months ended			December 2020 vs December 2019	December 2020 vs June 2020
	31 December	30 June	31 December		
R million	**2020**	2020	2019	% change	% change
FNB	**6 382**	2 533	7 691	(17)	>100
RMB*	**2 170**	2 327	2 071	5	(7)
WesBank	**297**	(247)	552	(46)	(>100)
MotoNovo (back book)	**(205)**	(289)	45	(>100)	(29)
FCC/Group Treasury*,**	**(407)**	(547)	255	(>100)	(26)
Ordinary equity instrument holders	**(241)**	(304)	(325)	(26)	(21)
FirstRand Bank	**7 996**	3 473	10 289	(22)	>100

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

** *Excluding MotoNovo back book.*

PRE-PROVISION OPERATING PROFIT

R million	Six months ended 31 December 2020	Six months ended 31 December 2019	% change	Six months ended 30 June 2020
FNB	**14 274**	14 527	(2)	12 625
RMB	**3 530**	2 995	18	5 190
WesBank	**1 526**	1 578	(3)	1 794
MotoNovo	**(188)**	134	(>100)	(295)
FCC/Group Treasury	**(1 085)**	(604)	80	(2 166)
Total bank pre-provision operating profit	**18 057**	18 630	(3)	17 148

Pre-provision operating profit showed a decrease of 3%, which demonstrates the resilient operational performances of the underlying businesses despite the significant endowment impact that resulted in margin pressure, subdued NIR growth, and depressed new business origination. The bank continued to focus on its return profile and strengthening the balance sheet, given the continued macroeconomic uncertainties in the markets where it operates.

FNB's pre-provision profit performance reflects the strength of its digital platforms, given that it was able to fulfil origination, account service and liability gathering digitally. Deposits continued to grow strongly and the premium and commercial segments benefited from active customer growth.

RMB delivered a robust operational performance, mainly driven by excellent performances from its domestic markets business and the cross-border activities. This was underpinned by sustained annuity income growth, strong core deposit growth and improved operating leverage.

WesBank's pre-provision operating profit was affected by lower production levels (new business declined 21%), which resulted in a 6% reduction in advances.

MotoNovo reflects a pre-provision loss due to lower NII as the book wind-down and lower securitisation income.

REVENUE AND COST OVERVIEW

Total bank net interest income (NII) was down 2%, due to lack of advances growth and the negative endowment impact arising from significant interest rate cuts, a total of 300 bps since December 2019. This was partially offset by higher capital levels and strong growth in deposit volumes. Through Group Treasury's asset/liability management strategies, this negative endowment impact was mitigated to some extent. Net interest margin (NIM) declined 25 bps to 456 bps, driven by the endowment impact and slower absolute advances growth.

Advances decreased 2% and deposits grew 6%.

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

	Growth in advances %	**Growth in deposits %**
FNB	**–**	**19**
– Retail	**–**	**14**
– Commercial	**(1)**	**24**
RMB*	**(5)**	**6**
WesBank	**(6)**	**n/a**
MotoNovo	**(64)**	**n/a**

* *RMB core advances excluding assets under agreements to resell.*

FNB's advances contracted during the period, reflecting the business's continued prudent risk appetite and lower demand given the ongoing impact of COVID-19 on its customer base. RMB's core advances growth remained muted due to weak macroeconomic conditions and low levels of business confidence. The sharp decline in MotoNovo's advances reflects the c. £890 million advances securitised in the prior year and the wind-down of the back book as all new origination since May 2019 is in the Aldermore group.

Across all segments, deposit growth benefited from strong momentum in savings and investment products, and retail customer balances increasing post 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.

Total bank NIR was down 2% period-on-period, reflecting the impact of COVID-19, which was not in the comparative period.

The decline in NIR was driven by a reduction in gross fee and commission income of 2%. Trading and fair value income increased 7%, which comprises a decline in Group Treasury fair value income and a 32% increase from RMB's markets business.

FNB's NIR was down 1% due to sluggish activity, despite the reopening of the economy post the restrictive lockdowns. There were also zero price increases on most products.

RMB's markets business's strong performance was supported by fixed income and commodities. Transaction volumes in EFT, cash and merchant services came under pressure and trade activities moderated. Knowledge-based fees declined, with robust fee income generated from advisory mandates, however, structuring revenue remained constrained given slower new deal origination.

Operating expenses decreased 1%, reflecting the continued focus on cost management and benefiting from lower variable staff expenditure given current performance. This was achieved despite continued investment in platforms to deliver more efficient digital services and supporting the group's other growth strategies.

Additional costs associated with managing employee and customer wellbeing on premises and in branches, and the facilitation of remote working for a significant proportion of employees, continue to be incurred. Overall cost growth benefited from lower travel and related expenses. Despite the level of cost containment, given the degree of pressure on the topline, the bank's cost-to-income ratio increased to 54.9%.

CREDIT PERFORMANCE

For the year to June 2020, FirstRand revised its macroeconomic outlook for 2020/21, with material downward revisions to key economic variables affecting the bank's activities. In addition, there was a substantial shift in the scenario probability weightings, with the downside likelihood increasing markedly. These revisions were incorporated into the bank's credit provision models in line with IFRS 9 requirements, with all segments and portfolios experiencing notable incremental impacts from forward-looking adjustments.

Subsequent to June, given the improving macro environment, the scenario ratings were amended, with the downside weighing decreasing. This resulted in a reduction in performing coverage, however, given ongoing uncertainties, the business has increased judgemental, out-of-model provisions. Given the uptick in balance sheet provisions in June 2020, the commentary that follows tracks performance since June 2020 as well as since December 2019.

Rising arrears (up 29% since December 2019, but down 5% since June 2020) were largely driven by the expiration of debt relief. This required an increase in performing provisions of R6.6 billion from December 2019 (up R1.4 billion since June 2020) despite advances balances decreasing. Stage 1 impairment provisions increased 5% since June 2020. This reflects the impact of the increased COVID-19 coverage on relief provided and specific out-of-model overlays created given the increased uncertainty, with forward-looking information (FLI)-related impairments remaining close to June 2020 levels. Stage 2 impairment provisions increased 60% (11% since June 2020), also due to specific out-of-model overlays created given ongoing uncertainty, migration of extended relief loans and the reinstatement of cures on performing debt-review clients, which carry higher coverage.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Six months ended 30 June
R million	**2020**	2019	% change	2020
Performing book provisions	**1 404**	(203)	(>100)	5 226
NPL provision	**855**	1 540	(44)	3 906
Credit provision increase	**2 259**	1 337	69	9 132
Modification	**291**	485	(40)	273
Write-off and other	**5 577**	4 357	28	4 770
Post write-off recoveries	**(966)**	(1 290)	(25)	(795)
Total impairment charge	**7 161**	4 889	46	13 380

Exposures where relief was offered were assessed to determine whether it was expected to be either temporary or permanent in nature, and this determined the staging and whether adjustments were made to increase coverage through the application of COVID-19 scaling factors. In limited instances, customers applied for an extension of relief, which was considered a significant increase in credit risk, and all associated exposures migrated to stage 2 with lifetime credit losses raised.

Bank NPLs increased 25% to 5.35% of advances (December 2019: 4.21%), up 1% since June 2020, reflecting expiration of relief periods and the decline in advances. This resulted in provisions of R4.8 billion (R855 million since June 2020), with coverage largely maintained. All of this, combined with the increase in performing provisions, resulted in a R11.4 billion (40%) increase in provisions period-on-period (R2.3 billion since June 2020). The table on page 17 unpacks these movements and operational credit losses. It explains the bank's materially higher credit impairment charge of R7.2 billion, and the credit loss ratio increase from 107 bps to 160 bps period-on-period (June 2020: 200 bps). The increased loss ratio also reflects contracting advances (denominator effect).

All provisions raised reflect the bank's best estimates against available data and scenario analyses (see pages 148 and 149 for detailed macro forecasts) and are considered appropriately prudent given the prevailing risk in the system.

Even though overall NPLs increased 1% (R315 million) since June 2020, operational NPLs decreased. The NPL outcome was better than expected.

Retail NPLs as a percentage of advances increased to 9.11% from 6.59% in the comparative period (8.54% at June 2020), driven by:

- A contraction in retail advances (denominator effect).
- Increases in NPL balances across all retail portfolios. NPL formation for the six months to June 2020 was driven by:
  - customers who did not qualify for relief who migrated into NPLs; and
  - certain relief loans that were classified as NPLs as they were considered to be distressed restructures.
- For the six months to December 2020, NPL growth included expired relief rolling into stage 3 and increased technical cures, offset by lower NPL formation in advances that did not receive relief.

SA corporate and commercial NPLs as a percentage of advances decreased to 2.29% from 2.36% in December 2019 (June 2020: 2.58%), reflecting:

- specific high-value counters in commercial property and asset-based finance migrating to NPLs;
- higher levels of operational NPLs in the small- and medium-sized enterprises (SME) segment, reflecting the impact of lockdown restrictions and the weak environment, together with the migration of clients who did not receive relief; offset by
- a decline in investment and corporate bank NPLs due to the work-out, restructure, partial settlement and write-off of corporate counters.

The table below unpacks all movements in NPLs.

TOTAL BANK NPLs

	31 December 2020 vs 31 December 2019			31 December 2020 vs 30 June 2020		
	R million	% change	Percentage point contribution to overall NPL increase	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	2 888	10	8	(4 399)	(12)	(14)
Loans under COVID-19 relief	4 790	–	13	2 883	>100	9
Restructured debt review*	539	16	1	(19)	–	–
Definition of rehabilitation (technical cures)	1 256	29	3	1 993	55	6
NPLs (excluding MotoNovo)	9 473	25	25	458	1	1
MotoNovo	(112)	(21)	–	(143)	(26)	–
Total bank NPLs	9 361	25	25	315	1	1

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. The updated write-off policy has been effective for two financial periods and is therefore now mature and in the base. The increase in NPLs due to changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

UPDATE ON THE COVID-19 RELIEF BOOKS

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

Customers remain classified as in relief until they settle the full relief amounts (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis (i.e. still receiving relief (active) as well as prior (closed)). Because corporate relief was provided largely through covenant waivers, facility increases or new advances, corporate only reflect counters in active relief.

Extended relief relates to customers who had the terms of their relief extended, i.e. were granted additional facilities or where their payment holiday periods were extended.

	As at 31 December 2020						
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Portion of extended relief gross advances (R million)	Total portfolio* (gross advances) (R million)	% of portfolio under relief	% of relief under extended portfolio
Retail	193.9	677.3	62 515	9 556	404 293	15	15
Commercial	17.6	32.1	20 824	822	132 698	16	4
Corporate	**	**	28 657	12 848	313 107	9	44
MotoNovo	0.7	0.7	48	31	2 528	2	65
Total bank	212.2	710.1	112 044	23 257	889 051	13	21

* *Total bank portfolio includes FCC advances.*

** *Less than 1 000.*

	As at 30 June 2020				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided
Retail	188.4	653.7	63 529	407 244	16
Commercial	16.7	31.0	30 832	135 028	23
Corporate	**	**	53 098	322 237	16
MotoNovo	22.5	22.5	423	3 782	11
Total bank	227.6	707.2	147 882	905 712	16

* *Total bank portfolio includes FCC advances.*

** *Less than 1 000.*

The bulk of relief arrangements terminated by the end of September 2020. However, in the retail, commercial and corporate segments, some extended relief was provided, but on a cautious basis with regard to certain industries and self-employed customers.

- **Retail:** The relief book decreased by 2% to R62.5 billion (June 2020: R63.5 billion), mainly driven by customers who were granted extended relief.
- **Commercial:** The decrease to R20.8 billion (June 2020: R30.8 billion) was mostly driven by clients repaying as they adapted to the environment. Liquidity increased as clients remained conservatively positioned.
- **Corporate:** The aggregate gross exposure of all COVID-19 relief clients (including applications for covenant waivers) reduced to R28.7 billion (June 2020: R53.1 billion), or 9% of total advances, of which R8.8 billion related to reapplications. The current relief amount includes several well-rated clients who continue to approach the bank proactively in the management of their liquidity facilities. Certain sectors are still severely impacted by the COVID-19 lockdown (such as private healthcare, real estate, and hotels and leisure).

As at 31 December 2020, of the R112 billion balances under relief, only 6% were in stage 3. This reflects an appropriate underwriting approach to relief and the better than expected rebound over the past six months.

FINANCIAL RESOURCE MANAGEMENT

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.

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

Risk appetite

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

Against the backdrop of the COVID-19 pandemic, the framework has proven to be robust, especially in respect of measures of resilience relating to funding/liquidity and capital. Returns and earnings volatility were outside of appetite, reflecting the severe nature of the COVID-19 crisis. Consequently, the framework's quantitative measures and portfolio tilt actions are being refined for the transitional period until the group re-enters its long-term return and volatility targets.

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

Balance sheet strength

Capital position

Capital ratios are summarised below.

		As at 31 December	
%	Internal targets	**2020**	2019
Capital*			
CET1	11.0 – 12.0	**13.5**	13.7
Tier 1	>12.0	**14.2**	14.4
Total	>14.25	**16.7**	17.1

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

In response to the COVID-19 pandemic, the Prudential Authority (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% as well as the allowance to draw down against the capital conservation buffer, because the PA considers this to be a period of financial stress.

The PA published a proposed directive which reinstates the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's specified domestic systemically important bank (D-SIB) requirement to be met with CET1 capital. Given the proposed D-SIB requirement and reinstatement of Pillar 2A, the bank's internal targets still remain appropriate as a maximum D-SIB and fully phased-in Pillar 2A requirement was previously assumed in the target assessment.

The bank's Common Equity Tier 1 (CET1) ratio remained strong at 13.5% (December 2019: 13.7%), which is above its internal target range of 11.0% to 12.0%. In line with FRM principles outlined above, both NAV and CET1 have been accretive over the past six months as the bank increases its focus on risk weighted assets (RWA) optimisation and efficient use of financial resources.

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

- positive earnings generation (greater contribution in the second half of the 2020 calendar year);
- an increase in foreign currency translation reserves given rand depreciation;
- successful financial resource optimisation strategies;
- an increase in RWA mainly from credit and counterparty credit risk driven by rand depreciation and rating downgrades, coupled with muted organic growth; and
- the IFRS 9 transitional impact on 1 July 2020.

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

The World Bank and the SARB appointed PwC to conduct a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020, covering:

- the point of non-viability versus the point of resolution;
- characteristics and calibration of flac instruments;
- location of issuance;
- pricing considerations; and
- transitional arrangements.

The group also makes adjustments to available regulatory capital resources for certain volatile reserves, expected regulatory and accounting changes that can be estimated, as well as capital ring-fenced and approved for inorganic strategies, providing an economic view of excess capital that is used in strategic decision-making.

With the proposed implementation of the final Basel III reforms, which is a more standardised, or less risk-sensitive, regulatory framework, the bank is increasing its focus on the true economic risk introduced to the bank's balance sheet. The bank is assessing how this economic capital requirements can be allocated to business within the constraints of a regulatory framework. Economic capital principles have been agreed on and a parallel period for the transition to such a framework is being considered.

Liquidity position

Due to the liquidity risk introduced by its business activities, the bank manages its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner. The bank entered the COVID-19 crisis in a strong liquidity position, and the diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis. The bank 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 negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The bank regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FRB continues to hold appropriate liquidity buffers and can access the required funding to withstand anticipated near-term liquidity risks.

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

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The increase in HQLA was not due to a requirement for larger buffers. Due to changes in market liquidity conditions, the bank's markets business increased its client financing activities, which resulted in larger holdings of securities and a related increase in HQLA. 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 bank are summarised below.

	As at 31 December	
%	**2020**	2019
LCR*		
Regulatory minimum	**80**	100
Actual**	**127**	166
Average available HQLA (R billion)	**299**	247
NSFR*		
Regulatory minimum	**100**	100
Actual**	**124**	117

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

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

PROSPECTS

The first six months of the financial year showed a rebound in economic activity compared to the preceding six months to June 2020, however, the group's operating environment remains challenging, particularly given the risk of a third wave heading into winter and the projected timing of vaccinating the desired 67% of the population.

The economy continues to open up and whilst the group expects origination levels to remain muted, transactional volumes are expected to trend back towards pre-pandemic levels by the fourth quarter of the financial year. The benefits of this improving trend are likely to be dampened by the lag effect of rising arrears and NPLs.

The bank expects the lag effect from the lockdown restrictions to result in elevated cost of credit, as well as increased pressure on collections as savings are drawn down and earnings remain constrained.

Further, the bank's cost growth for the six months to December 2020 benefited from the lower calibration of remuneration costs compared to the previous period. The full-year cost growth will therefore normalise.

EVENTS AFTER THE REPORTING PERIOD

On 24 February 2021, the Minister of Finance announced in his budget speech that the corporate tax rate will be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. Refer to page 166 for more information.

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

BOARD CHANGES

Changes to the directorate are outlined below.

		Effective date
Retirements		
MS Bomela	Independent non-executive director	2 December 2020
AT Nzimande	Independent non-executive director	2 December 2020

BOARD COMMITTEE CHANGES

		EFFECTIVE DATE
DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE		
TS Mashego	Chair	3 December 2020
AT Nzimande	Retired*	2 December 2020
NOMINATIONS COMMITTEE		
TS Mashego	Chair	3 December 2020
AT Nzimande	Retired*	2 December 2020
SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE		
Z Roscherr	Chair	3 December 2020
TS Mashego	Member	3 December 2020
AT Nzimande	Retired*	2 December 2020

* *Ms AT Nzimande retired at the annual general meeting with effect from 2 December 2020.*

DEBT OFFICER APPOINTMENT

		EFFECTIVE DATE
B Singh	Debt officer	1 November 2020

WR JARDINE
Chairman

AP PULLINGER
CEO

C LOW
Company secretary

3 March 2021

REVIEW OF OPERATIONS

FNB

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

FNB's strategy is underpinned by:

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

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings	**6 382**	7 691	(17)	10 224
Normalised profit before tax	**8 862**	10 683	(17)	14 202
– South Africa	**8 982**	10 906	(18)	14 663
– Rest of Africa*	**(120)**	(223)	(46)	(461)
Total assets	**416 455**	428 162	(3)	419 250
Total liabilities	**412 414**	422 115	(2)	409 810
Stage 3/NPLs as a % of advances	**7.88**	6.14		7.60
Credit loss ratio (%)	**2.58**	1.86		3.12
Cost-to-income ratio (%)	**51.1**	50.3		51.7
Advances margin (%)	**4.25**	4.37		4.29

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

Despite some improvement in the operating environment, overall economic output in South Africa remains well below 2019 levels. Whilst both consumers and businesses remain under pressure, FNB's data does show some signs of a rebound in customer income and financial volumes.

Total FNB normalised earnings declined 17%. This performance was driven predominantly by the significant increase in impairments combined with the negative endowment impact on NII due to significant rate cuts.

NIR growth was subdued due to lower absolute volumes during the lockdown period and depressed new business origination. Zero headline banking fee base growth, and lower foreign exchange volumes and turnover also contributed to this outcome.

Growth in operating expenses was well contained at 2% despite the continued investment in platform digitisation, insurance and rest of Africa, as some of these costs are incurred in the bank. Given the pressure on revenue, operating jaws were negative, and the cost-to-income ratio increased to 51.1% compared to 50.3% in the prior period.

Pleasingly, customers continue to save with good deposit growth of 19%. Advances declined slightly period-on-period. In the consumer segment, risk appetite resulted in a material pull-back given limited credit capacity in lower-income households. Credit strategies focused on managing the in-force portfolio and bolstering collections. New origination focused on good credit quality customers and affordability.

Transaction volumes were significantly affected, as indicated in the following table. However, FNB's platform strategy continues to drive strong momentum in customer adoption of digital interfaces. This is reflected in a 22% increase in FNB app activity over the period.

CHANNEL VOLUMES

	Six months ended 31 December			Year ended 30 June
Thousands of transactions	**2020**	2019	% change	2020
ATM/ADT	**108 523**	121 677	(11)	224 141
Internet banking	**88 840**	93 585	(5)	176 280
Banking app	**184 748**	151 262	22	303 503
Mobile banking (USSD)	**19 444**	22 170	(12)	41 260
Point-of-sale merchants	**316 502**	332 664	(5)	587 152
Card swipes*	**436 585**	466 226	(6)	814 099

* *December 2019 and June 2020 figures were restated to exclude Discovery card swipes.*

SEGMENT RESULTS

R million	Six months ended 31 December 2020	2019	% change	Year ended 30 June 2020
Normalised PBT				
Retail	**3 864**	5 937	(35)	7 018
Commercial	**5 118**	4 969	3	7 645
Rest of Africa*	**(120)**	(223)	(46)	(461)
Total FNB	**8 862**	10 683	(17)	14 202

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

Retail customers continue to navigate lower overall income, a tough economic environment and lockdown restrictions – all of which have weighed on spending patterns and impacted the ability of some customers to service debt.

FNB commercial delivered resilient earnings growth despite the uncertain business environment. NIR remained flat period-on-period, which is a respectable outcome given that customers in sectors such as tourism, hospitality and commercial property were severely affected by lockdown restrictions.

The following table unpacks 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	**14**	**37 327**	**–**	**(635)**
– Consumer	**10**	**8 848**	**(6)**	**(3 995)**
– Premium	**16**	**28 479**	**1**	**3 360**
Commercial	**24**	**62 607**	**(1)**	**(1 389)**
Total FNB	**19**	**99 934**	**–**	**(2 024)**

As outlined in the table below, customer growth numbers held up well. FNB's platform continues to deliver convenience to banked and under-banked users, as evidenced by the eWallet users.

ACTIVE CUSTOMERS AND USERS

Million	Number of customers at 31 December 2020	2019	% change	Number of customers at 30 June 2020
Retail	**7.43**	7.28	2	7.20
– Consumer	**5.86**	5.85	–	5.74
– Premium	**1.57**	1.43	10	1.46
Commercial	**1.09**	1.00	9	1.03
Total active FNB customers	**8.52**	8.28	3	8.23
eWallet transacting base*	**2.83**	2.85	(1)	2.59
Total users	**11.35**	11.13	4	10.82

* *Transacting base refers to a wallet that has received funds and been accessed at least twice in a six-month period. Prior period eWallet figures were restated as a consequence of a data clean-up.*

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 the aforementioned pull-back in credit appetite, which resulted in further attrition in transactional accounts. Commercial continued to attract new customers.

ANALYSIS OF IMPAIRMENT CHARGE

R million	Six months ended 31 December 2020	2019	% change	Year ended 30 June 2020
Performing book provisions	**1 189**	141	>100	3 813
NPL provision	**1 139**	1 378	(17)	3 625
Credit provision increase	**2 328**	1 519	53	7 438
Modification	**219**	303	(28)	759
Write-off and other	**3 682**	3 059	20	6 424
Post write-off recoveries	**(817)**	(1 037)	(21)	(1 671)
Total impairment charge	**5 412**	3 844	41	12 950

FNB's credit impairment charge increased to R5.4 billion, with the credit loss ratio increasing to 258 bps (December 2019: 186 bps; June 2020: 312 bps). This was driven primarily by the impact of the embedded credit strain of FNB's debt relief portfolios, FLI impacts, and judgemental overlays to cater for the uncertainty around the severity and impact of the COVID-19 second wave in SA.

Although impairments increased period-on-period, on a rolling six-month view, collections performed well. Repayment behaviour on the debt relief books was better than expected in the commercial segment, and in line with expectations in retail. The approach to provisioning has remained conservative. Portfolio-specific overlays focused on ensuring adequate coverage for the current stressed environment, uncertainty relating to loss given default (LGD) levels in secured portfolios, and the expiration of credit protection insurance. Central overlays of R620 million were raised during the period to bolster stage 1 coverage for the total retail and commercial portfolios. This is due to uncertainty related to the severity of the second wave of COVID-19 that credit and macroeconomic models could not accurately capture as at 31 December 2020.

As a result, credit provisions increased R8.2 billion period-on-period, with performing coverage (stage 1 and 2) increasing to 3.08% (December 2019: 1.77%; June 2020: 2.74%).

FNB's NPLs increased 28% period-on-period and 2% since June 2020, which was better than expected (lower inflows and better collections). The NPL increase was driven primarily by:

- underlying economic strain in retail secured and unsecured;
- higher roll rates in the relief portfolios as the relief period expired;
- build-up of technical cures related to customers who are predominantly up to date but who remain in NPL for the remainder of the six- or 12-month curing period;
- higher commercial NPLs due to sector-specific and asset class-specific strain, such as commercial property finance and asset-backed finance, as well as increased small- and medium-sized enterprise (SME) NPLs, given lockdown restrictions and clients not qualifying for relief; and
- an increase in distressed restructures in debt counselling portfolios due to the impact of COVID-19 on these customers.

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the UK, the African continent and India. RMB leverages an entrenched origination franchise, a strong market-making and growing distribution product offering, and a competitive transactional banking platform as well as a class-leading private equity track record which is largely part of FRIHL and is not reported in the bank, to ensure delivery of an integrated corporate and investment banking (CIB) value proposition to corporate and institutional clients. This diversified business portfolio, coupled with a disciplined approach to balancing risk, return and growth, is designed to deliver sustainable earnings, balance sheet resilience and market-leading returns.

RMB FINANCIAL HIGHLIGHTS*

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings	**2 170**	2 071	5	4 398
Normalised profit before tax	**3 014**	2 876	5	6 108
Total assets	**576 363**	478 769	20	579 024
Total liabilities	**574 260**	477 070	20	574 599
Credit loss ratio (%)	**0.32**	0.07		0.64
Cost-to-income ratio (%)	**54.0**	57.7		47.8

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

RMB delivered a strong operational performance with pre-provision operating profits increasing 18%.

The performance was driven by:

- a strong markets contribution;
- sustained annuity income growth;
- strong core deposit growth of 7%; and
- improved operating leverage period-on-period.

Continued proactive provisioning in response to the constrained macroeconomic environment and the significant additional uncertainty resulting from the impact of COVID-19, resulted in pre-tax profits increasing 5% to R3 billion. The business continues to be prudently provided with the performing book coverage ratio increasing from 67 bps to 127 bps (June 2020: 112 bps).

ANALYSIS OF IMPAIRMENT CHARGE

R million	Six months ended 31 December 2020	2019	% change	Year ended 30 June 2020
Performing book provisions	**380**	(50)	(>100)	1 470
NPL provision	**(744)**	187	(>100)	218
Credit provision (decrease)/increase	**(364)**	137	(>100)	1 688
Modification	**–**	–	–	–
Write-off and other	**881**	(12)	(>100)	395
Post write-off recoveries	**(1)**	(6)	(83)	(6)
Total impairment charge	**516**	119	>100	2 077

Performing book provisions increased due to proactive provisioning against distressed industries. The decline in NPL provision mainly reflects the work-out of a fully impaired counter.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

R million	Six months ended 31 December 2020	2019	% change	Year ended 30 June 2020
Banking	**2 171**	2 699	(20)	4 953
Markets	**928**	456	>100	1 288
Private equity	**(44)**	(36)	22	(91)
Other**	**(41)**	(243)	(83)	(42)
Total RMB	**3 014**	2 876	5	6 108

* *Refer to additional activity and business disclosure on page 40.*

** *Other includes support and head office activities.*

The banking business's profits declined 20%, largely impacted by continued conservative credit provisioning. Notwithstanding this, investment banking generated a solid operational performance, supported by resilient average advances growth at healthy margins. Robust fee income was generated from advisory mandates, whilst structuring revenue remained muted given slower deal origination.

Corporate transactional banking delivered a resilient performance with strong average deposit growth of 23%, however, margin contraction following multiple rate cuts during the period impacted NII across most jurisdictions. Domestic transactional volumes, particularly in merchant services, EFT and cash, were negatively impacted by the lockdown restrictions as volumes came under pressure. NIR also came under pressure as transactional volumes moderated.

The markets business delivered an excellent performance, up more than 100% on the prior period with continued momentum in local market activity. This was driven by fixed income, particularly inflation and options markets, coupled with commodities trading.

The performance was further aided by cross-border, foreign exchange and fixed income, inclusive of structured credit. Corporate foreign exchange benefited from improved cross-sell.

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

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised earnings	**297**	552	(46)	305
Normalised profit before tax	**412**	767	(46)	424
Total assets	**116 331**	126 521	(8)	119 441
Total liabilities	**117 045**	126 881	(8)	120 151
Stage 3/NPLs as a % of advances	**9.75**	5.96		8.82
Credit loss ratio (%)	**1.86**	1.30		2.42
Cost-to-income ratio (%)	**55.7**	55.3		53.6
Net interest margin (%)	**3.15**	3.26		3.39

BREAKDOWN OF PROFIT CONTRIBUTION BY SEGMENT*

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Normalised PBT				
Retail VAF	**221**	599	(63)	182
Corporate and commercial	**191**	168	14	242
Total WesBank	**412**	767	(46)	424

* *Refer to additional segmental disclosure on page 41.*

WesBank's profit before tax (PBT) was R412 million for the six months ended 31 December 2020, compared to R767 million in the previous period (a 46% decrease), driven primarily by period-on-period increases in impairments and lower NII following the sharp rate cuts together with contracting advances.

WesBank advances declined 6%, with retail vehicle asset finance (VAF) down 5% and corporate and commercial down 11%. WesBank maintained its conservative risk appetite and this, together with the current muted macro environment, resulted in new business production decreasing 21%. Overall NII reduced 7% period-on-period.

ANALYSIS OF IMPAIRMENT CHARGE

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Performing book provisions	**(146)**	(43)	>100	36
NPL provision	**455**	–	–	1 598
Credit provision increase/(decrease)	**309**	(43)	(>100)	1 634
Modification	**72**	182	(60)	(1)
Write-off and other	**859**	873	(2)	1 652
Post write-off recoveries	**(126)**	(201)	(37)	(337)
Total impairment charge	**1 114**	811	37	2 948

Impairments increased R303 million (37%), driven by rising arrears and NPLs. This was due to continued strain on consumers' disposable income and the impact of lockdown restrictions. Arrears have stabilised since June 2020 as the economy improved, and are nearly back to pre-COVID-19 levels. Given the level of current uncertainty, with delays in asset repossessions and write-offs, additional out-of-model provisions have been raised.

Impairment coverage increased to 5.45% (June 2020: 3.54%) despite debit order rates improving and most customers successfully exiting payment relief.

NPLs remain elevated, despite absolute inflows into NPLs reducing since June 2020, with positive momentum in volumes of customers starting to pay their instalments. Whilst there has been a catch-up on the repossession backlog created by court closures, delays in write-off persist and, as such, there is increased ageing of the NPL book.

WesBank continues to focus on growing its full maintenance leasing (FML) business and controlling operational expenditure. It also has invested in digital process improvements, which included the WesBank app launched in late 2020.

The cost containment drive resulted in reduced headcount and process efficiencies, contributing to an overall cost reduction of 2% period-on-period. However, the cost-to-income ratio has marginally deteriorated due to revenue pressures.

MotoNovo

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

Loans originated prior to the integration (the back book) are still housed in FirstRand Bank London branch, but managed by MotoNovo. MotoNovo's back book produced a loss driven by lower NII due to the wind down of the book and lower securitisation related income (c. R500 million income in the prior period), which eliminates at a group level. The costs associated with running the total book (securitised and unsecuritised) is recognised in the bank, contributing to the loss for the period.

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2020**	**% composition**	2019	% composition	% change	2020	% composition
Retail	**2 856**	**36**	4 544	44	(37)	4 851	35
– FNB*	**2 697**		4 113		(34)	4 720	
– WesBank	**159**		431		(63)	131	
Commercial	**3 823**	**48**	3 699	36	3	5 678	41
– FNB	**3 685**		3 578		3	5 504	
– WesBank	**138**		121		14	174	
Corporate and investment banking	**2 170**	**27**	2 071	20	5	4 398	32
– RMB**	**2 170**		2 071		5	4 398	
MotoNovo	**(205)**	**(3)**	45	–	(>100)	(244)	(2)
Other	**(648)**	**(8)**	(70)	–	>100	(921)	(6)
– FCC (including Group Treasury)**	**(407)**		255		(>100)	(292)	
– Other equity instrument holders	**(241)**		(325)		(26)	(629)	
Normalised earnings	**7 996**	**100**	10 289	100	(22)	13 762	100

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

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

Segment report

for the six months ended 31 December 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 577	1 470	3 339	3 426	**10 812**	6 271
Impairment charge	(529)	(781)	(1 944)	(1 304)	**(4 558)**	(882)
Net interest income after impairment of advances	2 048	689	1 395	2 122	**6 254**	5 389
Non-interest revenue	62	1 272	352	6 029	**7 715**	4 659
Income from operations	2 110	1 961	1 747	8 151	**13 969**	10 048
Operating expenses	(883)	(1 085)	(1 310)	(6 505)	**(9 783)**	(4 909)
Income before indirect tax	1 227	876	437	1 646	**4 186**	5 139
Indirect tax	(8)	(19)	(53)	(242)	**(322)**	(21)
Profit before income tax	1 219	857	384	1 404	**3 864**	5 118
Income tax expense	(341)	(240)	(107)	(393)	**(1 081)**	(1 433)
Profit for the period	878	617	277	1 011	**2 783**	3 685
Attributable to						
Ordinary equityholders	878	617	277	1 011	**2 783**	3 685
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the period	878	617	277	1 011	**2 783**	3 685
Attributable earnings to ordinary shareholders	878	617	277	1 011	**2 783**	3 685
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	878	617	277	1 011	**2 783**	3 685
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	878	617	277	1 011	**2 783**	3 685

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

* *Include DirectAxis normalised earnings of R142 million.*

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

Refer to additional segmental disclosure on page 41.

† *Refer to additional activity and business disclosure on page 40.*

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

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa**	Total FNB	WesBank#	Retail and commercial	RMB†	FCC (including Group Treasury) and other‡	FRB – normalised	Normalised adjustments	FRB – IFRS
(4)	17 079	2 189	19 268	3 767	432	23 467	(211)	23 256
28	(5 412)	(1 114)	(6 526)	(516)	(119)	(7 161)	–	(7 161)
24	11 667	1 075	12 742	3 251	313	16 306	(211)	16 095
458	12 832	1 330	14 162	4 058	(587)	17 633	238	17 871
482	24 499	2 405	26 904	7 309	(274)	33 939	27	33 966
(601)	(15 293)	(1 960)	(17 253)	(4 222)	(1 090)	(22 565)	94	(22 471)
(119)	9 206	445	9 651	3 087	(1 364)	11 374	121	11 495
(1)	(344)	(33)	(377)	(73)	(28)	(478)	–	(478)
(120)	8 862	412	9 274	3 014	(1 392)	10 896	121	11 017
34	(2 480)	(115)	(2 595)	(844)	780	(2 659)	(132)	(2 791)
(86)	6 382	297	6 679	2 170	(612)	8 237	(11)	8 226
(86)	6 382	297	6 679	2 170	(853)	7 996	(11)	7 985
–	–	–	–	–	241	241	–	241
(86)	6 382	297	6 679	2 170	(612)	8 237	(11)	8 226
(86)	6 382	297	6 679	2 170	(853)	7 996	(11)	7 985
–	–	–	–	–	–	–	1	1
(86)	6 382	297	6 679	2 170	(853)	7 996	(10)	7 986
–	–	–	–	–	–	–	65	65
–	–	–	–	–	–	–	(55)	(55)
(86)	6 382	297	6 679	2 170	(853)	7 996	–	7 996

Segment report continued

for the six months ended 31 December 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	33.5	39.6	35.5	68.8	**52.8**	44.9
Diversity ratio (%)	2.3	46.4	9.5	63.8	**41.6**	42.6
Credit loss ratio (%)	0.47	5.14	9.37	15.76	**2.91**	1.65
Stage 3/NPLs as a % of advances (%)	5.43	12.71	19.20	14.87	**8.45**	6.22
Income statement includes						
Depreciation	(4)	(4)	(29)	(1 114)	**(1 151)**	(90)
Amortisation	–	(6)	(4)	(4)	**(14)**	–
Impairment charges	–	–	–	(10)	**(10)**	1
Statement of financial position includes						
Advances (before impairments)	224 409	30 535	41 150	16 358	**312 452**	106 011
Stage 3/NPLs	12 183	3 882	7 902	2 432	**26 399**	6 594
Investment in associated companies	–	–	–	–	**–**	–
Total deposits	624	6 622	7	293 453	**300 706**	319 374
Total assets	220 094	26 169	32 460	34 734	**313 457**	102 751
Total liabilities‡	220 073	26 468	34 446	30 023	**311 010**	101 037
Capital expenditure	2	5	3	813	**823**	93

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

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

** *Refer to additional segmental disclosure on page 41.*

Refer to additional activity and business disclosure on page 40.

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

‡ *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB#	FCC (including Group Treasury) and other†	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	51.1	55.7	51.6	54.0	(>100)	54.9	–	54.6
>100	42.9	37.8	42.4	51.9	>100	42.9	–	43.5
–	2.58	1.86	2.42	0.32	0.59	1.60	–	1.60
–	7.88	9.75	8.30	0.80	1.32	5.35	–	5.35
(1)	(1 242)	(463)	(1 705)	(65)	(1)	(1 771)	–	(1 771)
–	(14)	(18)	(32)	(76)	(1)	(109)	–	(109)
–	(9)	(7)	(16)	(5)	–	(21)	–	(21)
–	418 463	118 528	536 991	313 107	38 953	889 051	–	889 051
–	32 993	11 556	44 549	2 506	513	47 568	–	47 568
–	–	–	–	–	–	–	–	–
–	620 080	52	620 132	223 384	290 814	1 134 330	–	1 134 330
247	416 455	116 331	532 786	576 363	356 922	1 466 071	–	1 466 071
367	412 414	117 045	529 459	574 260	252 883	1 356 602	–	1 356 602
–	916	578	1 494	140	1	1 635	–	1 635

Segment report continued

for the six months ended 31 December 2019

R million	Retail and commercial					
	FNB					
	Retail					
	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**	Commercial
Net interest income before impairment of advances	2 440	1 351	3 604	3 634	**11 029**	5 852
Impairment charge	(243)	(618)	(1 661)	(733)	**(3 255)**	(589)
Net interest income after impairment of advances	2 197	733	1 943	2 901	**7 774**	5 263
Non-interest revenue	95	1 101	446	6 140	**7 782**	4 664
Income from operations	2 292	1 834	2 389	9 041	**15 556**	9 927
Operating expenses	(977)	(1 148)	(1 483)	(5 785)	**(9 393)**	(4 928)
Income before indirect tax	1 315	686	906	3 256	**6 163**	4 999
Indirect tax	(10)	(16)	(32)	(168)	**(226)**	(30)
Profit before income tax	1 305	670	874	3 088	**5 937**	4 969
Income tax expense	(365)	(188)	(245)	(865)	**(1 663)**	(1 391)
Profit for the period	940	482	629	2 223	**4 274**	3 578
Attributable to						
Ordinary equityholders	940	482	629	2 223	**4 274**	3 578
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the period	940	482	629	2 223	**4 274**	3 578
Attributable earnings to ordinary shareholders	940	482	629	2 223	**4 274**	3 578
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	940	482	629	2 223	**4 274**	3 578
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	940	482	629	2 223	**4 274**	3 578

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

* *Include DirectAxis normalised earnings of R270 million.*

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

Refer to additional segmental disclosure on page 41.

† *Refer to additional activity and business disclosure on page 40.*

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

Retail and commercial				Corporate and institutional				
FNB		WesBank#	Retail and commercial	RMB†	FCC (including Group Treasury) and other‡	FRB – normalised	Normalised adjustments	FRB – IFRS
FNB rest of Africa**	Total FNB							
(22)	16 859	2 346	19 205	3 392	1 327	23 924	(47)	23 877
–	(3 844)	(811)	(4 655)	(119)	(115)	(4 889)	–	(4 889)
(22)	13 015	1 535	14 550	3 273	1 212	19 035	(47)	18 988
464	12 910	1 283	14 193	3 924	(158)	17 959	(241)	17 718
442	25 925	2 818	28 743	7 197	1 054	36 994	(288)	36 706
(664)	(14 985)	(2 008)	(16 993)	(4 223)	(1 638)	(22 854)	239	(22 615)
(222)	10 940	810	11 750	2 974	(584)	14 140	(49)	14 091
(1)	(257)	(43)	(300)	(98)	(1)	(399)	–	(399)
(223)	10 683	767	11 450	2 876	(585)	13 741	(49)	13 692
62	(2 992)	(215)	(3 207)	(805)	885	(3 127)	13	(3 114)
(161)	7 691	552	8 243	2 071	300	10 614	(36)	10 578
(161)	7 691	552	8 243	2 071	(25)	10 289	(36)	10 253
–	–	–	–	–	325	325	–	325
(161)	7 691	552	8 243	2 071	300	10 614	(36)	10 578
(161)	7 691	552	8 243	2 071	(25)	10 289	(36)	10 253
–	–	–	–	–	–	–	6	6
(161)	7 691	552	8 243	2 071	(25)	10 289	(30)	10 259
–	–	–	–	–	–	–	76	76
–	–	–	–	–	–	–	(46)	(46)
(161)	7 691	552	8 243	2 071	(25)	10 289	–	10 289

Segment report continued

for the six months ended 31 December 2019

R million	Retail and commercial					
	FNB					
	Retail					
	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	38.5	46.8	36.6	59.2	**49.9**	46.9
Diversity ratio (%)	3.7	44.9	11.0	62.8	**41.4**	44.4
Credit loss ratio (%)	0.22	4.25	8.29	8.12	**2.11**	1.11
Stage 3/NPLs as a % of advances (%)	4.06	8.83	15.22	11.30	**6.39**	5.39
Income statement includes						
Depreciation	(5)	(5)	(32)	(1 028)	**(1 070)**	(72)
Amortisation	–	(7)	(8)	(6)	**(21)**	–
Impairment charges	–	–	–	–	**–**	–
Statement of financial position includes						
Advances (before impairments)	223 979	30 098	40 796	18 214	**313 087**	107 400
Stage 3/NPLs	9 086	2 659	6 208	2 059	**20 012**	5 787
Investment in associated companies	–	–	–	–	**–**	–
Total deposits	526	4 109	4	258 740	**263 379**	256 767
Total assets	221 323	27 249	33 962	37 918	**320 452**	107 004
Total liabilities‡	221 247	27 631	35 545	31 487	**315 910**	105 279
Capital expenditure	6	20	11	1 233	**1 270**	140

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

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

** *Refer to additional segmental disclosure on page 41.*

Refer to additional activity and business disclosure on page 40.

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

‡ *Total liabilities are net of interdivisional balances.*

Retail and commercial				Corporate and institutional				
FNB								
FNB rest of Africa*	Total FNB	WesBank**	Retail and commercial	RMB#	FCC (including Group Treasury) and other†	FRB – normalised	Normalised adjustments	FRB – IFRS
>100	50.3	55.3	50.9	57.7	>100	54.6	–	54.4
>100	43.4	35.4	42.5	53.6	(13.5)	42.9	–	42.6
–	1.86	1.30	1.73	0.07	0.40	1.07	–	1.07
–	6.14	5.96	6.10	1.36	1.32	4.21	–	4.21
(1)	(1 143)	(398)	(1 541)	(63)	–	(1 604)	–	(1 604)
–	(21)	(9)	(30)	(52)	2	(80)	–	(80)
–	–	5	5	–	(1)	4	–	4
–	420 487	126 409	546 896	310 331	49 938	907 165	–	907 165
–	25 799	7 540	33 339	4 207	661	38 207	–	38 207
–	–	–	–	–	66	66	–	66
–	520 146	56	520 202	211 392	335 566	1 067 160	–	1 067 160
706	428 162	126 521	554 683	478 769	260 769	1 294 221	–	1 294 221
926	422 115	126 881	548 996	477 070	165 107	1 191 173	–	1 191 173
1	1 411	1 805	3 216	126	1	3 343	–	3 343

Segment report continued

for the year ended 30 June 2020

R million	Retail and commercial					
	FNB					
	Retail					Commercial
	Residential mortgages	Card	Total personal loans*	Retail other	**Retail**	
Net interest income before impairment of advances	4 819	2 728	7 115	7 124	**21 786**	11 540
Impairment charge	(1 411)	(1 997)	(4 899)	(1 666)	**(9 973)**	(2 949)
Net interest income after impairment of advances	3 408	731	2 216	5 458	**11 813**	8 591
Non-interest revenue	160	1 969	829	11 425	**14 383**	8 670
Income from operations	3 568	2 700	3 045	16 883	**26 196**	17 261
Operating expenses	(1 896)	(2 233)	(2 801)	(11 792)	**(18 722)**	(9 566)
Income before indirect tax	1 672	467	244	5 091	**7 474**	7 695
Indirect tax	(16)	(34)	(50)	(356)	**(456)**	(50)
Profit before income tax	1 656	433	194	4 735	**7 018**	7 645
Income tax expense	(464)	(122)	(54)	(1 326)	**(1 966)**	(2 141)
Profit for the year	1 192	311	140	3 409	**5 052**	5 504
Attributable to						
Ordinary equityholders	1 192	311	140	3 409	**5 052**	5 504
Other equity instrument holders	–	–	–	–	**–**	–
Profit for the year	1 192	311	140	3 409	**5 052**	5 504
Attributable earnings to ordinary shareholders	1 192	311	140	3 409	**5 052**	5 504
Headline earnings adjustments	–	–	–	–	**–**	–
Headline earnings	1 192	311	140	3 409	**5 052**	5 504
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–
IAS 19 adjustment	–	–	–	–	**–**	–
Normalised earnings	1 192	311	140	3 409	**5 052**	5 504

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

* *Include DirectAxis normalised earnings of negative R52 million.*

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

Refer to additional segmental disclosure on page 41.

† *Refer to additional activity and business disclosure on page 40.*

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

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

Segment report continued

for the year ended 30 June 2020

	Retail and commercial					
	FNB					
	Retail					
R million	Residential mortgages	Card	Total personal loans	Retail other	**Retail**	Commercial
Cost-to-income ratio (%)	38.1	47.5	35.3	63.6	**51.8**	47.3
Diversity ratio (%)	3.2	41.9	10.4	61.6	**39.8**	42.9
Credit loss ratio (%)	0.64	6.85	12.06	9.62	**3.24**	2.77
Stage 3/NPLs as a % of advances (%)	5.20	12.16	17.73	13.19	**7.97**	6.51
Income statement includes						
Depreciation	(7)	(10)	(63)	(2 163)	**(2 243)**	(165)
Amortisation	–	(15)	(18)	(16)	**(49)**	–
Impairment charges	–	–	–	6	**6**	(1)
Statement of financial position includes						
Advances (before impairments)	224 404	30 210	41 874	16 732	**313 220**	107 914
Stage 3/NPLs	11 662	3 675	7 424	2 207	**24 968**	7 030
Investment in associated companies	–	–	–	–	**–**	–
Total deposits	559	5 683	5	279 314	**285 561**	287 561
Total assets	220 550	26 092	33 642	34 169	**314 453**	104 518
Total liabilities‡	220 823	26 980	36 168	23 643	**307 614**	101 457
Capital expenditure	7	22	46	2 307	**2 382**	208

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

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

** *Refer to additional segmental disclosure on page 41.*

Refer to additional activity and business disclosure on page 40.

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

‡ *Total liabilities are net of interdivisional balances.*

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

Additional activity and business disclosure – RMB

In order to align with RMB's internal management structure, internal and external reporting have been refined to reflect three primary business divisions, being banking, markets and private equity. As a transitional measure, the previous activity reporting matrix is provided.

	Six months ended 31 December								
	2020					2020		2019	
R million	IB&A	C&TB	M&S	INV	IM	Other	Total	Total	% change
Normalised PBT									
Banking	**1 541**	**611**	**–**	**19**	**–**	**–**	**2 171**	2 699	(20)
Markets	**–**	**–**	**1 174**	**–**	**(38)**	**(208)**	**928**	456	>100
Private equity	**–**	**–**	**–**	**(44)**	**–**	**–**	**(44)**	(36)	22
Other RMB	**–**	**–**	**–**	**–**	**–**	**(41)**	**(41)**	(243)	(84)
Total RMB – 31 December 2020	**1 541**	**611**	**1 174**	**(25)**	**(38)**	**(249)**	**3 014**	2 876	5
Total RMB – 31 December 2019	**2 076**	**653**	**590**	**(66)**	**(29)**	**(348)**	**2 876**		
% change	**(26)**	**(6)**	**99**	**(62)**	**31**	**(28)**	**5**		

	Six months ended 31 December 2019*						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Banking	2 076	653	–	(30)	–	–	2 699
Markets	–	–	590	–	(29)	(105)	456
Private equity	–	–	–	(36)	–	–	(36)
Other RMB	–	–	–	–	–	(243)	(243)
Total RMB	2 076	653	590	(66)	(29)	(348)	2 876

* *December 2019 and June 2020 have been restated for the Ashburton move to RMB markets in the current period.*

	Year ended 30 June 2020*						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised PBT							
Banking	4 020	1 001	–	(68)	–	–	4 953
Markets	–	–	1 718	–	(86)	(344)	1 288
Private equity	–	–	–	(91)	–	–	(91)
Other RMB	75	–	(23)	–	–	(94)	(42)
Total RMB	4 095	1 001	1 695	(159)	(86)	(438)	6 108

* *December 2019 and June 2020 have been restated for the Ashburton move to RMB markets in the current period.*

Note:
IB&A – investment banking and advisory
C&TB – corporate and transactional banking
M&S – markets and structuring
INV – investing
IM – investment management

Additional segmental disclosure – WesBank

R million	Six months ended 31 December 2020		
	Retail	**Corporate and commercial**	**Total WesBank**
NII before impairment of advances	**1 892**	**297**	**2 189**
Impairment of advances	**(1 023)**	**(91)**	**(1 114)**
Normalised profit before tax	**221**	**191**	**412**
Normalised earnings	**159**	**138**	**297**
Advances	**91 841**	**26 687**	**118 528**
Stage 3/NPLs	**10 452**	**1 104**	**11 556**
Advances margin (%)	**3.47**	**2.04**	**3.15**
Stage 3/NPLs as a % of advances (%)	**11.38**	**4.14**	**9.75**
Credit loss ratio (%)	**2.20**	**0.68**	**1.86**

R million	Six months ended 31 December 2019		
	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	2 063	283	2 346
Impairment of advances	(736)	(75)	(811)
Normalised profit before tax	599	168	767
Normalised earnings	431	121	552
Advances	96 541	29 868	126 409
Stage 3/NPLs	6 990	550	7 540
Advances margin (%)	3.61	2.13	3.26
Stage 3/NPLs as a % of advances (%)	7.24	1.84	5.96
Credit loss ratio (%)	1.54	0.52	1.30

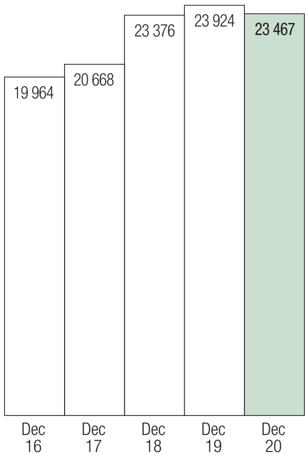
R million	Year ended 30 June 2020		
	Retail	Corporate and commercial	Total WesBank
NII before impairment of advances	4 191	586	4 777
Impairment of advances	(2 699)	(249)	(2 948)
Normalised profit before tax	182	242	424
Normalised earnings	131	174	305
Advances	94 024	27 114	121 138
Stage 3/NPLs	9 810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

ANALYSIS OF RESULTS

Net interest income (before impairment of advances)

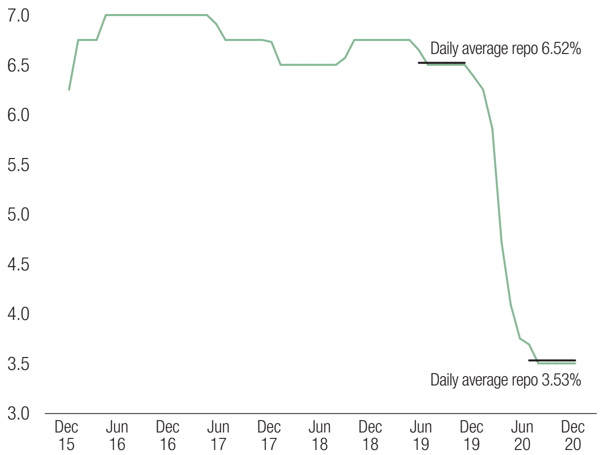
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – DOWN 2%

NET INTEREST INCOME
R million
CAGR 4%



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

REPO RATE – SOUTH AFRICA
%



Note: R303 billion = average endowment book for the year. Rates were 299 bps lower on average in the current year, which translated into a negative endowment impact of R4.6 billion for the period on an unhedged basis.

Net interest income (before impairment of advances) continued

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	Six months ended 31 December 2020 %	Year ended 30 June 2020 %
December 2019/June 2019 normalised margin	**4.81**	4.97
Base effect	**(0.16)**	(0.27)
Capital endowment	**(0.25)**	0.03
– Volume	**0.03**	0.11
– Average rate	**(0.28)**	(0.08)
Lending interest-earning assets	**(0.06)**	(0.08)
– Interest income on change in assets and change in volume and mix	**(0.01)**	0.17
– Asset pricing*	**0.04**	(0.13)
– Interest suspended	**(0.09)**	(0.12)
Liabilities	**(0.01)**	0.10
– Deposit endowment	**(0.25)**	(0.07)
– Change in composition and volume	**0.29**	0.27
– Deposit pricing	**(0.05)**	(0.10)
Group Treasury activities	**0.23**	(0.10)
– Accounting mismatches (MTM vs accrual on term issuance)	**0.01**	(0.02)
– Financial resource pricing and management	**(0.04)**	(0.16)
– ALM (interest rate and FX management)	**0.26**	(0.08)
December 2020/June 2020 normalised margin	**4.56**	4.65

* *The prior year includes the effects of the MotoNovo securitisation structures.*

Note: The methodology used to prepare the margin cascade was updated during the current period to align with industry practice. The base effect of the change in prior period average interest-earning assets are determined first, thereafter every movement in the income statement is determined on the current year interest-earning assets.

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019*	% change	2020
Net interest income				
Lending	**10 627**	10 929	(3)	21 591
Transactional**	**8 556**	8 594	–	16 775
Deposits	**1 779**	1 747	2	3 453
Capital endowment	**2 099**	3 389	(38)	6 348
Group Treasury	**520**	(287)	>100	(853)
Other (negative endowment, e.g. fixed assets)	**(114)**	(448)	(75)	(830)
Total net interest income	**23 467**	23 924	(2)	46 484

* *December 2019 numbers were restated in order to provide better attribution of NII by nature of activity.*

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

KEY DRIVERS

- Overall NII decreased 2% in line with the 2% decrease in gross advances period-on-period and ongoing strong deposit growth of 6%. However, when looking at growth since June 2020, gross advances contracted 2% and deposit growth slowed to 4% despite the rate cuts.
- NII also reflects the lower average interest rates period-on-period following the 300 bps cut over the 12 months to December 2020. The 2020 cuts were 25 bps in January, 100 bps in March, 100 bps in April, 50 bps in May and the final 25 bps in July, which resulted in an average decrease of 299 bps in the average repo rate for the six months ended December 2020, resulting in a negative endowment impact on capital and deposits. This was offset, to an extent, by higher capital levels and deposit volumes and which benefited from the mitigation strategies to protect earnings that covered approximately 50% of the negative endowment impact.
- Lending NII decreased 3% due to lower retail lending margins, which decreased due to an increase in suspended interest on the back of higher NPLs resulting in FNB's advances margin declining 9 bps. This was offset by higher margin activity in CIB and elevated margins from FNB commercial as a result of some repricing.
- WesBank's operational retail VAF margins decreased 14 bps due to competitive pricing and lower rates with higher suspended interest following NPL growth, resulting in a net decrease of 11 bps for WesBank overall.
- RMB's NII increased 11%, benefiting from strong average deposit growth and an increase in higher-margin advances.
- FNB's deposit margins decreased, impacted by negative endowment from the rate cuts, growth in lower-margin deposit products and increased competitive pressures. Average deposits benefited from strong growth in cash investment and transactional product deposits of 17%, which mitigated some of the margin reduction resulting in overall FNB NII remaining flat.
- Group Treasury's margin was impacted by the following factors:
  - Improvements in market liquidity conditions, as a result of lower credit growth and significant deposit growth, resulted in a reduction in funding requirements from institutional markets as well as lower market funding spreads.
  - During the period under review there was an increase in liquid assets. This was positive for NII albeit at a lower margin.
  - The performance of the bank's interest rate risk management programme protected earnings in the rate-cutting environment and some of the benefit was passed on to the business on their endowment deposits.

Net interest income (before impairment of advances) continued

AVERAGE BALANCE SHEET

		December 2020			December 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)				**7.03**			10.02
Balances with central banks		**26 377**	**–**		25 664	–	
Cash and cash equivalents		**37 102**	**515**	**2.75**	34 127	851	4.95
Liquid assets portfolio		**211 328**	**6 354**	**5.96**	166 061	5 952	7.11
Loans and advances to customers	1	**746 379**	**30 095**	**8.00**	759 827	41 056	10.72
Interest-earning assets		**1 021 186**	**36 964**	**7.18**	985 679	47 859	9.63
INTEREST-BEARING LIABILITIES							
Average JIBAR				**3.67**			6.90
Deposits due to customers	2	**(752 237)**	**(9 725)**	**2.56**	(649 719)	(16 167)	4.94
Group Treasury funding		**(273 495)**	**(6 450)**	**4.68**	(343 898)	(11 641)	6.71
Interest-bearing liabilities		**(1 025 732)**	**(16 175)**	**3.13**	(993 617)	(27 808)	5.55
ENDOWMENT AND TRADING BOOK							
Other assets**		**210 983**	**–**	**–**	237 562	–	–
Other liabilities#		**(99 476)**	**–**	**–**	(127 488)	–	–
NCNR preference shareholders		**(5 959)**	**–**	**–**	(5 205)	–	–
Equity		**(101 002)**	**–**	**–**	(96 931)	–	–
Endowment and trading book		**4 546**	**2 678**	**>100**	7 938	3 873	96.79
Total interest-bearing liabilities, endowment and trading book		**(1 021 186)**	**(13 497)**	**2.62**	(985 679)	(23 935)	4.82
Net interest margin on average interest-earning assets		**1 021 186**	**23 467**	**4.56**	985 679	23 924	4.81

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

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

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

Include trading liabilities.

MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	December 2020		December 2019	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average prime rate (RSA)		**7.03**		10.02
Advances				
Retail – secured	**329 030**	**1.97**	341 899	2.02
Residential mortgages	**226 049**	**1.95**	221 443	1.84
VAF	**102 981**	**2.03**	120 456	2.35
Retail – unsecured	**88 688**	**10.97**	91 337	11.55
Card	**28 089**	**7.84**	32 228	7.29
Personal loans	**42 096**	**14.09**	40 178	16.14
Retail other	**18 503**	**8.62**	18 931	9.03
Corporate and commercial	**328 661**	**2.52**	326 591	2.50
FNB commercial	**104 332**	**3.59**	103 861	3.63
– Mortgages	**28 710**	**2.21**	27 572	2.40
– Overdrafts	**35 504**	**5.43**	38 978	5.12
– Term loans	**40 118**	**2.95**	37 311	2.98
WesBank corporate	**27 143**	**2.04**	29 045	2.13
RMB investment banking*	**141 890**	**2.20**	141 017	2.12
RMB corporate banking	**55 296**	**1.56**	52 668	1.48
Total advances	**746 379**	**3.28**	759 827	3.37

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

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

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

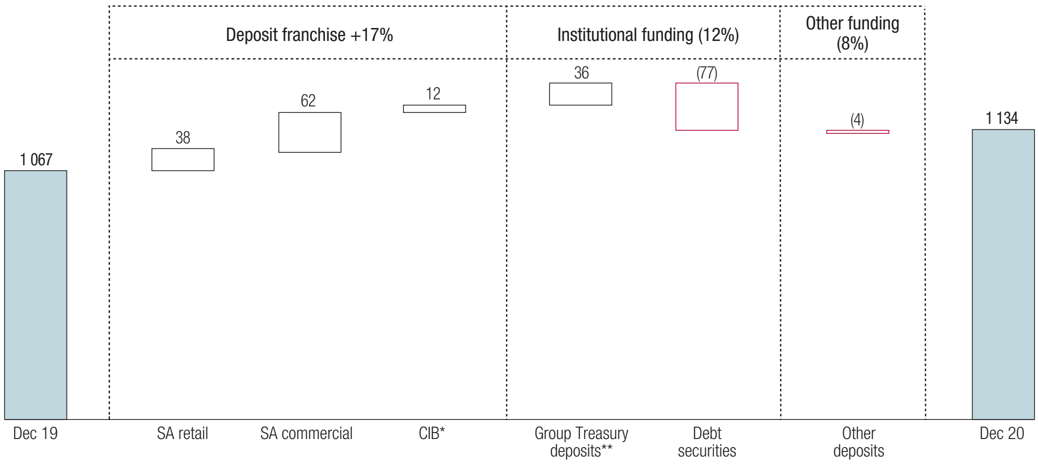
The group operates a transfer pricing framework that incorporates liquidity cost and benefits into product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet, thereby aligning liquidity risk-taking incentives of individual business units with the liquidity risk exposure this activity creates 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.

Deposits – up 6%

FUNDING GROWTH BY SEGMENT

R billion



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

** Group Treasury deposits include the SARB SME loan-funding facility.

MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	December 2020		December 2019*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**3.67**		6.90
Deposits				
Retail	**268 530**	**1.47**	236 203	2.21
Current and savings	**75 958**	**3.52**	64 103	5.86
Call	**105 241**	**0.81**	89 043	0.92
Term	**87 331**	**0.49**	83 057	0.77
Commercial	**313 444**	**1.83**	262 560	2.47
Current and savings	**117 066**	**3.35**	93 261	5.36
Call	**100 576**	**1.40**	85 268	1.27
Term	**95 802**	**0.42**	84 031	0.48
Corporate and investment banking	**170 263**	**0.85**	150 956	0.96
Current and savings	**88 004**	**1.23**	74 984	1.35
Call	**47 526**	**0.52**	41 303	0.87
Term	**34 733**	**0.35**	34 669	0.24
Total deposits	**752 237**	**1.48**	649 719	2.02

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

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

KEY DRIVERS

- FNB's deposit base grew by 19%, specifically:
  - Retail deposits grew 14%, supported by ongoing customer acquisition and money management engagements with customers to simplify savings outcomes. Reduced spending and lower withdrawals from notice products following the COVID-19 pandemic have contributed to the growth period-on-period. Based on the BA900 as at December 2020, FNB held the largest market share of household deposits.
  - Commercial deposits increased 24%, driven by proactive customer engagement, customer acquisition, digitisation, and customers in search of the security provided by capital guarantees during the COVID-19 pandemic.
- Growth in RMB CIB's deposit base was driven by the growth in operational accounts as corporates shored up their liquidity buffers and delayed capital expenditure as they waited to observe the pandemic's impact on the economy and their cash flow requirements.
- The decline in institutional funding was a result of continued optimisation of the bank's funding profile, which benefited from improved retail and commercial deposit growth and lower funding demand as a direct consequence of the COVID-19 crisis. Compositional changes can be attributed to:
  - reduced appetite for institutional funding resulting in lower fixed deposits and reduced issuance of negotiable certificates of deposit (NCDs) and floating-rate notes (FRNs);
  - reduced debt issuance; and
  - the redemption of a US dollar senior bond (April 2020) and other short-dated loans.
- The overall reduction in other funding was primarily due to ongoing maturities of structured funding issuances over the period.

Credit

CREDIT HIGHLIGHTS AT A GLANCE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2020**	2019	% change	2020
Total gross advances	1 on p.68	**889 051**	907 165	(2)	905 712
– Stage 1		**769 217**	813 007	(5)	782 667
– Stage 2		**72 266**	55 951	29	75 792
– Stage 3/NPLs*	3 on p.82	**47 568**	38 207	25	47 253
Stage 3/NPLs as a % of advances	3 on p.82	**5.35**	4.21		5.22
Impairment charge	6 on p.92	**7 161**	4 889	46	18 269
Credit loss ratio (%)	6 on p.92	**1.60**	1.07		2.00
Total impairments	5 on p.90	**40 031**	28 640	40	37 772
Portfolio impairments	2 on p.80	**18 049**	11 419	58	16 645
– Stage 1		**8 476**	5 424	56	8 047
– Stage 2		**9 573**	5 995	60	8 598
Stage 3 impairments	4 on p.88	**21 982**	17 221	28	21 127
Specific coverage ratio (%)**	4 on p.88	**46.2**	45.1		44.7
Total impairment coverage ratio (%)#	5 on p.90	**84.2**	75.0		79.9
Performing book coverage ratio (%)†	2 on p.80	**2.14**	1.31		1.94

* *A detailed analysis of the growth in stage 3/NPLs is provided on page 57.*

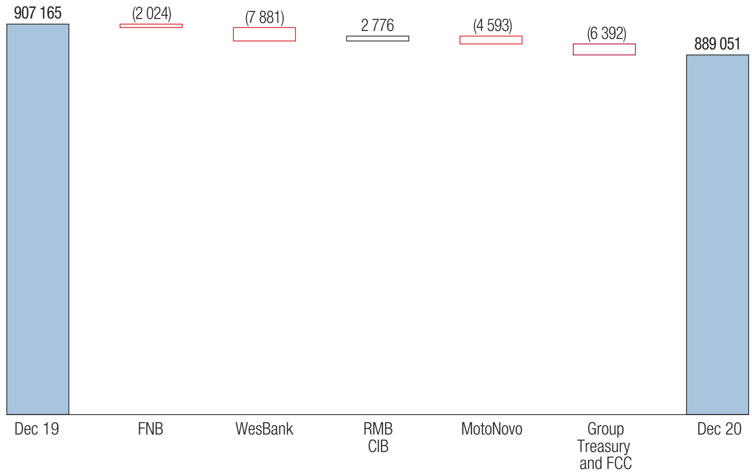
** *Specific impairments as a % of stage 3/NPLs.*

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

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

GROSS ADVANCES – DOWN 2%

GROSS ADVANCES GROWTH BY BUSINESS
R million



ADVANCES

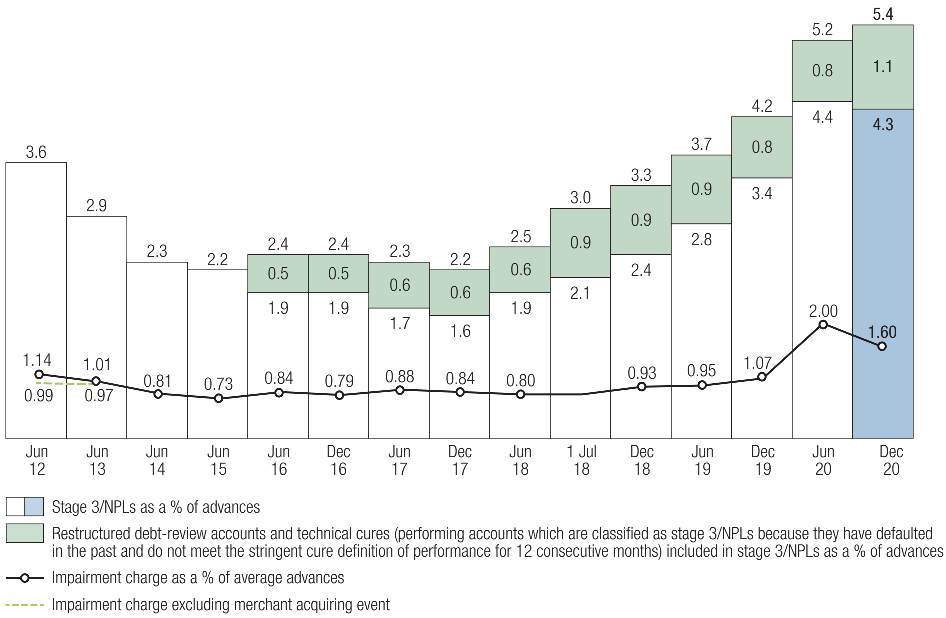
R million	As at 31 December 2020	2019	% change	As at 30 June 2020
Gross advances	**889 051**	907 165	(2)	905 712
Impairment of advances	**(40 031)**	(28 640)	40	(37 772)
Net advances	**849 020**	878 525	(3)	867 940

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

R million	As at 31 December 2020	2019	% change	As at 30 June 2020	% change December 2020 vs June 2020
Total advances	**889 051**	907 165	(2)	905 712	(2)
Assets under agreements to resell	**(55 484)**	(37 016)	50	(26 618)	>100
Net advances	**833 567**	870 149	(4)	879 094	(5)

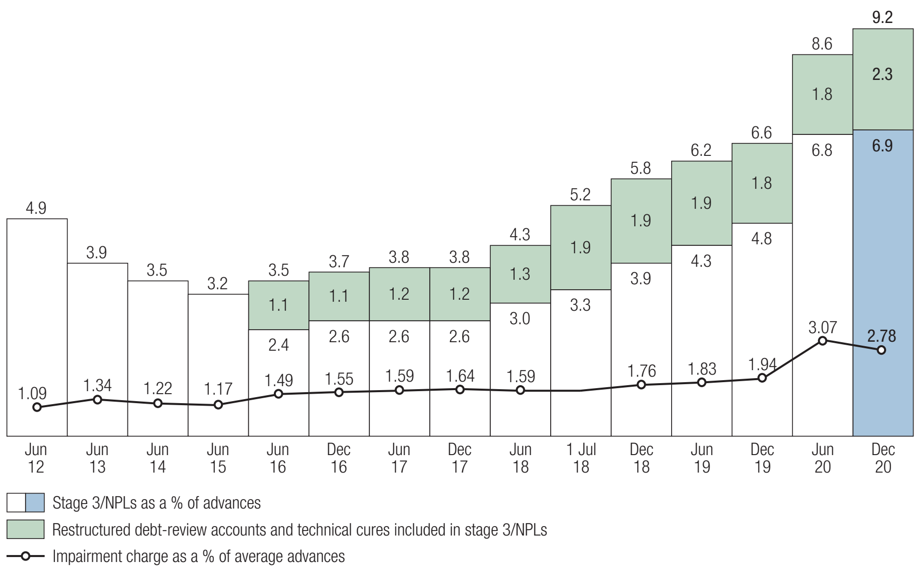
Credit continued

NPL AND IMPAIRMENT HISTORY
%



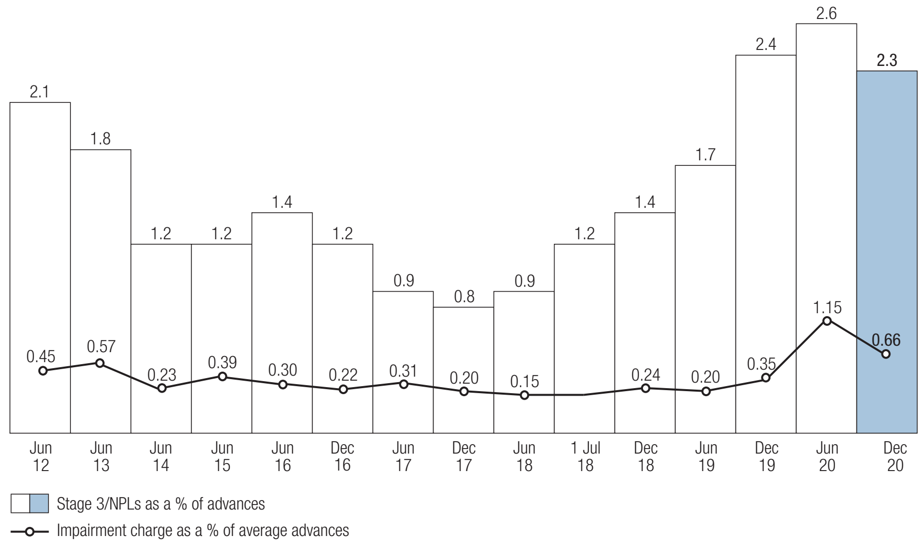
Note: 2012 to 2018 figures were based on IAS 39 and 2019 to 2020 on IFRS 9.

RETAIL NPLs AND IMPAIRMENTS
%



Note: 2012 to 2018 figures were based on IAS 39 and 2019 to 2020 on IFRS 9.

CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS
%



Note: 2012 to 2018 figures were based on IAS 39 and 2019 to 2020 on IFRS 9.

HIGH-LEVEL OVERVIEW OF CREDIT PERFORMANCE

As explained on page 16, the bank's credit performance should be viewed in the context of an ongoing strained macroeconomic environment. Despite some improvement from June 2020, significant uncertainty remains with regards to the second and third waves of COVID-19 infection and consequential lockdowns. It remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened, which remains a key risk to the macroeconomic outlook. Judgemental out-of-model impairments were raised in all portfolios to address these key risks.

Recap of the COVID-19 relief provided

The COVID-19 pandemic and various lockdown levels created significant economic distress and this required revisions to origination criteria and collection processes, and the establishment of payment relief initiatives. Phase one of relief was provided between April and June 2020 and with the extension of the lockdown, phase two relief was provided from July to September 2020. 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 qualifying customers, with zero fees and a flexible repayment period of up to five years (with no early settlement penalties). Repayment commenced after the initial three-month relief period was over. The emergency loan covered monthly instalments for FNB customers (including WesBank products). A small number of customers applied for a one-off extension to the initial three-month relief period, which was granted provided certain requirements were met.
- Customers were also offered traditional payment holidays in FNB retail and WesBank.
- There was an option offered to convert and extend balloon payments due to WesBank up to 12 months following phase one of the pandemic.
- 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 time frames.
- 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 and no early settlement penalties. The bank is exposed to a maximum 6% of the credit losses on these loans, and the South African Reserve Bank (SARB) guarantees losses above that. The scheme was extended to corporates during the six months ending 31 December 2020.
- In the UK, MotoNovo granted payment holidays to existing clients. Some customers applied for an extension of the payment holiday period, with a small number of customers requesting multiple extensions.

Credit continued

Assessment of eligibility for relief and extended 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.

Phase two relief was assessed against sector vulnerabilities to lockdown and the pandemic.

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 drug 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

RMB continues to provide relief to investment and corporate banking clients. Each request was assessed and granted at an individual counterparty level and followed the normal credit approval process. Over the reporting period there was a decline in the number of requests as clients adapted to a new operating environment and liquidity needs became more certain and stabilised. There were, however, several larger reapplications from clients who are primarily in sectors where short-term operating cash flows continue to be adversely impacted by COVID-19 lockdown regulations, e.g. private healthcare, certain sectors of real estate, hotels and leisure.

The remaining amount of relief granted, primarily in the form of short-term debt repayment moratoriums and new bridge finance, amounted to R8.2 billion (June 2020: R12.7 billion) representing a small percentage of underlying client facilities. The aggregate gross exposure of these clients amounted to R28.7 billion (June 2020: R53.1 billion), or 9% of total advances, of which R12.8 billion (45%) related to reapplications. These amounts include the gross exposure related to clients where relief related to covenants, and only relates to clients where the relief was active at 31 December 2020. Where relief is not considered active, this has not been included given that:

- the clients subsequently did not require the additional liquidity and cancelled these facilities;
- the initial temporary relief has been incorporated into the clients' facilities as a permanent limit within the approved risk appetite framework; or
- there has been a subsequent covenant measurement period and extended relief was not required.

The R28.7 billion gross exposure includes a number of well-rated clients (more than 72% of relief approved was for strongly rated clients) who continue to approach the bank proactively in the management of liquidity facilities. The average utilisation relating to general banking facilities for clients who sought relief was 39% at 31 December 2020 (30 June 2020: 50%). The balance of relief as reported at 30 June 2020 has either expired and not been reapplied for, or has been made permanent (upon request from clients) within the risk appetite framework.

Whilst WesBank's FML business is not included in advances, payment holiday relief was provided to 25% (June 2020: 25%) of the customer base and 14% (June 2020: 16%) of value representing R40 million (June 2020: R42 million) of deferred lease payments.

Refer to pages 72 to 79 for more detail on advances where relief was provided.

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

Customers remain classified as in relief until they settle the full relief amounts (payment holidays or liquidity facilities). As such, balances are shown on a cumulative basis (i.e. still receiving relief (active) as well as prior (closed)). Because corporate relief was provided largely through covenant waivers, facility increases, or new advances, corporate only reflect counters in active relief.

Extended relief relates to customers who had the terms of their relief extended, i.e. were granted additional facilities or where their payment holiday periods were extended.

	As at 31 December 2020						
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Portion of extended relief gross advances (R million)	Total portfolio* (gross advances) (R million)	% of portfolio under relief	% of relief portfolio under extended relief
Retail	193.9	677.3	62 515	9 556	404 293	15	15
Commercial	17.6	32.1	20 824	822	132 698	16	4
Corporate	**	**	28 657	12 848	313 107	9	44
MotoNovo	0.7	0.7	48	31	2 528	2	65
Total bank	**212.2**	**710.1**	**112 044**	**23 257**	**889 051**	**13**	**21**

* *Total bank portfolio includes FCC advances.*

** *Less than 1 000.*

	As at 30 June 2020				
	Number of customers (thousands)	Number of accounts (thousands)	Underlying gross advances for which relief was provided (R million)	Total portfolio* (gross advances) (R million)	% of portfolio for which relief was provided
Retail	188.4	653.7	63 529	407 244	16
Commercial	16.7	31.0	30 832	135 028	23
Corporate	**	**	53 098	322 237	16
MotoNovo	22.5	22.5	423	3 782	11
Total bank	**227.6**	**707.2**	**147 882**	**905 712**	**16**

* *Total bank portfolio includes FCC advances.*

** *Less than 1 000.*

Credit continued

Staging and coverage of COVID-19 relief

Retail exposures where relief was offered were assessed to determine whether the requirement of relief was expected to be temporary or permanent in nature. Where the requirement for relief was expected to be temporary, the staging of the exposure as at 29 February 2020 was maintained, and adjustments were 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 was not expected to be temporary in nature, the exposure was treated as a distressed restructure, and staging and coverage were adjusted in line with normal practice. Determining whether the relief was temporary, or a distressed restructure, was based on product-specific definitions incorporating various factors.

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

In limited instances SA retail exposures applied for an extension of the original three-month payment relief period. The requests were accommodated subject to internally defined qualifying criteria. All such extensions of relief were classified as a significant increase in credit risk, with all associated exposures migrated to stage 2 at a minimum, and lifetime expected credit losses raised. Credit risk assessments were also made with reference to sector/industry risk classifications.

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 judgemental portfolios with underlying specialised product specifications and qualifying criteria in order to determine liquidity relief support. Normal credit mandates were applied for clients in good standing and who were 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 was maintained and adjustments were 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 arrears and staging status of the exposure as at 29 February 2020.

Collection rates on expired relief have been within expectation for SA retail and have been better than expected in commercial.

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. Relief extension cases were reviewed on a case-by-case basis to determine the likely sustainability of post-relief payments. This was used to classify significant increase in credit risk on a case-by-case basis.

In the UK, MotoNovo granted first, second and third payment holidays to existing clients in line with the government scheme, with third payment holidays being viewed as a default event and clients being classified as stage 3/NPLs.

Increase in NPLs

	31 December 2020 vs 31 December 2019			31 December 2020 vs 30 June 2020		
	R million	% change	Percentage point contribution to overall NPL increase	R million	% change	Percentage point contribution to overall NPL increase
Operational NPLs*	2 888	10	8	(4 399)	(12)	(14)
Loans under COVID-19 relief	4 790	–	13	2 883	>100	9
Restructured debt review*	539	16	1	(19)	–	–
Definition of rehabilitation (technical cures)	1 256	29	3	1 993	55	6
NPLs (excluding MotoNovo)	9 473	25	25	458	1	1
MotoNovo	(112)	(21)	–	(143)	(26)	–
Total bank NPLs	9 361	25	25	315	1	1

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. The updated write-off policy has been effective for two financial periods and is therefore now mature and in the base. The increase in NPLs due to changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

SA retail NPLs increased R9 849 million in the 12-month period to R36 851 million at December 2020, however growth moderated substantially to an increase of R2 073 million in the six months from June 2020. NPLs as a percentage of advances increased to 9.11% from 6.59% in December 2019 (8.54% at June 2020), driven by the following factors:

- a 1% contraction of SA retail advances (denominator effect);
- NPL formation for the six months to June 2020 was aggravated by COVID-19, the hard lockdown, customers not qualifying for relief and loans under COVID-19 relief meeting distressed-restructure requirements being classified as NPLs. For the six months to December 2020, growth moderated due to lower NPL formation offset by expired relief rolling into stage 3 and paying relief loans subject to the 12-month cure rule; and
- WesBank VAF NPLs remained at elevated levels since the onset of COVID-19, which were worsened by delayed write-offs following court closures. It is however key to note the significant slowdown in the roll to NPLs since June 2020, with a large number of accounts that went into NPL now forming part of the technical cure bucket (technical cures/NPLs – December 2020: 22%; December 2019: 19%).

SA corporate and commercial NPLs decreased 3% to 2.29% of advances from 2.36% in December 2019 (2.58% in June 2020), reflecting:

- specific high-value counters in commercial property, asset-backed finance and WesBank corporate migrating to NPLs;
- higher levels of operational NPLs in the SME segment reflecting the weak macroeconomic environment and expired relief rolling to stage 3; offset by
- a decline in investment and corporate bank NPLs due to restructure, partial settlement and write-off of large exposures.

A detailed analysis of the product-level NPL drivers for specific retail products, and the bank in total, is provided on pages 62 to 67.

Credit continued

Stage 2

SA retail stage 2 advances increased 46% as a result of relief extension being relegated to stage 2 as this is viewed as a SICR trigger. However, if positive repayment behaviour post expiry of relief is present (at least three payments) customers cure to stage 1. This was partially offset by a decrease in stage 2 exposures on the non-relief book as customers managed to catch up arrears, supported by the low-interest rate environment, noted particularly in the residential mortgage portfolio. Recovery expectations on stage 2 relief advances remain more optimistic than those in non-relief/traditional arrears as a result of the risk-based approach that was followed to assess customer eligibility for relief.

Commercial stage 2 advances remained flat as stress in the SME portfolio emerged causing rolls into stage 3 and the government-guaranteed loan scheme masking emergence of some arrears, especially in the commercial property portfolio. This was offset by agriculture arrears recovering after good rainfalls alleviated the drought across most of the country.

SA corporate stage 2 advances increased 22%, largely driven by RMB investment banking, which increased 34%. This reflects proactive migration of clients to stage 2 due to the expected adverse impact of COVID-19 on the profitability of certain key industries (e.g. aviation, transportation, leisure, hotels and tourism, and high-leverage commercial property finance in certain sectors).

Coverage

	31 December 2020		31 December 2019		30 June 2020	
R million	**Provision**	**Coverage %**	Provision	Coverage %	Provision	Coverage %
Portfolio	**18 049**	**2.14**	11 419	1.31	16 645	1.94
– Stage 1	**8 476**	**1.10**	5 424	0.67	8 047	1.03
– Stage 2	**9 573**	**13.25**	5 995	10.71	8 598	11.34
Stage 3	**21 982**	**46.2**	17 221	45.1	21 127	44.7
Total	**40 031**	**84.2**	28 640	75.0	37 772	79.9

Provisions had increased significantly to June 2020 given the impact of COVID-19 and the IFRS 9 forward-looking outlook. Portfolio (stage 1 and stage 2) impairment provisions increased 8% from June 2020 (58% from December 2019). Stage 1 impairment provisions increased 5% (56% since December 2019) despite the contraction in advances as out-of-model overlays were created given the increased uncertainty.

Stage 2 impairment provisions increased 11% (60% since December 2019). SA retail stage 2 coverage marginally decreased to 13.56% (June 2020: 13.91%) due to a change in mix in favour of secured advances, in particular higher residential mortgages. Coverage on the stage 2 relief portfolio increased since June 2020 to reflect the increased risk of relief extensions as well as adverse payment behaviour on expired relief that rolled into arrears, which resulted in additional coverage.

Corporate and commercial stage 2 coverage increased to 12.76% (June 2020: 8.98%) due to the impact of specific out-of-model overlays created given the increased macroeconomic uncertainty and the impact of increased COVID-19 coverage levels.

The bank's total performing book (stage 1 and 2) coverage ratio increased to 2.14% (December 2019: 1.31%; June 2020: 1.94%).

The total balance sheet impairment coverage ratio increased to 84.2% (December 2019: 75.0%; June 2020: 79.9%), reflecting:

- substantial additional impairment provisions relating to a materially weaker existing and forward-looking macroeconomic environment compared to that of December 2019;
- the effective retention of the FLI impairment levels despite the decrease in weighting in downside macro assumptions given the rebound from June 2020 as uncertainty remains;
- judgemental out-of-model impairments to capture increased risk and uncertainty relating to various factors, for example expiration of retrenchment and credit protection insurance, property values and distressed industries such as tourism, hotels, leisure and certain sectors of commercial property; and
- the application of COVID-19-related scaling factors to advances on which relief was provided, including higher stage 3 coverage and increased coverage on accounts that came out of relief.

Income statement impairment charge

The bank's income statement credit impairment charge increased 1.5 times from R4.9 billion to R7.2 billion. However, this is 54% of the impairment charge for the six months to June 2020 of R13.4 billion, resulting in a bank credit loss ratio of 160 bps (December 2019: 107 bps; six months to June 2020: 295 bps; June 2020: 200 bps).

SA retail impairments reflected an increase of 40% to 275 bps (December 2019: 198 bps; six months to June 2020: 425 bps; June 2020: 315 bps). The SA corporate and commercial credit loss ratio increased to 66 bps (December 2019: 35 bps; six months to June 2020: 199 bps; June 2020: 115 bps).

The impairment charge in all portfolios for the six months to December 2020 reflects a sustained moderation from the elevated levels experienced during the previous six months to June 2020, which were significantly affected by the FLI impact, modification losses, increased arrears and SICR, given the tough macroeconomic environment and strain experienced by customers that did not qualify for relief, all of which have moderated. There was also an improvement in the probabilities assigned to upside and downside economic scenarios compared to those at June 2020, with the upside scenario probability improving 4% to 16% and the downside scenario probability decreasing 5% to 27%.

The bank effectively retained balance sheet impairment levels at the June 2020 macroeconomic scenario probability weightings through out-of-model adjustments to capture the risks given the uncertain environment. Refer to pages 148 and 149 for detailed macroeconomic information, including the specific factors included in the expected credit loss (ECL) calculation. A number of other judgemental out-of-model adjustments were also recognised to capture various uncertainties and increased risk (for example, the impact of second and third waves, the effectiveness of government's vaccine programme, of retrenched employees not finding equal alternative employment by the time credit life insurance lapses, uncertainty regarding property values and distressed industries), COVID-19 scaling factors and other industry-specific FLI factors.

Post write-off recoveries decreased 25% to R966 million (December 2019: R1 290 million; June 2020: R2 085 million), impacted by the later write-off point and the worsening macroeconomic environment. Post write-off recoveries reduced mostly in the unsecured and VAF portfolios.

The table on page 60 provides an analysis of the income statement impairment charge. The overall increase in balance sheet impairments (credit provisions) amounts to R2.3 billion from June 2020. This increase in balance sheet impairments moderated as the significant downward revisions to key forward-looking economic variables, including a sharp contraction in real GDP, a significant increase in unemployment and weakness in property markets, were incorporated in the June 2020 provisions. Despite the economic outlook improving from the stressed outlook, the bank retained its conservative impairment provisions to capture the uncertainty that remains.

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

- Volume change in stage 1 – Change in stage 1 advances (volume) assuming the same coverage as in the prior period, reflecting very low origination in stage 1 advances.
- Change in stage 1 coverage – Stage 1 coverage increase largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments.
- Volume change in stage 2 – Change in stage 2 (volume) advances given the increasing roll rates due to migration of sectors following a SICR as a consequence of COVID-19, expiration of relief period and extended relief in the retail portfolios offset by a decline in stage 2 in corporate and commercial.
- Change in stage 2 coverage – Stage 2 coverage increase largely due to the decline in existing and forward-looking macroeconomic indicators impacting various model inputs and judgemental out-of-model adjustments.
- Stage 3 increase as a consequence of the 25% growth in NPLs with coverage increasing to capture various LGD-related uncertainties.

Write-offs and other charges increased R1.2 billion (28%) to R5.6 billion (December 2019: R4.4 billion; June 2020: R9.1 billion). Most of the growth emanated from the unsecured portfolio following the implementation of the recency-based write-off policy, resulting in R551 million additional write-offs. The opening of the courts also increased write-off in the retail secured portfolios.

The modification loss declined largely in the SA retail secured portfolio, with a smaller decline in the unsecured portfolio, due to customers using COVID-19 relief provided rather than applying for debt review, the backlog on debt-review approvals due to court closures and lower rate concessions being granted to customers.

Credit continued

The table below provides an overview of the key drivers of the impairment charge.

INCOME STATEMENT ANALYSIS

R million	Six months ended 31 December 2020			
	Volume change in stage 1	**Change in stage 1 coverage**	**Volume change in stage 2**	**Change in stage 2 coverage**
Retail	**(300)**	**490**	**532**	**140**
– Secured	**(34)**	**(61)**	**157**	**112**
– Unsecured	**(266)**	**(69)**	**375**	**28**
– FNB centre	**–**	**620**	**–**	**–**
Commercial	**140**	**(46)**	**(218)**	**305**
Corporate	**2**	**151**	**(573)**	**800**
Rest of Africa	**–**	**–**	**–**	**–**
MotoNovo	**(17)**	**(13)**	**(26)**	**8**
FCC	**8**	**14**	**–**	**7**
Total	**(167)**	**596**	**(285)**	**1 260**

R million	Six months ended 31 December 2019			
	Volume change in stage 1	Change in stage 1 coverage	Volume change in stage 2	Change in stage 2 coverage
Retail	56	(309)	595	(153)
– Secured	15	(70)	182	(94)
– Unsecured	41	(239)	413	(59)
Commercial	28	(41)	(143)	65
Corporate	(50)	(36)	(143)	179
Rest of Africa	–	–	–	–
MotoNovo	(134)	(29)	(69)	11
FCC	27	(47)	(19)	9
Total	(73)	(462)	221	111

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

Six months ended 31 December 2020					
Change in stage 3 provisions	**Credit provision increase**	**Modification loss**	**Write-off and other**	**Post write-off recoveries**	**Total**
1 238	**2 100**	**300**	**4 081**	**(900)**	**5 581**
531	**705**	**90**	**910**	**(153)**	**1 552**
707	**775**	**210**	**3 171**	**(747)**	**3 409**
–	**620**	**–**	**–**	**–**	**620**
356	**537**	**(9)**	**488**	**(43)**	**973**
(744)	**(364)**	**–**	**881**	**(1)**	**516**
–	**–**	**–**	**(28)**	**–**	**(28)**
32	**(16)**	**–**	**113**	**–**	**97**
(27)	**2**	**–**	**42**	**(22)**	**22**
855	**2 259**	**291**	**5 577**	**(966)**	**7 161**

Six months ended 31 December 2019					
Change in stage 3 provisions	Credit provision increase	Modification loss	Write-off and other	Post write-off recoveries	Total
970	1 159	483	3 541	(1 192)	3 991
70	103	190	921	(235)	979
900	1 056	293	2 620	(957)	3 012
408	317	2	391	(46)	664
187	137	–	(12)	(6)	119
–	–	–	–	–	–
(29)	(250)	–	322	–	72
4	(26)	–	115	(46)	43
1 540	1 337	485	4 357	(1 290)	4 889

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

Credit continued

DETAILED PRODUCT ANALYSIS OF CREDIT PERFORMANCE

PRODUCT	ADVANCES	
Retail	• SA retail advances declined 1%, largely as a result of continued low risk appetite. • Retail secured advances declined 1%, reflecting flat residential mortgage growth and a 5% decrease in VAF. • Growth in SA retail unsecured slowed to a negative 1%, driven by 1% growth in card and the take-up of COVID-19 emergency loan relief of R4.0 billion. Excluding the relief, retail unsecured contracted 6%.	
Residential mortgages	• Total residential mortgage advances reflected flat growth, despite the supportive interest rate environment and house price growth of 1.5%, reflecting conservative risk appetite. New business through the assisted and unassisted nav>>Home channel is up 9%, however total new business decreased 22% for the six months to December 2020.	
Card	• Advances growth of 1% reflects risk appetite cuts together with lower spending and utilisation.	

	STAGE 3/NPLs AND COVERAGE	IMPAIRMENT CHARGE

A further analysis of the R9 849 million increase in retail NPLs is provided below.

	Retail		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	3 220	17	12
Loans under COVID-19 relief	4 790	–	17
Debt review	583	18	2
Technical cures/curing rules	1 256	29	5
SA retail NPLs	**9 849**	**36**	**36**

- The SA retail credit loss ratio increased to 275 bps (December 2019: 198 bps; six months to June 2020: 425 bps; June 2020: 315 bps), driven by the migration of extended relief to stage 2 and out-of-model adjustments to address model limitations in capturing uncertainty and COVID-19 scaling factors, offset by book contraction. The impairment charge moderated from the prior six months ended June 2020, as the significant macro decline was captured at June 2020.
- The impairment charge also reflects the decline in post write-off recoveries of R292 million.

- Residential mortgage NPLs increased 34% (4% since June 2020), reflecting the financial strain on customers aggravated by COVID-19, despite the lower interest rate environment. NPLs in the affordable housing book and premium mortgage lending book reported a 41% and 32% NPL increase, respectively.

- The credit loss ratio increased to 47 bps (December 2019: 22 bps; six months to June 2020: 104 bps; June 2020: 64 bps), reflecting the increased coverage as discussed above, as well as growth in NPLs.

- The increase in operational NPLs reflects the strained macroeconomic environment. It also reflects the elevated risk in certain cohorts of advances written previously. The bank received some relief in NPLs given higher write-off due to the change in write-off policy to a recency basis during the prior financial year.
- The increase in NPLs since December 2019 is analysed below.

	Card		
	R million	**% change**	**Percentage point contribution to overall NPL increase**
Operational – new business strain	391	16	15
Loans under COVID-19 relief	570	–	21
Debt review	178	81	7
Technical cures/curing rules	84	>100	3
Total card NPLs	**1 223**	**46**	**46**

- Card reported a credit loss ratio of 5.14% (December 2019: 4.25%; six months to June 2020: 9.15%; June 2020: 6.85%).

Credit continued

PRODUCT	ADVANCES	
Personal loans – FNB loans – DirectAxis – COVID-19 relief	• Personal loans increased 1% with growth largely due to the granting of COVID-19 relief loans. • Excluding COVID-19 relief loans, personal loans contracted 9%, reflecting continued low risk appetite and lower demand.	
Retail other	• The 10% decline reflects the lower usage of transactional banking accounts (primarily overdrafts).	
FNB commercial	• Advances contracted 3% excluding the SME government-guaranteed loan scheme, driven by continued low risk appetite in the SME unsecured portfolio as well as demand. Business core lending (i.e. SME transactional overdrafts) declined 12% reflecting lower utilisation of working capital facilities due to the lack of economic activity. • There has been delayed asset replacement related activity from clients resulting in a slowdown in growth of commercial property finance and asset based finance when compared to pre-COVID-19 levels. There was a 1% decline in agricultural and 11% in specialised finance, offset by 1% growth in commercial property finance and 6% in asset-based finance.	
RMB CIB*	• The CIB core advances decreased 5% period-on-period due to large settlements and slow book growth, reflective of weak macroeconomic conditions.	
WesBank VAF	• New business production in retail SA VAF contracted 16%, reflecting the impact of COVID-19 on top of an existing challenging environment. Approval rates declined due to deteriorating customer credit scores and disciplined risk appetite, further impacted by increased competitive pressures. • Corporate new business volumes decreased 40%. FML new business slowed as a result of reduced activity during the pandemic. Asset-backed finance (ABF) contracted 21%, a reflection of the difficult macroeconomic environment, risk appetite cuts in high-risk categories and industries, and the fact that a portion of business now reflects in FNB (own-banked clients).	
MotoNovo	• The 64% decline in MotoNovo reflects R3 billion (£160 million) of advances that were securitised in the second half of the prior year and the ongoing wind-down of the book.	

** Core advances.*

<table>
<tr><th></th><th>STAGE 3/NPLs AND COVERAGE</th><th>IMPAIRMENT CHARGE</th></tr>
<tr><td></td><td>
• The increase in NPLs reflects the weak macroeconomic environment as well as the impact of certain collection process inefficiencies in the first quarter of the prior financial year, which resulted in increased roll rates into stage 3 that are required to meet the stringent cure requirements. This was offset by increased write-offs following the implementation of a recency-based methodology.
• The increase in personal loans NPLs since December 2019 is analysed below.
<table>
<tr><th></th><th colspan="3">FNB personal loans</th></tr>
<tr><th></th><th>R million</th><th>% change</th><th>Percentage point contribution to overall NPL increase</th></tr>
<tr><td>Operational – new business strain</td><td>(29)</td><td>(1)</td><td>–</td></tr>
<tr><td>Loans under COVID-19 relief</td><td>1 989</td><td>–</td><td>32</td></tr>
<tr><td>Debt review</td><td>(229)</td><td>21</td><td>(4)</td></tr>
<tr><td>Technical cures/curing rules</td><td>(37)</td><td>(11)</td><td>(1)</td></tr>
<tr><td>FNB personal loan NPLs</td><td>1 694</td><td>27</td><td>27</td></tr>
</table>
</td><td>
• Personal loans reported a credit loss ratio of 9.37% (December 2019: 8.29%; six months to June 2020: 15.67%; June 2020: 12.06%), reflecting the impact of extended and expired relief and slowing post write-off recoveries.
• Coverage was increased to address the risk of lapsed credit life insurance payouts, offset by lower coverage following the implementation of recency-based write-off resulting in poorly performing accounts being written off earlier.
</td></tr>
<tr><td></td><td></td><td>• Retail other reported a credit loss ratio of 8.27% (December 2019: 8.12%; six months to June 2020: 10.68%; June 2020: 9.62%).</td></tr>
<tr><td></td><td>• NPLs grew 14% from December 2019, reflecting the significant economic strain experienced by many SMEs and, in particular, highly impacted sectors such as hotels and leisure. NPL growth reflects an increase in highly collateralised NPLs in agriculture and the migration of a number of highly collateralised commercial property clients during the year. NPLs however reduced 6% from June 2020, partly due to the cure of a significant client out of NPL to stage 1.</td><td>• FNB commercial’s credit loss ratio increased to 165 bps (December 2019: 111 bps; six months to June 2020: 438 bps; June 2020: 277 bps) reflecting the moderation from the prior six months ended June 2020 as the significant uncertainty was captured at June 2020.
• Increased coverage was retained to address the ongoing macroeconomic uncertainty.</td></tr>
<tr><td></td><td>• NPLs have decreased 40%, reflecting write-offs, restructures as well as settlements.</td><td>• The core lending portfolio incurred a 37 bps credit loss ratio (December 2019: 8 bps; June 2020: 69 bps) reflecting proactive provisioning in distressed industries.</td></tr>
<tr><td></td><td>• WesBank retail VAF NPLs increased 50%, primarily due to a significant number of accounts rolling into stage 3 due to increased macroeconomic strain, together with the delays in write-offs caused by court closure. There has been a slowdown in the rate of roll into stage since June 2020.</td><td>• The retail VAF portfolio reported a credit loss ratio of 2.20% (December 2019: 1.54%; June 2020: 2.86%), driven by elevated arrears levels since the onset of COVID-19.</td></tr>
<tr><td></td><td>• MotoNovo NPLs decreased 28% in pound terms (21% in rand terms) reflecting the impact of securitisation and wind-down.</td><td>• The impairment charge also reflects the impact of securitisation and wind-down.</td></tr>
</table>

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 write-offs.

R million	Operational stage 3/ NPLs*	Technical cures	Paying restructured debt-review stage 3/NPLs*	Loans under COVID-19 relief in stage 3		Loans under COVID-19 relief in stage 3
				Paying relief stage 3	>90 days in arrears/ operational stage 3	
31 December 2020						
Residential mortgages	**7 239**	**2 873**	**612**	**877**	**582**	**1 459**
FNB card	**2 825**	**90**	**397**	**293**	**277**	**570**
Personal loans	**4 751**	**294**	**868**	**996**	**993**	**1 989**
Retail other	**1 451**	**58**	**359**	**264**	**300**	**564**
FNB retail NPLs	**16 266**	**3 315**	**2 236**	**2 430**	**2 152**	**4 582**
WesBank VAF	**6 322**	**2 273**	**1 649**	**184**	**23**	**208**
Total retail NPLs	**22 588**	**5 588**	**3 885**	**2 614**	**2 175**	**4 790**

R million	Operational stage 3/ NPLs*	Technical cures	Paying restructured debt-review stage 3/NPLs*	Loans under COVID-19 relief in stage 3		Loans under COVID-19 relief in stage 3
				Paying relief stage 3	>90 days in arrears/ operational stage 3	
31 December 2019						
Residential mortgages	5 955	2 645	486			
FNB card	2 434	6	219			
Personal loans	4 780	331	1 097			
Retail other	1 664	49	346			
FNB retail NPLs	14 833	3 031	2 148			
WesBank VAF	4 535	1 301	1 154			
Discovery card	95	–	44			
Total retail NPLs	19 463	4 332	3 346			

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. It has been effective for two financial periods and is therefore now mature and in the base. Changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

R million	Operational stage 3/ NPLs*	Technical cures	Paying restructured debt-review stage 3/NPLs	Loans under COVID-19 relief in stage 3		Loans under COVID-19 relief in stage 3
				Paying relief stage 3	>90 days in arrears/ operational stage 3	
30 June 2020						
Residential mortgages	8 188	2 390	795			289
FNB card	2 887	28	490			270
Personal loans	5 681	239	612			892
Retail other	1 361	52	464			330
FNB retail NPLs	18 117	2 709	2 361			1 781
WesBank VAF	7 255	886	1 543			126
Total retail NPLs	25 372	3 595	3 904			1 907

* *IFRS 9 became effective 1 July 2018 and with it the updated write-off policy. It has been effective for two financial periods and is therefore now mature and in the base. Changes to the write-off policy are no longer separately disclosed but included in operational NPLs and paying restructured debt review. Comparative information is presented on the same basis.*

	Total stage 3/ NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/ NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3/NPLs as a % of total stage 3/NPLs
	12 183	34	22	24	5	12
	3 882	46	16	2	10	15
	7 902	27	(1)	4	11	25
	2 432	18	(13)	2	15	23
	26 399	**32**	**10**	**13**	**8**	**17**
	10 452	**50**	**39**	**22**	**16**	**2**
	36 851	**36**	**16**	**15**	**11**	**13**

	Total stage 3/ NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/ NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3/NPLs as a % of total stage 3/NPLs
	9 086	12	13	29	5	
	2 659	57	84	–	8	
	6 208	25	14	5	18	
	2 059	24	22	2	17	
	20 012	22	33	15	11	
	6 990	2	9	19	17	
	139	(2)	(14)	–	32	
	27 141	17	27	16	12	

	Total stage 3/ NPLs	Total stage 3/NPLs % increase	Operational stage 3/NPLs % change	Technical cures as a % of stage 3/ NPLs	Paying restructured debt-review stage 3/NPLs as a % of total stage 3/NPLs	Loans under COVID-19 relief in stage 3/NPLs as a % of total stage 3/NPLs
	11 662	35	46	20	7	2
	3 675	62	41	1	13	7
	7 424	27	10	3	8	12
	2 207	11	(17)	2	21	15
	24 968	33	34	11	9	7
	9 810	43	68	9	16	1
	34 778	35	42	10	11	5

Credit continued

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances		
	As at 31 December		
R million	2020	2019	% change
Retail	**404 293**	409 628	(1)
Retail – secured	**316 250**	320 520	(1)
Residential mortgages	**224 409**	223 979	–
WesBank VAF	**91 841**	96 541	(5)
Retail – unsecured	**88 043**	89 108	(1)
FNB card	**30 535**	30 098	1
Personal loans	**41 150**	40 796	1
– FNB and DirectAxis*	**37 137**	40 796	(9)
– COVID-19 relief	**4 013**	–	–
Retail other	**16 358**	18 214	(10)
Corporate and commercial	**445 805**	447 599	–
FNB commercial	**106 011**	107 400	(1)
– FNB commercial	**104 480**	107 400	(3)
– SME government-guaranteed loan scheme	**1 531**	–	–
WesBank corporate	**26 687**	29 868	(11)
RMB investment banking**,#	**241 030**	230 920	4
– Lending	**240 728**	230 592	4
– Loans to private equity investee companies	**302**	328	(8)
RMB corporate banking**,#	**52 808**	59 728	(12)
HQLA corporate advances#,†	**19 269**	19 683	(2)
FCC (including Group Treasury)	**36 425**	42 817	(15)
Securitisation notes	**25 039**	25 923	(3)
Discovery card	**–**	3 400	(100)
Other	**11 386**	13 494	(16)
Total advances excluding MotoNovo	**886 523**	900 044	(2)
Total MotoNovo	**2 528**	7 121	(64)
– MotoNovo VAF	**2 344**	6 713	(65)
– MotoNovo loans	**184**	408	(55)
Total advances including MotoNovo‡	**889 051**	907 165	(2)
Of which:			
Accrual book	**804 537**	839 955	(4)
Fair value book	**84 514**	67 210	26

* *Includes DirectAxis loans of R14 942 million (December 2019: R16 580 million; June 2020: R16 134 million).*

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

Corporate and investment banking including HQLA advances totalling R313 107 million (December 2019: R310 331 million; June 2020: R322 237 million).

† *Managed by the Group Treasurer.*

‡ *Included in advances are assets under agreements to resell of R55 484 million (December 2019: R37 016 million; June 2020: R26 618 million).*

Advances							
As at 31 December						% composition	As at 30 June
2020			2019			2020	2020
Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3		
325 930	41 512	36 851	354 191	28 435	27 002	46	407 244
264 471	29 144	22 635	283 018	21 426	16 076	36	318 428
193 551	18 675	12 183	203 787	11 106	9 086	26	224 404
70 920	10 469	10 452	79 231	10 320	6 990	10	94 024
61 459	12 368	14 216	71 173	7 009	10 926	10	88 816
24 325	2 328	3 882	25 919	1 520	2 659	3	30 210
25 948	7 300	7 902	30 521	4 067	6 208	5	41 874
23 879	5 609	7 649	30 521	4 067	6 208	5	39 546
2 069	1 691	253	–	–	–	–	2 328
11 186	2 740	2 432	14 733	1 422	2 059	2	16 732
405 144	30 457	10 204	410 510	26 545	10 544	50	457 265
92 325	7 092	6 594	94 678	6 935	5 787	12	107 914
90 881	7 007	6 592	94 678	6 935	5 787	12	107 569
1 444	85	2	–	–	–	–	345
24 190	1 393	1 104	27 785	1 533	550	3	27 114
221 604	17 656	1 770	214 424	13 210	3 286	27	233 772
221 302	17 656	1 770	214 096	13 210	3 286	27	233 433
302	–	–	328	–	–	–	339
47 756	4 316	736	53 940	4 867	921	6	68 445
19 269	–	–	19 683	–	–	2	20 020
36 246	76	103	42 558	120	139	4	37 421
25 039	–	–	25 923	–	–	3	26 419
–	–	–	3 184	77	139	–	–
11 207	76	103	13 451	43	–	1	11 002
767 320	72 045	47 158	807 259	55 100	37 685	100	901 930
1 897	221	410	5 748	851	522	–	3 782
1 727	214	403	5 359	836	518	–	3 474
170	7	7	389	15	4	–	308
769 217	72 266	47 568	813 007	55 951	38 207	100	905 712
687 225	69 875	47 437	746 960	54 943	38 052	90	839 788
81 992	2 391	131	66 047	1 008	155	10	65 924

Credit continued

CIB ADVANCES BREAKDOWN

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2020	2019	% change	2020	2020
RMB investment banking core advances	**193 835**	198 162	(2)	**74**	212 456
– South Africa	**173 597**	178 010	(2)	**66**	187 918
– Cross-border (rest of Africa)	**20 238**	20 152	–	**8**	24 538
HQLA corporate advances*	**19 269**	19 683	(2)	**7**	20 020
RMB corporate banking core advances	**50 927**	59 230	(14)	**19**	67 538
– South Africa	**35 685**	41 276	(14)	**13**	47 680
– Cross-border (rest of Africa)	**15 242**	17 954	(15)	**6**	19 858
CIB total core advances	**264 031**	277 075	(5)	**100**	300 014
CIB total lending advances	**263 729**	276 747	(5)	**100**	299 675
CIB shareholder loans to PE investing companies	**302**	328	(8)	**–**	339
CIB total core advances	**264 031**	277 075	(5)	**100**	300 014
CIB core advances – South Africa**	**228 551**	238 969	(4)	**87**	255 618
CIB core advances – rest of Africa[#]	**35 480**	38 106	(7)	**13**	44 396
CIB total core advances	**264 031**	277 075	(5)	**100**	300 014

* *Managed by the Group Treasurer.*

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

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

The table below shows assets under agreements to resell that are included in the RMB CIB loan book.

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2020	2019	% change	2020	2020
Corporate and investment banking advances*	**313 107**	310 331	1	**100**	322 237
Less: assets under agreements to resell	**(49 076)**	(33 256)	48	**(16)**	(22 223)
RMB advances net of assets under agreements to resell	**264 031**	277 075	(5)	**84**	300 014

* *Includes HQLA advances.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% composition	As at 30 June
R million	**2020**	2019	% change	**2020**	2020
Sector analysis					
Agriculture	**40 238**	40 173	–	**5**	40 930
Banks	**39 363**	21 499	83	**4**	13 626
Financial institutions*	**138 310**	153 665	(10)	**16**	145 528
Building and property development	**55 196**	50 322	10	**6**	55 268
Government, Land Bank and public authorities	**17 670**	19 212	(8)	**2**	20 491
Individuals	**392 237**	406 185	(3)	**45**	396 396
Manufacturing and commerce	**101 153**	106 186	(5)	**11**	110 855
Mining	**12 527**	13 794	(9)	**1**	21 694
Transport and communication	**20 639**	21 538	(4)	**2**	22 895
Other services	**71 718**	74 591	(4)	**8**	78 029
Total advances	**889 051**	907 165	(2)	**100**	905 712
Geographical analysis					
South Africa	**805 553**	842 614	(4)	**91**	831 552
Rest of Africa	**27 798**	31 659	(12)	**3**	34 081
UK	**32 111**	11 902	>100	**4**	13 895
Other Europe	**13 150**	10 862	21	**1**	11 528
North America	**2 978**	3 793	(21)	**–**	6 675
South America	**3**	4	(25)	**–**	3
Australasia	**3**	5	(40)	**–**	3
Asia	**7 455**	6 326	18	**1**	7 975
Total advances	**889 051**	907 165	(2)	**100**	905 712

* *Includes investment holding companies.*

Credit continued

RETAIL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

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

- Advances for which no relief was provided.
- Advances which received relief, including further information on:
  - advances that had received relief at 30 June 2020 and for which relief was extended after the initial period; and
  - new relief provided during the six months ended 31 December 2020.

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	341 778	287 585	23 519	30 674
Residential mortgages	191 934	170 955	10 255	10 724
WesBank VAF	79 479	63 859	6 763	8 857
FNB card	25 721	21 312	1 097	3 312
Personal loans	31 289	20 855	4 521	5 913
Retail other	13 355	10 604	883	1 868
FNB centre	–	–	–	–

RETAIL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	62 515	38 345	17 993	6 177
Residential mortgages	32 475	22 596	8 420	1 459
WesBank VAF	12 362	7 061	3 706	1 595
FNB card	4 814	3 013	1 231	570
Personal loans	5 848	3 024	1 088	1 736
Personal loans – COVID-19 relief*	4 013	2 069	1 691	253
Retail other	3 003	582	1 857	564
Total retail advances	404 293	325 930	41 512	36 851

* *Coverage based on EAD.*

RETAIL ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
Retail	9 556	4 771	3 772	1 013
Residential mortgages	3 844	3 389	370	85
WesBank VAF	978	–	755	223
FNB card	1 267	412	732	123
Personal loans	1 580	769	321	490
Personal loans – COVID-19 relief*	1 628	201	1 372	55
Retail other	259	–	222	37

* *Coverage based on EAD.*

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	22 188	7 628	14 560	72.3	2.45	47.5
	3 681	1 258	2 423	34.3	0.69	22.6
	5 003	1 167	3 836	56.5	1.65	43.3
	3 617	1 066	2 551	109.2	4.76	77.0
	6 746	2 438	4 308	114.1	9.61	72.9
	2 521	1 079	1 442	135.0	9.39	77.2
	620	620	–	–	–	–

	Balance sheet impairments			Coverage			Liquidity facility	
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Utilised	Committed undrawn
	5 512	2 977	2 535	89.2	5.28	41.0	4 013	–
	693	519	174	47.5	1.67	11.9	682	–
	891	546	345	55.9	5.07	21.6	443	–
	850	512	338	149.1	12.06	59.3	975	–
	1 658	548	1 110	95.5	13.33	63.9	832	–
	721	511	210	285.0	13.59	83.0	–	–
	699	341	358	123.9	13.98	63.5	1 081	–
	27 700	10 605	17 095	75.2	2.89	46.4		

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	1 443	893	550	142.4	10.45	54.3
	138	131	7	162.4	3.48	8.2
	138	85	53	61.9	11.26	23.8
	322	219	103	261.8	19.14	83.7
	489	166	323	99.8	15.23	65.9
	279	238	41	507.3	15.13	74.6
	77	54	23	208.1	24.32	62.2

Credit continued

RETAIL ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances			
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs	
Retail	4 281	2 695	1 041	545	
Residential mortgages	2 159	1 703	372	84	
WesBank VAF	1 044	560	229	255	
FNB card	229	137	62	30	
Personal loans	263	123	43	97	
Personal loans – COVID-19 relief*	131	99	31	1	
Retail other	455	73	304	78	

* *Coverage based on EAD.*

COMMERCIAL ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances			
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs	
FNB commercial	87 185	75 810	5 255	6 120	
Overdrafts	17 861	13 448	2 158	2 255	
Agric	31 035	28 195	1 385	1 455	
Asset-based finance	10 064	9 146	374	544	
Specialised finance	6 793	6 076	484	233	
Commercial property finance	16 240	14 590	420	1 230	
Government-guaranteed loan scheme	1 531	1 444	85	2	
Other	3 661	2 911	349	401	
WesBank corporate	24 689	22 610	1 128	951	
Total commercial	111 874	98 420	6 383	7 071	

COMMERCIAL ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances			
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs	
FNB commercial	18 826	16 515	1 837	474	
Overdrafts	539	505	20	14	
Agric	983	944	36	3	
Asset-based finance	3 164	2 454	473	237	
Specialised finance	1 928	1 724	189	15	
Commercial property finance	11 735	10 593	937	205	
Government-guaranteed loan scheme	–	–	–	–	
Other	477	295	182	–	
WesBank corporate	1 998	1 580	265	153	
Total commercial	20 824	18 095	2 102	627	
Total commercial advances	132 698	116 515	8 485	7 698	

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
487	278	209	89.4	7.44	38.4
78	72	6	92.9	3.47	7.1
117	49	68	45.9	6.21	26.7
52	29	23	173.3	14.57	76.7
85	23	62	87.6	13.86	63.9
23	22	1	>1000	16.92	100.0
132	83	49	169.2	22.02	62.8

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
6 181	2 768	3 413	101.0	3.41	55.8
3 220	1 281	1 939	142.8	8.21	86.0
682	229	453	46.9	0.77	31.1
299	96	203	55.0	1.01	37.3
377	190	187	161.8	2.90	80.3
649	356	293	52.8	2.37	23.8
95	95	–	>1000	6.21	>1000
859	521	338	214.2	15.98	84.3
507	151	356	53.3	0.64	37.4
6 688	2 919	3 769	94.6	2.79	53.3

Balance sheet impairments			Coverage			Government-guaranteed loan scheme			
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	Drawn	Undrawn	Total balance sheet provisions	Total coverage
322	197	125	67.9	1.07	26.4	1 531	56	94	5.9
28	19	9	200.0	3.62	64.3	–	–	–	–
10	9	1	333.3	0.92	33.3	–	–	–	–
115	52	63	48.5	1.78	26.6	–	–	–	–
28	16	12	186.7	0.84	80.0	275	14	17	5.9
131	91	40	63.9	0.79	19.5	–	–	–	–
–	–	–	–	–	–	–	–	–	–
10	10	–	–	2.10	–	1 256	42	77	5.9
61	23	38	39.9	1.25	24.8	–	–	–	–
383	220	163	61.1	1.09	26.0	1 531	56	94	5.9

7 071	3 139	3 932	91.9	2.51	51.1

Credit continued

COMMERCIAL ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	801	604	197	–
Overdrafts	–	–	–	–
Agric	–	–	–	–
Asset-based finance	45	41	4	–
Specialised finance	–	–	–	–
Commercial property finance	756	563	193	–
Government-guaranteed loan scheme	–	–	–	–
Other	–	–	–	–
WesBank corporate	21	18	3	–
Total commercial	822	622	200	–

COMMERCIAL ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
FNB commercial	–	–	–	–
Overdrafts	–	–	–	–
Agric	–	–	–	–
Asset-based finance	–	–	–	–
Specialised finance	–	–	–	–
Commercial property finance	–	–	–	–
Government-guaranteed loan scheme	–	–	–	–
Other	–	–	–	–
WesBank corporate	–	–	–	–
Total commercial	–	–	–	–

CIB ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
CIB	284 450	265 997	15 947	2 506
RMB investment banking	236 254	222 627	11 857	1 770
RMB corporate banking	48 196	43 370	4 090	736

CIB ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
CIB	28 657	22 632	6 025	–
RMB investment banking	24 045	18 246	5 799	–
RMB corporate banking	4 612	4 386	226	–
Total CIB	313 107	288 629	21 972	2 506

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
14	14	–	–	1.75	–
–	–	–	–	–	–
–	–	–	–	–	–
1	1	–	–	2.22	–
–	–	–	–	–	–
13	13	–	–	1.72	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
14	14	–	–	1.70	–

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–

Balance sheet impairments			Coverage		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
4 076	3 492	584	162.6	1.24	23.3
2 751	2 418	333	155.4	1.03	18.8
1 325	1 074	251	180.0	2.26	34.1

Balance sheet impairments			Coverage			Relief provided		
Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
453	453	–	–	1.58	–	7 552	640	18 766
422	422	–	–	1.76	–	1 117	514	16 613
31	31	–	–	0.67	–	6 435	126	2 153
4 529	3 945	584	180.7	1.27	23.3			

Credit continued

CIB ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
CIB	12 848	7 190	5 658	–
RMB investment banking	10 933	5 426	5 507	–
RMB corporate banking	1 915	1 764	151	–

CIB ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
CIB	3 146	2 854	292	–
RMB investment banking	3 135	2 843	292	–
RMB corporate banking	11	11	–	–

MOTONOVO ADVANCES FOR WHICH NO RELIEF WAS PROVIDED

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	2 480	1 886	203	391

MOTONOVO ADVANCES WHICH RECEIVED RELIEF

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	48	11	18	19
Total MotoNovo	2 528	1 897	221	410

MOTONOVO ADVANCES WHICH RECEIVED EXTENDED RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	31	3	15	13

MOTONOVO ADVANCES WHICH RECEIVED NEW RELIEF (FROM 1 JULY 2020 TO 31 DECEMBER 2020)

		Stage of underlying gross advances		
R million	Underlying gross advances	Stage 1	Stage 2	Stage 3/ NPLs
MotoNovo	17	8	3	6

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	388	388	–	–	3.02	–	2 345	243	9 261
	374	374	–	–	3.42	–	25	243	7 449
	14	14	–	–	0.73	–	2 320	–	1 812

	Balance sheet impairments			Coverage			Relief provided		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3	New money	Relaxed payments	Covenant waivers
	12	12	–	–	0.38	–	520	8	2 894
	9	9	–	–	0.29	–	500	8	2 893
	3	3	–	–	27.27	–	20	–	1

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	328	59	269	83.9	2.82	68.8

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	21	8	13	110.5	27.59	68.4
	349	67	282	85.1	3.16	68.8

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	15	6	9	115.4	33.33	69.2

	Balance sheet impairments			Coverage		
	Total balance sheet provisions	Portfolio impairments	Stage 3	Total coverage	Performing coverage	Stage 3
	5	1	4	83.3	9.09	66.7

Credit continued

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

	Total portfolio impairments						
	As at 31 December						
				2020		2019	
R million	2020	2019	% change	Stage 1	Stage 2	Stage 1	Stage 2
Portfolio impairments							
Retail	**10 605**	7 373	44	**4 978**	**5 627**	3 393	3 980
Retail – secured	**3 490**	2 741	27	**1 182**	**2 308**	897	1 844
Residential mortgages	**1 777**	961	85	**669**	**1 108**	376	585
WesBank VAF	**1 713**	1 780	(4)	**513**	**1 200**	521	1 259
Retail – unsecured	**6 495**	4 632	40	**3 176**	**3 319**	2 496	2 136
FNB card	**1 578**	983	61	**939**	**639**	607	376
Personal loans	**3 497**	2 375	47	**1 566**	**1 931**	1 135	1 240
– FNB and DirectAxis*	**2 986**	2 375	26	**1 410**	**1 576**	1 135	1 240
– COVID-19 relief	**511**	–	–	**156**	**355**	–	–
Retail other	**1 420**	1 274	11	**671**	**749**	754	520
FNB centre	**620**	–	–	**620**	**–**	–	–
Corporate and commercial	**7 084**	3 622	96	**3 197**	**3 887**	1 742	1 880
FNB commercial	**2 965**	1 403	>100	**1 500**	**1 465**	704	699
– FNB commercial	**2 871**	1 403	>100	**1 412**	**1 459**	704	699
– SME government-guaranteed loan scheme	**94**	–	–	**88**	**6**	–	–
WesBank corporate	**174**	174	–	**102**	**72**	108	66
RMB investment banking**	**2 840**	1 524	86	**1 394**	**1 446**	723	801
– Lending	**2 835**	1 521	86	**1 389**	**1 446**	720	801
– Loans to private equity investee companies	**5**	3	67	**5**	**–**	3	–
RMB corporate banking**	**1 105**	521	>100	**201**	**904**	207	314
HQLA corporate advances	**–**	–	–	**–**	**–**	–	–
FCC (including Group Treasury)	**293**	283	4	**286**	**7**	255	28
Securitisation notes	**32**	26	23	**32**	**–**	26	–
Discovery card	**–**	81	(100)	**–**	**–**	55	26
Other	**261**	176	48	**254**	**7**	174	2
Total portfolio impairments excluding MotoNovo	**17 982**	11 278	59	**8 461**	**9 521**	5 390	5 888
Total MotoNovo	**67**	141	(52)	**15**	**52**	34	107
– MotoNovo VAF	**54**	118	(54)	**5**	**49**	17	101
– MotoNovo loans	**13**	23	(43)	**10**	**3**	17	6
Total portfolio impairments including MotoNovo	**18 049**	11 419	58	**8 476**	**9 573**	5 424	5 995

* *Includes DirectAxis loans of R1 354 million (December 2019: R1 173 million; June 2020: R1 418 million).*

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

Total portfolio impairments							
	Performing book coverage ratios (% of performing advances)						
As at 30 June	As at 31 December						As at 30 June
2020	**Stage 1**	**Stage 2**	**2020**	Stage 1	Stage 2	2019	2020
9 743	**1.53**	**13.56**	**2.89**	0.96	14.00	1.93	2.62
3 316	**0.45**	**7.92**	**1.19**	0.32	8.61	0.90	1.12
1 508	**0.35**	**5.93**	**0.84**	0.18	5.27	0.45	0.71
1 808	**0.72**	**11.46**	**2.10**	0.66	12.20	1.99	2.15
6 427	**5.17**	**26.84**	**8.80**	3.51	30.48	5.92	8.51
1 479	**3.86**	**27.45**	**5.92**	2.34	24.74	3.58	5.57
3 465	**6.04**	**26.45**	**10.52**	3.72	30.49	6.87	10.06
3 081	**5.90**	**28.10**	**10.13**	3.72	30.49	6.87	9.59
384	**7.54**	**20.99**	**13.59**	–	–	–	16.49
1 483	**6.00**	**27.34**	**10.20**	5.12	36.57	7.89	10.21
–	**–**	**–**	**–**	–	–	–	–
6 523	**0.79**	**12.76**	**1.63**	0.42	7.08	0.83	1.46
2 733	**1.62**	**20.66**	**2.98**	0.74	10.08	1.38	2.71
2 685	**1.55**	**20.82**	**2.93**	0.74	10.08	1.38	2.67
48	**6.09**	**7.06**	**6.15**	–	–	–	13.91
225	**0.42**	**5.17**	**0.68**	0.39	4.31	0.59	0.86
2 595	**0.63**	**8.19**	**1.19**	0.34	6.06	0.67	1.12
2 590	**0.63**	**8.19**	**1.19**	0.34	6.06	0.67	1.12
5	**1.66**	**–**	**1.66**	0.91	–	0.91	1.47
970	**0.42**	**20.95**	**2.12**	0.38	6.45	0.89	1.44
–	**–**	**–**	**–**	–	–	–	–
264	**0.79**	**9.21**	**0.81**	0.60	23.33	0.66	0.71
20	**0.13**	**–**	**0.13**	0.10	–	0.10	0.08
–	**–**	**–**	**–**	1.73	33.77	2.48	–
244	**2.27**	**9.21**	**2.31**	1.29	4.65	1.30	2.25
16 530	**1.10**	**13.22**	**2.14**	0.67	10.69	1.31	1.93
115	**0.79**	**23.53**	**3.16**	0.59	12.57	2.14	3.56
87	**0.29**	**22.90**	**2.78**	0.32	12.08	1.90	2.97
28	**5.88**	**42.86**	**7.34**	4.37	40.00	5.69	9.40
16 645	**1.10**	**13.25**	**2.14**	0.67	10.71	1.31	1.94

Credit continued

NOTE 3: ANALYSIS OF STAGE 3/NPLs

SEGMENTAL ANALYSIS OF STAGE 3/NPLs

	Stage 3/NPLs				
	As at 31 December			% composition	As at 30 June
R million	2020	2019	% change	2020	2020
Retail	**36 851**	27 002	36	**77**	34 778
Retail – secured	**22 635**	16 076	41	**47**	21 472
Residential mortgages	**12 183**	9 086	34	**25**	11 662
WesBank VAF	**10 452**	6 990	50	**22**	9 810
Retail – unsecured	**14 216**	10 926	30	**30**	13 306
FNB card	**3 882**	2 659	46	**8**	3 675
Personal loans	**7 902**	6 208	27	**17**	7 424
– FNB and DirectAxis*	**7 649**	6 208	23	**16**	7 424
– COVID-19 relief	**253**	–	–	**1**	–
Retail other	**2 432**	2 059	18	**5**	2 207
Corporate and commercial	**10 204**	10 544	(3)	**22**	11 780
FNB commercial	**6 594**	5 787	14	**14**	7 030
– FNB commercial	**6 592**	5 787	14	**14**	7 030
– SME government-guaranteed loan scheme	**2**	–	–	**–**	–
WesBank corporate	**1 104**	550	>100	**2**	874
RMB investment banking**	**1 770**	3 286	(46)	**4**	3 023
– Lending	**1 770**	3 286	(46)	**4**	3 023
– Loans to private equity investee companies	**–**	–	–	**–**	–
RMB corporate banking**	**736**	921	(20)	**2**	853
HQLA corporate advances#	**–**	–	–	**–**	–
FCC (including Group Treasury)	**103**	139	(26)	**–**	142
Securitisation notes	**–**	–	–	**–**	–
Discovery card	**–**	139	(100)	**–**	–
Other	**103**	–	–	**–**	142
Total stage 3/NPLs excluding MotoNovo	**47 158**	37 685	25	**99**	46 700
Total MotoNovo	**410**	522	(21)	**1**	553
– MotoNovo VAF	**403**	518	(22)	**1**	543
– MotoNovo loans	**7**	4	75	**–**	10
Total stage 3/NPLs including MotoNovo	**47 568**	38 207	25	**100**	47 253
Of which:					
Accrual book	**47 437**	38 052	25	**100**	47 075
Fair value book	**131**	155	(15)	**–**	178

* *Includes DirectAxis loans of R3 302 million (December 2019: R2 085 million; June 2020: R3 135 million).*

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

\# *Managed by the Group Treasurer.*

Stage 3/NPLs as a % of advances		
As at 31 December		As at 30 June
2020	2019	2020
9.11	6.59	8.54
7.16	5.02	6.74
5.43	4.06	5.20
11.38	7.24	10.43
16.15	12.26	14.98
12.71	8.83	12.16
19.20	15.22	17.73
20.60	15.22	18.77
6.30	–	–
14.87	11.30	13.19
2.29	2.36	2.58
6.22	5.39	6.51
6.31	5.39	6.54
0.13	–	–
4.14	1.84	3.22
0.73	1.42	1.29
0.74	1.43	1.30
–	–	–
1.39	1.54	1.25
–	–	–
0.28	0.32	0.38
–	–	–
–	4.09	–
0.90	–	1.29
5.32	4.19	5.18
16.22	7.33	14.62
17.19	7.72	15.63
3.80	0.98	3.25
5.35	4.21	5.22
5.90	4.53	5.61
0.16	0.23	0.27

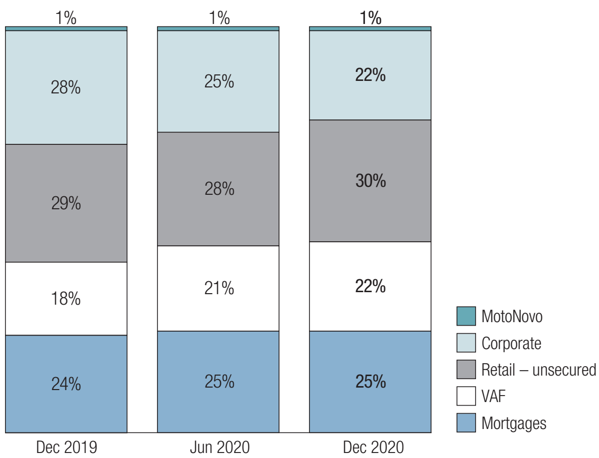
Credit continued

SECTOR AND GEOGRAPHICAL ANALYSIS OF NPLs

	Stage 3/NPLs				
	As at 31 December			% composition	As at 30 June
R million	**2020**	2019	% change	**2020**	2020
Sector analysis					
Agriculture	**1 865**	1 985	(6)	**4**	2 253
Financial institutions*	**353**	221	60	**1**	278
Building and property development	**1 535**	1 131	36	**3**	1 396
Government, Land Bank and public authorities	**518**	1 126	(54)	**1**	1 191
Individuals	**34 807**	26 653	31	**74**	33 370
Manufacturing and commerce	**3 074**	3 258	(6)	**6**	2 909
Mining	**117**	674	(83)	**–**	887
Transport and communication	**1 068**	580	84	**2**	859
Other services	**4 231**	2 579	64	**9**	4 110
Total stage 3/NPLs	**47 568**	38 207	25	**100**	47 253
Geographical analysis					
South Africa	**46 975**	36 765	28	**99**	45 678
Other Africa	**103**	265	(61)	**–**	159
UK	**410**	522	(21)	**1**	553
Other Europe	**1**	–	–	**–**	1
North America	**–**	589	(100)	**–**	773
Asia	**79**	66	20	**–**	89
Total stage 3/NPLs	**47 568**	38 207	25	**100**	47 253

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

NPL DISTRIBUTION



	Stage 3/NPLs as a % of advances		
	As at 31 December		As at 30 June
	2020	2019	2020
	4.63	4.94	5.50
	0.26	0.14	0.19
	2.78	2.25	2.53
	2.93	5.86	5.81
	8.87	6.56	8.42
	3.04	3.07	2.62
	0.93	4.89	4.09
	5.17	2.69	3.75
	5.90	3.46	5.27
	5.35	4.21	5.22
	5.83	4.36	5.49
	0.37	0.84	0.47
	1.28	4.39	3.98
	0.01	–	0.01
	–	15.53	11.58
	1.06	1.04	1.12
	5.35	4.21	5.22

Credit continued

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December 2020			As at 31 December 2019		
R million	Stage 3/NPLs	Security held and expected recoveries	Specific impairment	Stage 3/NPLs	Security held and expected recoveries	Specific impairment
Retail	**36 851**	**19 756**	**17 095**	27 002	14 304	12 698
Retail – secured	**22 635**	**15 857**	**6 778**	16 076	11 992	4 084
Residential mortgages	**12 183**	**9 586**	**2 597**	9 086	7 322	1 764
WesBank VAF	**10 452**	**6 271**	**4 181**	6 990	4 670	2 320
Retail – unsecured	**14 216**	**3 899**	**10 317**	10 926	2 312	8 614
FNB card	**3 882**	**993**	**2 889**	2 659	678	1 981
Personal loans	**7 902**	**2 274**	**5 628**	6 208	1 203	5 005
– FNB and DirectAxis	**7 649**	**2 231**	**5 418**	6 208	1 203	5 005
– COVID-19 relief	**253**	**43**	**210**	–	–	–
Retail other	**2 432**	**632**	**1 800**	2 059	431	1 628
Corporate and commercial	**10 204**	**5 688**	**4 516**	10 544	6 357	4 187
FNB commercial	**6 594**	**3 056**	**3 538**	5 787	3 099	2 688
– FNB commercial	**6 592**	**3 054**	**3 538**	5 787	3 099	2 688
– SME government-guaranteed loan scheme	**2**	**2**	**–**	–	–	–
WesBank corporate	**1 104**	**710**	**394**	550	348	202
RMB investment banking*	**1 770**	**1 437**	**333**	3 286	2 192	1 094
– Lending	**1 770**	**1 437**	**333**	3 286	2 192	1 094
– Loans to private equity investee companies	**–**	**–**	**–**	–	–	–
RMB corporate banking*	**736**	**485**	**251**	921	718	203
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
FCC (including Group Treasury)	**103**	**14**	**89**	139	14	125
Securitisation notes	**–**	**–**	**–**	–	–	–
Discovery card	**–**	**–**	**–**	139	14	125
Other	**103**	**14**	**89**	–	–	–
Total excluding MotoNovo	**47 158**	**25 458**	**21 700**	37 685	20 675	17 010
Total MotoNovo	**410**	**128**	**282**	522	311	211
– MotoNovo VAF	**403**	**128**	**275**	518	311	207
– MotoNovo loans	**7**	**–**	**7**	4	–	4
Total including MotoNovo	**47 568**	**25 586**	**21 982**	38 207	20 986	17 221

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

** *Managed by the Group Treasurer.*

As at 30 June 2020		
Stage 3/NPLs	Security held and expected recoveries	Specific impairment
34 778	18 921	15 857
21 472	15 225	6 247
11 662	9 254	2 408
9 810	5 971	3 839
13 306	3 696	9 610
3 675	953	2 722
7 424	2 192	5 232
7 424	2 192	5 232
–	–	–
2 207	551	1 656
11 780	6 876	4 904
7 030	3 735	3 295
7 030	3 735	3 295
–	–	–
874	593	281
3 023	1 928	1 095
3 023	1 928	1 095
–	–	–
853	620	233
–	–	–
142	26	116
–	–	–
–	–	–
142	26	116
46 700	25 823	20 877
553	303	250
543	303	240
10	–	10
47 253	26 126	21 127

Credit continued

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

	Total stage 3/specific impairments			
	As at 31 December			As at 30 June
R million	2020	2019	% change	2020
Specific impairments				
Retail	**17 095**	12 698	35	15 857
Retail – secured	**6 778**	4 084	66	6 247
Residential mortgages	**2 597**	1 764	47	2 408
WesBank VAF	**4 181**	2 320	80	3 839
Retail – unsecured	**10 317**	8 614	20	9 610
FNB card	**2 889**	1 981	46	2 722
Personal loans	**5 628**	5 005	12	5 232
– FNB and DirectAxis*	**5 418**	5 005	8	5 232
– COVID-19 relief	**210**	–	–	–
Retail other	**1 800**	1 628	11	1 656
Corporate and commercial	**4 516**	4 187	8	4 904
FNB commercial	**3 538**	2 688	32	3 295
– FNB commercial	**3 538**	2 688	32	3 295
– SME government-guaranteed loan scheme	**–**	–	–	–
WesBank corporate	**394**	202	95	281
RMB investment banking**	**333**	1 094	(70)	1 095
– Lending	**333**	1 094	(70)	1 095
– Loans to private equity investee companies	**–**	–	–	–
RMB corporate banking**	**251**	203	24	233
HQLA corporate advances#	**–**	–	–	–
FCC (including Group Treasury)	**89**	125	(29)	116
Securitisation notes	**–**	–	–	–
Discovery card	**–**	125	(100)	–
Other	**89**	–	–	116
Total stage 3/specific impairments/implied loss given default excluding MotoNovo	**21 700**	17 010	28	20 877
Total MotoNovo	**282**	211	34	250
– MotoNovo VAF	**275**	207	33	240
– MotoNovo loans	**7**	4	75	10
Total stage 3/specific impairments/implied loss given default including MotoNovo	**21 982**	17 221	28	21 127

* *Includes DirectAxis loans of R2 334 million (December 2019: R1 568 million; June 2020: R2 271million).*

** *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 31 December		As at 30 June
2020	2019	2020
46.4	47.0	45.6
29.9	25.4	29.1
21.3	19.4	20.6
40.0	33.2	39.1
72.6	78.8	72.2
74.4	74.5	74.1
71.2	80.6	70.5
70.8	80.6	70.5
83.0	–	–
74.0	79.1	75.0
44.3	39.7	41.6
53.7	46.4	46.9
53.7	46.4	46.9
–	–	–
35.7	36.7	32.2
18.8	33.3	36.2
18.8	33.3	36.2
–	–	–
34.1	22.0	27.3
–	–	–
86.4	89.9	81.7
–	–	–
–	89.9	–
86.4	–	81.7
46.0	45.1	44.7
68.8	40.4	45.2
68.2	40.0	44.2
100.0	100.0	100.0
46.2	45.1	44.7

Credit continued

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

	Balance sheet impairments					
	As at 31 December					
				2020		
	2020	2019	% change	Stage 1	Stage 2	Stage 3
Total impairments						
Retail	**27 700**	20 071	38	**4 978**	**5 627**	**17 095**
Retail – secured	**10 268**	6 825	50	**1 182**	**2 308**	**6 778**
Residential mortgages	**4 374**	2 725	61	**669**	**1 108**	**2 597**
WesBank VAF	**5 894**	4 100	44	**513**	**1 200**	**4 181**
Retail – unsecured	**16 812**	13 246	27	**3 176**	**3 319**	**10 317**
FNB card	**4 467**	2 964	51	**939**	**639**	**2 889**
Personal loans	**9 125**	7 380	24	**1 566**	**1 931**	**5 628**
– FNB and DirectAxis*	**8 404**	7 380	14	**1 410**	**1 576**	**5 418**
– COVID-19 relief	**721**	–	–	**156**	**355**	**210**
Retail other	**3 220**	2 902	11	**671**	**749**	**1 800**
FNB centre	**620**	–	–	**620**	**–**	**–**
Corporate and commercial	**11 600**	7 809	49	**3 197**	**3 887**	**4 516**
FNB commercial	**6 503**	4 091	59	**1 500**	**1 465**	**3 538**
– FNB commercial	**6 409**	4 091	57	**1 412**	**1 459**	**3 538**
– SME government-guaranteed loan scheme	**94**	–	–	**88**	**6**	**–**
WesBank corporate	**568**	376	51	**102**	**72**	**394**
RMB investment banking**	**3 173**	2 618	21	**1 394**	**1 446**	**333**
– Lending	**3 168**	2 615	21	**1 389**	**1 446**	**333**
– Loans to private equity investee companies	**5**	3	67	**5**	**–**	**–**
RMB corporate banking**	**1 356**	724	87	**201**	**904**	**251**
HQLA corporate advances#	**–**	–	–	**–**	**–**	**–**
FCC (including Group Treasury)	**382**	408	(6)	**286**	**7**	**89**
Securitisation notes	**32**	26	23	**32**	**–**	**–**
Discovery card	**–**	206	(100)	**–**	**–**	**–**
Other	**350**	176	99	**254**	**7**	**89**
Total impairments excluding MotoNovo	**39 682**	28 288	40	**8 461**	**9 521**	**21 700**
Total MotoNovo	**349**	352	(1)	**15**	**52**	**282**
– MotoNovo VAF	**329**	325	1	**5**	**49**	**275**
– MotoNovo loans	**20**	27	(26)	**10**	**3**	**7**
Total impairments including MotoNovo	**40 031**	28 640	40	**8 476**	**9 573**	**21 982**

* *Includes DirectAxis loans of R3 688 million (December 2019: R2 741 million; June 2020: R3 689 million).*
** *Includes activities in India and represents the in-country balance sheet.*
\# *Managed by the Group Treasurer.*

Balance sheet impairments						
As at 31 December				Coverage ratios (% of stage 3/NPLs)		
2019			As at 30 June	As at 31 December		As at 30 June
Stage 1	Stage 2	Stage 3	2020	**2020**	2019	2020
3 393	3 980	12 698	25 600	**75.2**	74.3	73.6
897	1 844	4 084	9 563	**45.4**	42.5	44.5
376	585	1 764	3 916	**35.9**	30.0	33.6
521	1 259	2 320	5 647	**56.4**	58.7	57.6
2 496	2 136	8 614	16 037	**118.3**	121.2	120.5
607	376	1 981	4 201	**115.1**	111.5	114.3
1 135	1 240	5 005	8 697	**115.5**	118.9	117.1
1 135	1 240	5 005	8 313	**109.9**	118.9	112.0
–	–	–	384	**285.0**	–	–
754	520	1 628	3 139	**132.4**	140.9	142.2
–	–	–	–	**–**	–	–
1 742	1 880	4 187	11 427	**113.7**	74.1	97.0
704	699	2 688	6 028	**98.6**	70.7	85.7
704	699	2 688	5 980	**97.2**	70.7	85.1
–	–	–	48	**>1000**	–	–
108	66	202	506	**51.4**	68.4	57.9
723	801	1 094	3 690	**179.3**	79.7	122.1
720	801	1 094	3 685	**179.0**	79.6	121.9
3	–	–	5	**–**	–	–
207	314	203	1 203	**184.2**	78.6	141.0
–	–	–	–	**–**	–	–
255	28	125	380	**370.9**	293.5	267.6
26	–	–	20	**–**	–	–
55	26	125	–	**–**	148.2	–
174	2	–	360	**339.8**	–	253.5
5 390	5 888	17 010	37 407	**84.1**	75.1	80.1
34	107	211	365	**85.1**	67.4	66.0
17	101	207	327	**81.6**	62.7	60.2
17	6	4	38	**285.7**	675.0	380.0
5 424	5 995	17 221	37 772	**84.2**	75.0	79.9

Credit continued

NOTE 6: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

	Total impairment charge			
	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Retail	**5 581**	3 991	40	12 672
Retail – secured	**1 552**	979	59	4 110
Residential mortgages	**529**	243	>100	1 411
WesBank VAF	**1 023**	736	39	2 699
Retail – unsecured	**3 409**	3 012	13	8 562
FNB card	**781**	618	26	1 997
Personal loans	**1 944**	1 661	17	4 899
– FNB and DirectAxis*	**1 609**	1 661	(3)	4 515
– COVID-19 relief	**335**	–	–	384
Retail other	**684**	733	(7)	1 666
FNB centre	**620**	–	–	–
Corporate and commercial	**1 489**	783	90	5 275
FNB commercial	**882**	589	50	2 949
– FNB commercial	**835**	589	42	2 901
– SME government-guaranteed loan scheme	**47**	–	–	48
WesBank corporate	**91**	75	21	249
RMB investment banking**	**352**	90	>100	1 454
– Lending	**352**	90	>100	1 452
– Loans to private equity investee companies	**–**	–	–	2
RMB corporate banking**	**164**	29	>100	623
HQLA corporate advances#	**–**	–	–	–
FNB Africa	**(28)**	–	–	28
FCC (including Group Treasury)	**22**	43	(49)	116
Securitisation notes	**12**	4	>100	(2)
Discovery card	**–**	42	(100)	–
Other	**10**	(3)	(>100)	118
Total impairment charge excluding MotoNovo	**7 064**	4 817	47	18 091
Total MotoNovo	**97**	72	35	178
– MotoNovo VAF	**108**	68	59	162
– MotoNovo loans	**(11)**	4	(>100)	16
Total impairment charge including MotoNovo	**7 161**	4 889	46	18 269
Portfolio impairments charge	**3 246**	1 281	>100	6 872
Specific impairments charge	**3 915**	3 608	9	11 397

* *Includes DirectAxis loans of R654 million (December 2019: R698 million; June 2020: R2 068 million).*

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

\# *Managed by the Group Treasurer.*

As a % of average advances			
Six months ended 31 December		Year ended 30 June	Six months ended 30 June
2020	2019	2020	2020
2.75	1.98	3.15	4.25
0.98	0.62	1.30	1.96
0.47	0.22	0.64	1.04
2.20	1.54	2.86	4.12
7.71	6.90	9.83	12.48
5.14	4.25	6.85	9.15
9.37	8.29	12.06	15.67
8.39	8.29	11.44	14.21
21.13	–	32.99	65.98
8.27	8.12	9.62	10.68
–	–	–	–
0.66	0.35	1.15	1.99
1.65	1.11	2.77	4.38
1.58	1.11	2.73	4.30
10.02	–	27.83	55.65
0.68	0.52	0.90	1.22
0.30	0.07	0.60	1.17
0.30	0.07	0.60	1.17
–	–	0.57	1.20
0.54	0.10	0.99	1.85
–	–	–	–
–	–	–	–
0.12	0.20	0.29	0.36
0.09	0.03	(0.01)	(0.05)
–	2.17	–	(4.94)
0.18	(0.05)	1.09	1.98
1.58	1.07	2.01	2.95
6.15	0.94	1.31	3.89
7.43	0.92	1.23	3.69
(8.94)	1.62	3.61	6.70
1.60	1.07	2.00	2.95
0.73	0.28	0.75	1.29
0.87	0.79	1.25	36.46

Credit continued

RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET AMORTISED COST IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2020**	2019	2020	**2020**	2019	2020	**2020**	2019	2020
Non-performing book	**21 886**	17 221	21 007	**96**	–	120	**21 982**	17 221	21 127
Performing book	**17 442**	11 106	16 035	**607**	313	610	**18 049**	11 419	16 645
Total impairments	**39 328**	28 327	37 042	**703**	313	730	**40 031**	28 640	37 772

The following table provides an analysis of balance sheet impairments.

TOTAL BALANCE SHEET IMPAIRMENTS

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Opening balance	**37 772**	27 303	38	27 303
Transfers to non-current assets held for sale	**–**	–	–	(42)
Disposals	**–**	(210)	100	(247)
Exchange rate difference	**(221)**	7	(>100)	334
Bad debts written off	**(6 827)**	(5 151)	33	(12 023)
Net new impairments created	**7 836**	5 694	38	19 596
Net interest recognised on stage 3 advances	**1 471**	997	48	2 851
Closing balance	**40 031**	28 640	40	37 772

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

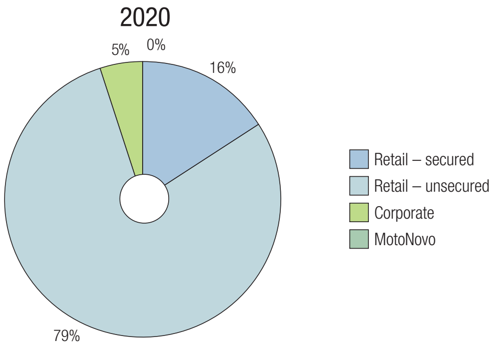
INCOME STATEMENT IMPAIRMENTS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Specific impairment charge	**4 619**	4 468	3	12 790
– Specific impairment charge – amortised cost	**4 643**	4 468	4	12 670
– Credit fair value adjustments – non-performing book	**(24)**	–	–	120
Portfolio impairment charge	**3 217**	1 226	>100	6 806
– Portfolio impairment charge – amortised cost	**3 197**	1 228	>100	6 528
– Credit fair value adjustments – performing book	**20**	(2)	(>100)	278
Total impairments before recoveries and modifications	**7 836**	5 694	38	19 596
Modification losses	**291**	485	(40)	758
– COVID-19 relief	**–**	–	–	–
– Debt review and other	**291**	485	(40)	758
Recoveries of bad debts written off	**(966)**	(1 290)	(25)	(2 085)
Total impairments	**7 161**	4 889	46	18 269

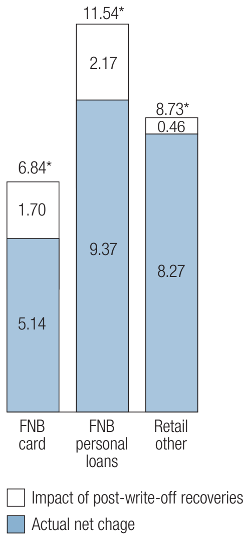
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R966 million (December 2019: R1 290 million; June 2020: R2 085 million), primarily emanating from the unsecured retail lending portfolios, specifically FNB loans, DirectAxis loans and FNB card.

POST WRITE-OFF RECOVERIES



RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES
%



* *Gross of recoveries (%).*

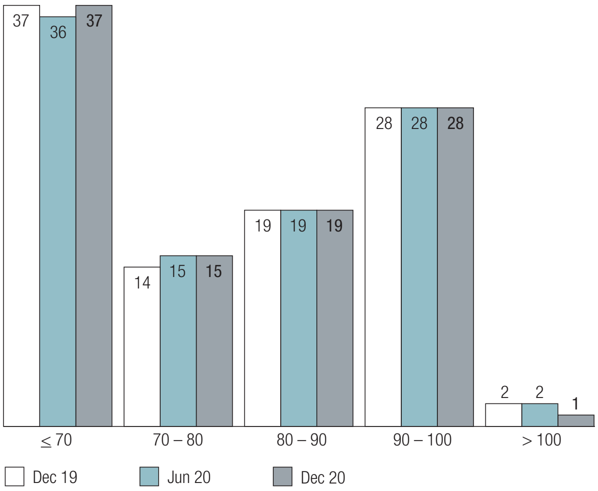
Credit continued

RISK ANALYSIS

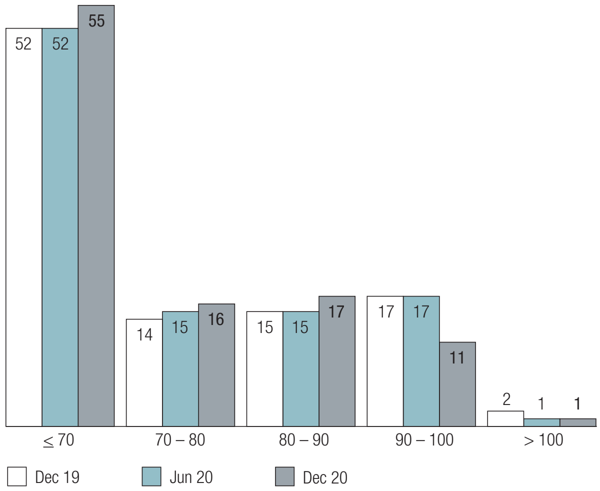
The graphs below provide loan balance-to-value ratios and age distributions of the residential mortgages portfolio.

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

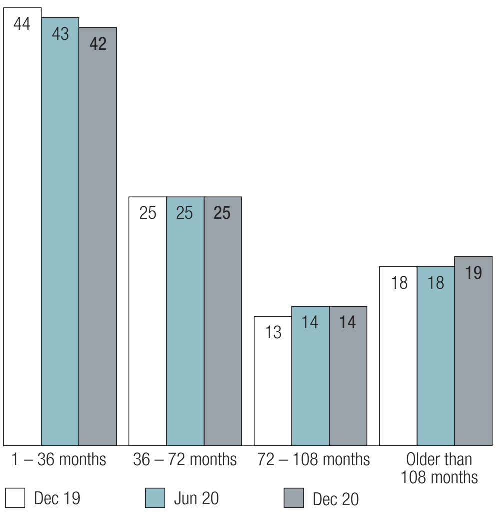
FNB RESIDENTIAL MORTGAGES
BALANCE-TO-ORIGINAL VALUE
%



FNB RESIDENTIAL MORTGAGES
BALANCE-TO-MARKET VALUE
%



FNB RESIDENTIAL MORTGAGES
AGE DISTRIBUTION TOTAL
%



Residential mortgage arrears

The following graph shows arrears in the residential mortgage portfolio. It includes accounts from one full payment and/or more in arrears, expressed as a percentage of total advances. Early arrears are starting to show recovery from previous high levels seen during early COVID-19 lockdown. This is showing signs of improvement as customers' income continues to improve.

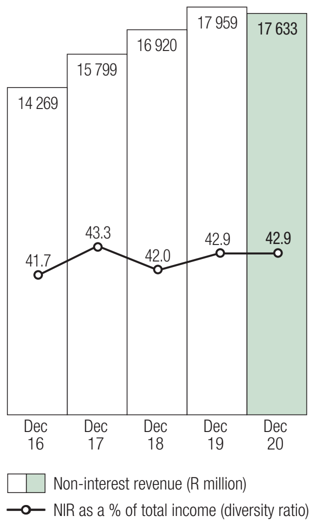
FNB RESIDENTIAL MORTGAGES
%

This metric will be impacted by customers utilising COVID-19 payment relief. During the payment relief period there will not be arrears emergence for these customers. As at June 2020, 15.3% of the performing portfolio was under payment relief, compared to 14.6% at December 2020.

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

Non-interest revenue – down 2%

NON-INTEREST REVENUE AND DIVERSITY RATIO
NIR CAGR 5%



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9.

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2020**	2019	% change	2020
Fee, commission and insurance income		**13 474**	13 695	(2)	25 559
– Fee and commission income	1	**13 240**	13 480	(2)	25 110
– Insurance income	2	**234**	215	9	449
Trading and other fair value income	3	**1 803**	1 691	7	4 049
Investment income		**6**	138	(96)	130
Other non-interest revenue	4	**2 350**	2 435	(3)	4 709
Non-interest revenue		**17 633**	17 959	(2)	34 447

Non-interest revenue continued

NOTE 1 – FEE AND COMMISSION INCOME – DOWN 2%

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Bank fee and commission income	**14 136**	14 617	(3)	27 249
– Card commissions	**2 122**	2 452	(13)	4 208
– Cash deposit fees	**840**	857	(2)	1 518
– Commission on bills, drafts and cheques	**1 499**	1 282	17	2 530
– Bank charges	**9 675**	10 026	(4)	18 993
– Commitment fees	**644**	688	(6)	1 274
– Other bank charges*	**9 031**	9 338	(3)	17 719
Knowledge-based fees	**510**	524	(3)	1 108
Management and fiduciary fees	**686**	730	(6)	1 426
– Investment management fees	**312**	320	(3)	629
– Management fees from associates and joint ventures	**368**	400	(8)	772
– Other management and brokerage fee income	**6**	10	(40)	25
Other non-bank commissions	**380**	368	3	759
Gross fee and commission income	**15 712**	16 239	(3)	30 542
Fee and commission expenditure	**(2 472)**	(2 759)	(10)	(5 432)
– Transaction-related fees	**(585)**	(613)	(5)	(1 231)
– Commission paid	**(117)**	(129)	(9)	(266)
– Customer loyalty programmes	**(849)**	(1 063)	(20)	(2 056)
– Cash sorting, handling and transporting charges	**(532)**	(485)	10	(981)
– Card and cheque book related	**(207)**	(207)	–	(426)
– Other	**(182)**	(262)	(31)	(472)
Total fee and commission income	**13 240**	13 480	(2)	25 110

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

KEY DRIVERS

- FNB NIR declined 1%, reflecting the impact of the COVID-19 pandemic and lockdowns, which resulted in a decrease in transaction volumes as well as lower customer growth. Financial transaction volumes for the period were 4% lower than the prior period.
- The six months to December 2019 include fee-related income of c. R230 million on the Discovery cards (the profit share payment is recognised in operating expenses). The Discovery cards were fully migrated in July 2020, as such card commissions decreased 5% (versus the 13% decrease in the table on the previous page).
- FNB kept headline fees flat from 1 July 2020, its annual review date. The decrease in certain fee categories affected in the prior period is in the base and the COVID-19 fee-related relief granted by FNB in the prior year was not repeated. However, in the current period ATM fees were reduced and digital transactions are priced per total basket, with the increase in digital activity negatively impacting fee income.
- FNB transaction volumes decreased 4%. Electronic volumes and manual volumes declined 4% and 12% respectively, while banking app volumes were up 22%. Branch and cash centre transaction volumes decreased 42% and 24% respectively.

%	Increase in transaction volumes
ATM/ADT	**(11)**
Internet banking	**(5)**
Banking app	**22**
Mobile (excluding prepaid)	**(12)**
Point-of-sale merchants	**(5)**
Card swipes	**(6)**

- RMB transaction volumes for EFT, cash and merchant services trended down, reflecting the macroeconomic environment. Trade activities saw a moderation in volume.
- Knowledge-based fees decreased 3%, a solid performance considering the tough operating environment. Fee income was generated from advisory mandates, with the conclusion of notable deals during the year. Structuring revenue remained muted given slower new deal origination.
- The decline in fee and commission expenses reflected lower customer rewards as a consequence of lower transaction volumes, updates to the reward earn rules and a reduction in travel-related SLOW lounge costs, partly offset by higher cash handling fees.

Non-interest revenue continued

NOTE 2 – INSURANCE INCOME – UP 9%

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Insurance commission	**81**	70	16	152
Insurance brokerage	**153**	145	6	297
Total insurance income	**234**	215	9	449

NOTE 3 – TRADING AND OTHER FAIR VALUE INCOME – UP 7%

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Trading income	**1 865**	1 408	32	3 557
– Equities	**10**	177	(94)	139
– Commodities	**224**	122	84	430
– Fixed income	**1 209**	694	74	1 519
– Currencies	**422**	415	2	1 469
Other fair value income	**(62)**	283	(>100)	492
– RMB banking activities and other	**59**	47	26	282
– Group Treasury economic hedges and other	**(121)**	236	(>100)	210
Total trading and other fair value income	**1 803**	1 691	7	4 049

KEY DRIVERS

- Despite the tough operating environment, the trading activities delivered another strong performance.
- Trading income was supported by a strong performance from the fixed income desk, driven by the inflation business, reflecting a strong turnaround and improvement in the market conditions. The commodities desk's performance improved, reflecting solid soft commodities trading benefiting from favourable market conditions.
- Group Treasury economic hedges and other fair value income includes the negative mark-to-market movements on economic FX hedges, which will pull to par over the duration of the instruments. Net total return swap (TRS) fair value income was negative period-on-period due to the lack of dividend income cash flows on the TRS, which was partly offset by the increase in the FirstRand share price.

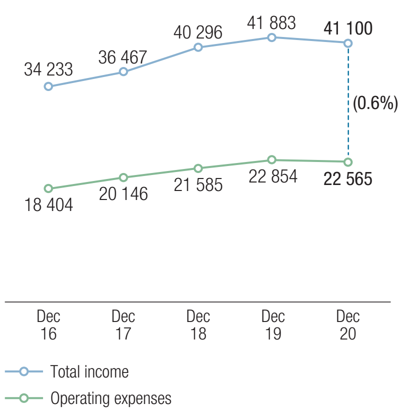
NOTE 4 – OTHER NON-INTEREST REVENUE – DOWN 3%

KEY DRIVERS

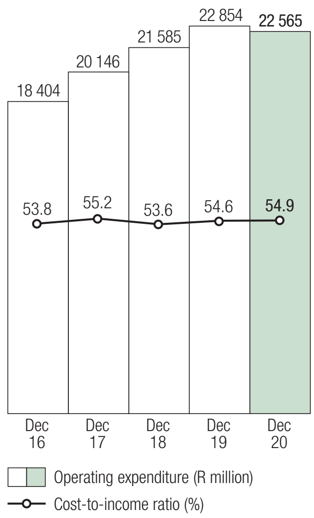
- Rental income is a significant contributor to other non-interest revenue. Rental income in FNB reflected 2% growth, with WesBank showing a strong 12% growth in FML and increased sales of FML vehicles.
- The remaining other non-interest revenue item relates to various intercompany charges to other FirstRand group companies for the provision of services. These are relevant to the bank but eliminate at a group level.

Operating expenses – down 1%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: 2016 and 2017 figures are based on IAS 39 and 2018 to 2020 figures on IFRS 9. No restatements have been included in 2016 to 2018.

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	2020	2019	% change	2020
Staff expenditure	**13 290**	13 385	(1)	25 809
– Direct staff expenditure*	**10 320**	10 052	3	20 092
– Variable staff expenditure	**2 461**	2 667	(8)	3 957
– Short-term incentive payments	**1 669**	1 818	(8)	3 123
– Long-term incentive payments	**792**	849	(7)	834
– Other staff-related expenditure*	**509**	666	(24)	1 760
Depreciation of property and equipment	**1 771**	1 604	10	3 391
Amortisation of intangible assets	**109**	80	36	193
Advertising and marketing	**503**	873	(42)	1 505
Insurance	**125**	113	11	212
Lease charges	**177**	226	(22)	414
Professional fees	**889**	879	1	1 798
Audit fees	**206**	165	25	362
Computer expenses	**1 475**	1 236	19	2 532
Repairs and maintenance	**568**	586	(3)	1 158
Telecommunications	**226**	177	28	388
Cooperation agreements and joint ventures	**(13)**	249	(>100)	506
Property	**462**	431	7	857
Business travel	**41**	203	(80)	305
Assets costing less than R7 000	**130**	200	(35)	335
Stationery and printing	**47**	69	(32)	119
Donations	**153**	250	(39)	283
Other expenditure	**2 406**	2 128	13	4 176
Total operating expenses	**22 565**	22 854	(1)	44 343

* *Certain staff expenses have been classified from other staff-related expenditure to direct staff expenditure, as it more accurately reflects the nature of the expenses. December 2019 has been restated.*

KEY DRIVERS

- The 1% decline in costs reflects the overall 1% decrease in staff cost, lower costs related to the impact of COVID-19 together with continued investment in new initiatives, technology and platforms.
- Staff costs, which comprise 59% (December 2019: 59%) of the bank's operating expenses, decreased 1%.

	% CHANGE	REASONS
Direct staff costs	3	Impacted by unionised increases in South Africa at an average of 4% and an effective 6% decrease in staff complement across the bank given the additional focus on cost management. 3% of the reduction in headcount is temporary as the new intake of the FirstJobs initiative have been delayed to July 2021, hence only a timing benefit. The overall impact to direct staff cost is, however, immaterial.
Short-term incentive payments	(8)	Short-term incentive payments reflect the decline in earnings and the group's measure of economic profit, NIACC. The full reduction of the prior year was only reflected in the second half of June 2020.
Long-term incentive payments	(7)	This reflects the IFRS 2 normalised cost related to the group's long-term incentive programme (LTI). The 2017 LTI not vesting benefits this period as there was no charge for the remaining three months to September 2020.
Other staff-related expenditure	(24)	Temporary staff costs declined period-on-period given the bank's focus on cost containment. Provision for leave pay decreased as staff took additional leave as the lockdown eased.

- The 10% increase in depreciation includes strong growth in WesBank's FML book, which increased the charge by c. R66 million.
- The 36% increase in amortisation of intangible assets is due to software capitalisation across the operating businesses.
- Advertising and marketing costs declined 42% due to decreased marketing events and sports sponsorships as a result of the COVID-19 restrictions, as well as the removal of client mailing as a channel in FNB personal loans.
- The increase in audit fees reflects inflation, scope increases, overruns and special projects following the additional audit requirements brought on by COVID-19 and the lockdown.
- Computer expenses grew 19%, representing continued investment in technology and projects across the group.
- Cooperation agreements and joint venture costs decreased substantially due to the migration of Discovery cards, which was completed in July 2020.
- Business travel is significantly down given COVID-19 travel restrictions and the transition to virtual meetings.
- The 39% decrease in donations is driven by the lower level of prior year earnings.
- Other expenditure includes various items such as provisions, entertainment, bank charges, insurance-related acquisition costs, subscriptions and memberships. The notable increase is due to additional provisions raised to address the strained and uncertain operational environment.

COVID-19 costs

While the six months to December 2020 did not include a hard level 5 lockdown, the ongoing level 2 and level 3 lockdowns required continued operational responses to ensure the safety of employees and customers, 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 R70 million (June 2020: R119 million).

FINANCIAL RESOURCE MANAGEMENT

Economic view of the balance sheet

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

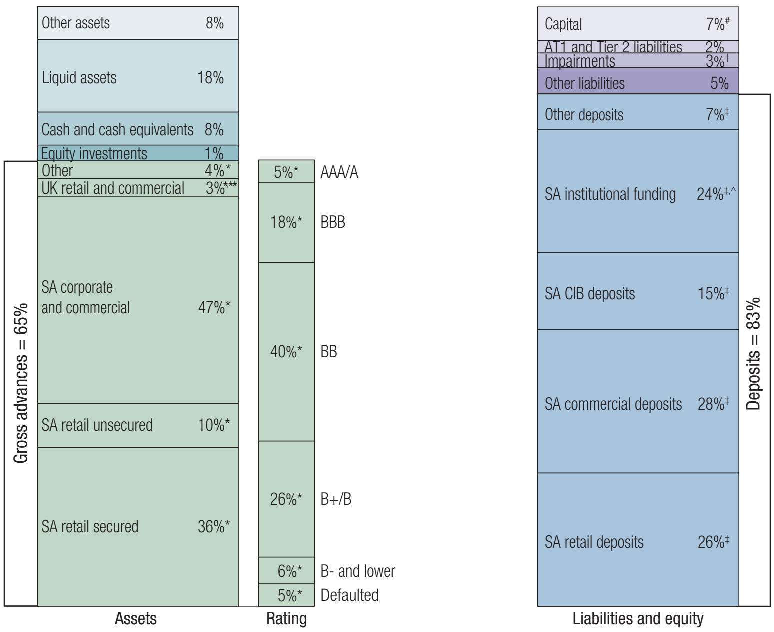
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 65% of total assets. The composition of the gross advances portfolio consists of SA retail secured (36%), SA retail unsecured (10%), SA corporate and commercial (47%), UK retail and commercial (3%), and other (4%). At December 2020, the bank reported total NPLs of R47 568 million (5.35% of advances) and a credit loss ratio of 160 bps.

Cash and cash equivalents, and liquid assets represent 8% and 18%, respectively, of total assets.

FRB's funding profile continues to reflect the structural funding constraints associated with the South African financial sector. The bank has, however, continued to enhance its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of domestic institutional funding was 42 months at December 2020 (December 2019: 37 months). The increase is due to 12-month institutional funding rolling off and not being replaced, given the growth in the deposit franchise as a consequence of COVID-19 together with targeted growth of new products and customers, and a higher proportion of longer-term funding remaining at 31 December 2020, increasing the average tenor.

The bank remained appropriately capitalised with a CET1 ratio of 13.5%, Tier 1 ratio of 14.2% and total capital adequacy ratio of 16.7%. Gearing increased to 14.7 times (December 2019: 13.5 times), driven by 11% growth in average total assets, reflecting a significant increase in derivative assets.

ECONOMIC VIEW OF THE BALANCE SHEET



* *As a proportion of gross advances.*

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

\# *Ordinary equity.*

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

‡ *As a proportion of deposits.*

^ *Includes CIB institutional funding.*

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

Funding and liquidity

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. It targets a funding profile with natural liquidity risk offsets. Due to the liquidity risk introduced by its business activities, the group optimises its funding composition within structural and regulatory constraints to enable business to operate in an efficient and sustainable manner.

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

The bank entered the COVID-19 crisis in a strong liquidity position, and the diversification and strength of the deposit franchise resulted in the liquidity position improving during the crisis. The bank 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 negatively affect the South African economy, and key risk metrics and early warning indicators are closely monitored. The bank regularly forecasts its liquidity position and uses scenario analysis to inform decision-making. FRB 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 such as pension funds, life insurers and asset managers. A portion of these contractual savings translates into institutional funding for banks, which is riskier from a liquidity perspective than funding raised through banks' deposit franchises. South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services for their cyclical cash surpluses. Liquidity risk is, therefore, structurally higher in South Africa than in most financial markets. This risk is, however, to some extent, mitigated by the following market dynamics:

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

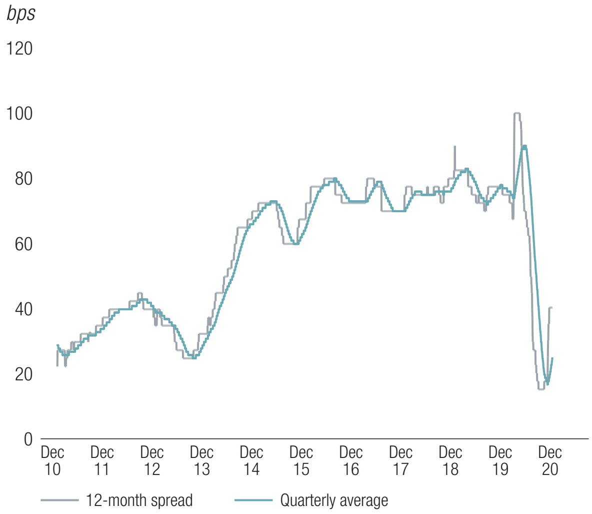
Considering the structural features of the South African market, the group's focus remains on achieving an improved risk-adjusted and diversified funding profile, enabling it to meet prudential liquidity requirements.

In line with the South African banking industry, the bank raises a large proportion of its funding from the institutional market. The bank utilises both domestic and international debt programmes to maximise efficiency and flexibility in accessing institutional funding opportunities.

The bank's strategy for domestic vanilla public issuances is to offer benchmark tenor bonds to meet investor requirements and facilitate secondary market liquidity. This enables the bank to identify cost-effective funding opportunities whilst maintaining an understanding of available market liquidity.

The following graph shows the market cost of institutional funding, measured as the spread paid on 12-month money market instruments. Following the highs experienced during the COVID-19 crisis, funding spreads fell rapidly as credit appetite reduced and economic activity slowed. Lower institutional funding spreads also evidenced the improved bank liquidity conditions, given the availability of various regulatory liquidity relief measures and sustained growth in client deposits as customers sought refuge in cash. Spreads began to tick up once again late in the calendar year as the market sought to shore up liquidity and refinance maturities heading into the new year.

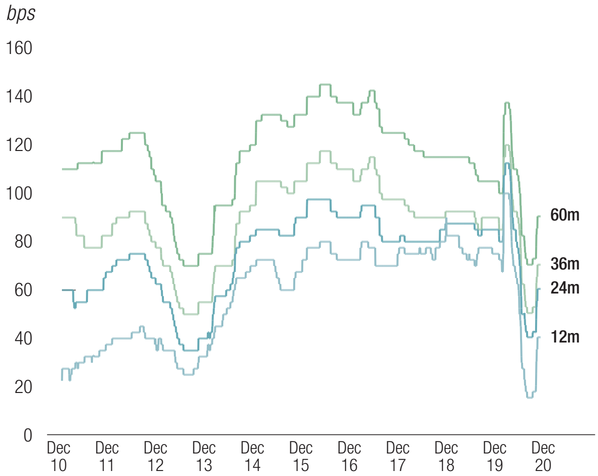
12-MONTH MID-MARKET FUNDING SPREAD



Sources: Bloomberg (RMBP screen) and Reuters.

Having spiked during the COVID-19 crisis, longer-dated funding spreads followed money market levels lower during the period under review as banks' appetite for long-term funding waned. With the easing of lockdowns and the gradual pick-up in activity, the curve began to move higher in anticipation of funding needs, though current levels remain at their lowest level over the past six years.

LONG-TERM FUNDING SPREADS



Sources: Bloomberg (RMBP screen) and Reuters.

Funding and liquidity continued

Funding measurement and activity

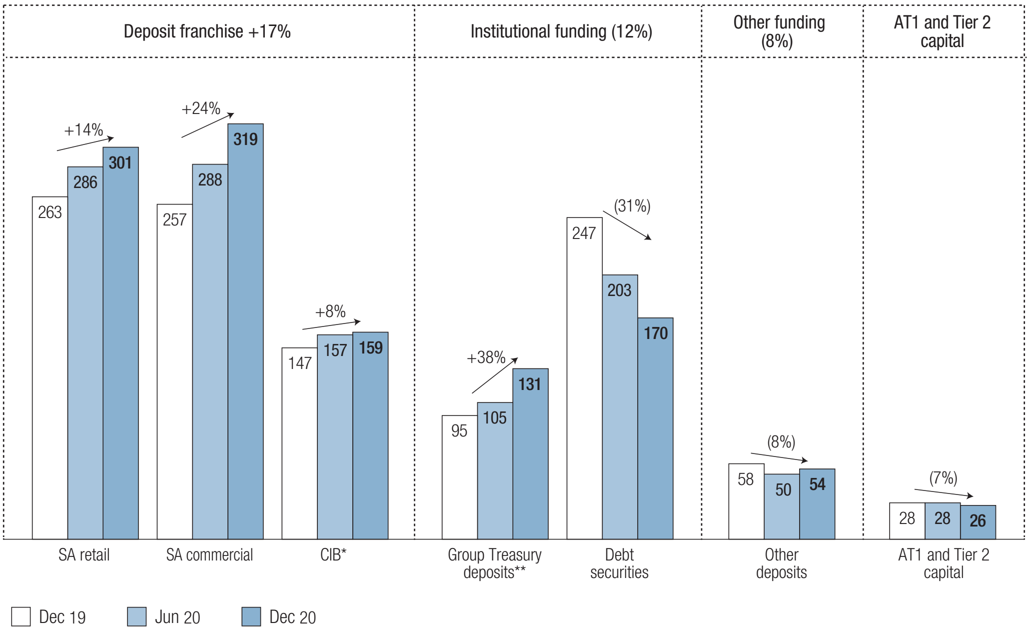
FirstRand Bank remains the primary debt-issuing entity in the group. Although its funding profile reflects the structural features described earlier, it derives a greater proportion of total funding from customer deposits and therefore has a lower reliance on institutional funding compared to the South African industry aggregate.

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 67% of total bank (including foreign branches) funding liabilities at December 2020 (December 2019: 61%).

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

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

FUNDING PORTFOLIO GROWTH
R billion



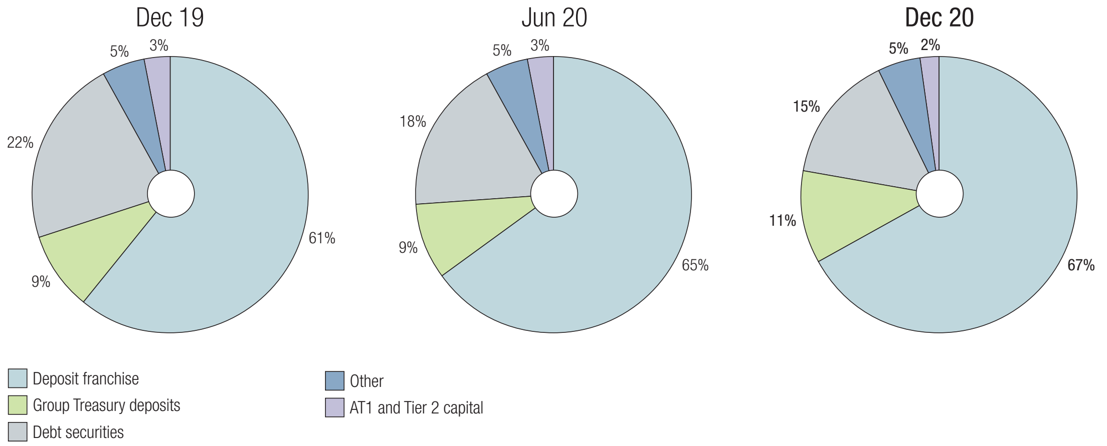
Note 1: Percentage change is based on actual (not rounded) numbers shown in the bar graphs above.

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

** *Group Treasury deposits include the SARB SME loan-funding facility.*

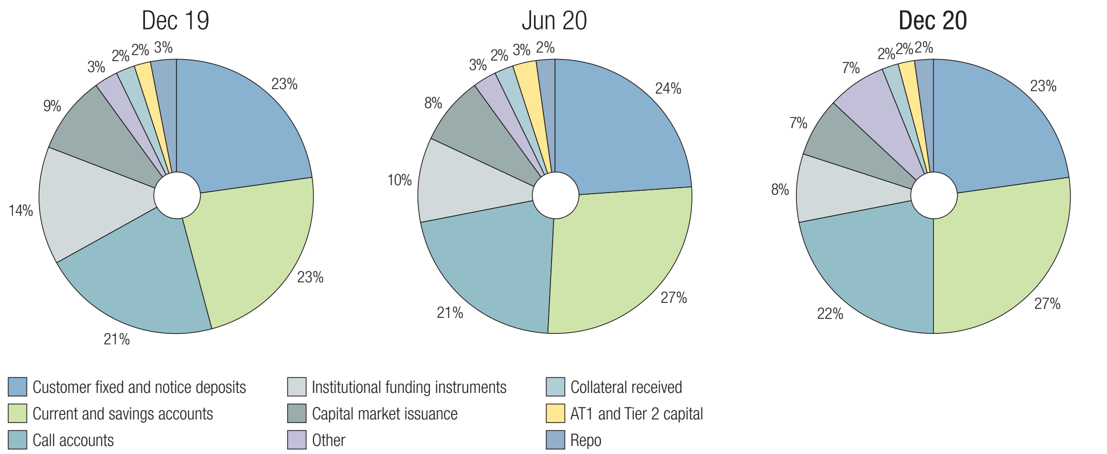
The charts below show that the bank's funding mix has improved, with further growth in deposits relative to institutional funding sources period-on-period.

FUNDING MIX



The following charts illustrate the bank's funding instruments by type.

FUNDING BY INSTRUMENT TYPE



Funding and liquidity continued

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

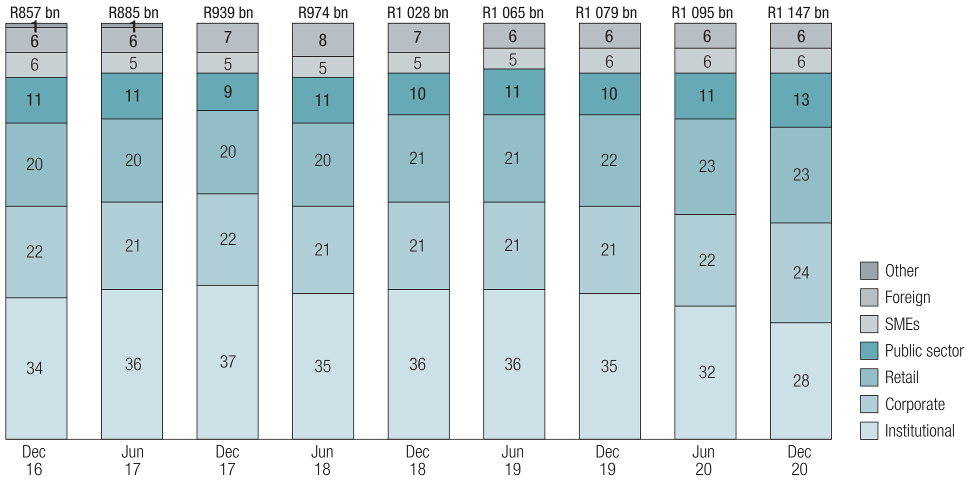
BANK COUNTERPARTY FUNDING ANALYSIS*

	As at 31 December					As at 30 June
	2020				2019	2020
% of funding liabilities	Total	Short term	Medium term	Long term	Total	Total
Institutional funding	**27.7**	**10.1**	**3.1**	**14.5**	35.2	31.7
Deposit franchise	**72.3**	**60.5**	**6.9**	**4.9**	64.8	68.3
Corporate	**24.1**	**22.2**	**1.5**	**0.4**	21.1	22.1
Retail	**23.2**	**18.5**	**3.1**	**1.6**	21.6	23.0
SMEs	**5.6**	**4.9**	**0.5**	**0.2**	5.5	5.6
Governments and parastatals	**13.5**	**12.1**	**1.1**	**0.3**	10.2	11.0
Foreign	**5.9**	**2.8**	**0.7**	**2.4**	6.3	6.6
Other	**–**	**–**	**–**	**–**	0.1	–
Total	**100.0**	**70.6**	**10.0**	**19.4**	100.0	100.0

* *Excluding foreign branches.*

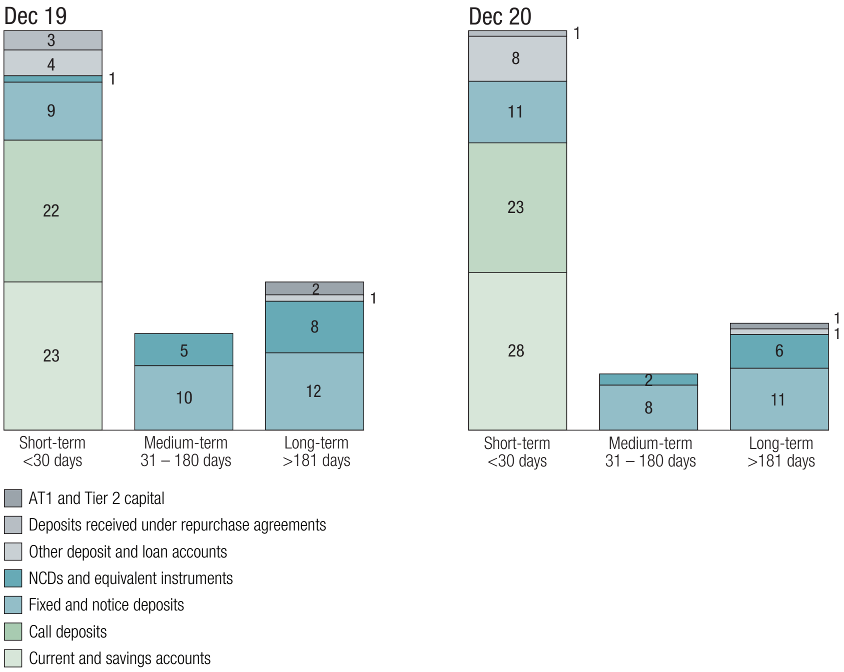
BANK FUNDING ANALYSIS BY SOURCE*

%



* *Excluding foreign branches.*

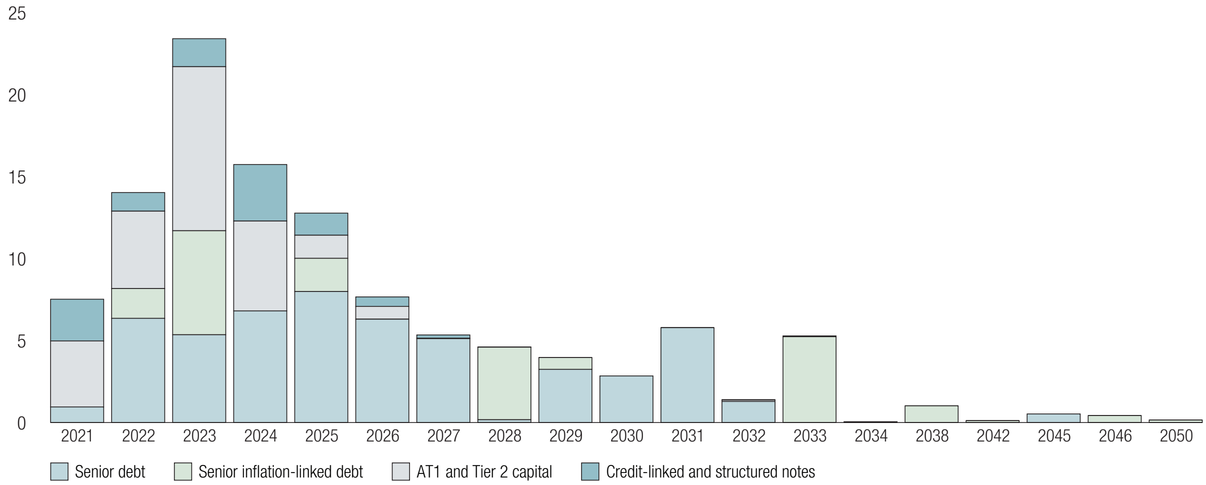
BANK* FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM
%



* *Excluding foreign branches.*

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

MATURITY PROFILE OF THE BANK'S CAPITAL MARKET INSTRUMENTS*
R billion



* *Including foreign branches.*

Funding and liquidity continued

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 the group's 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

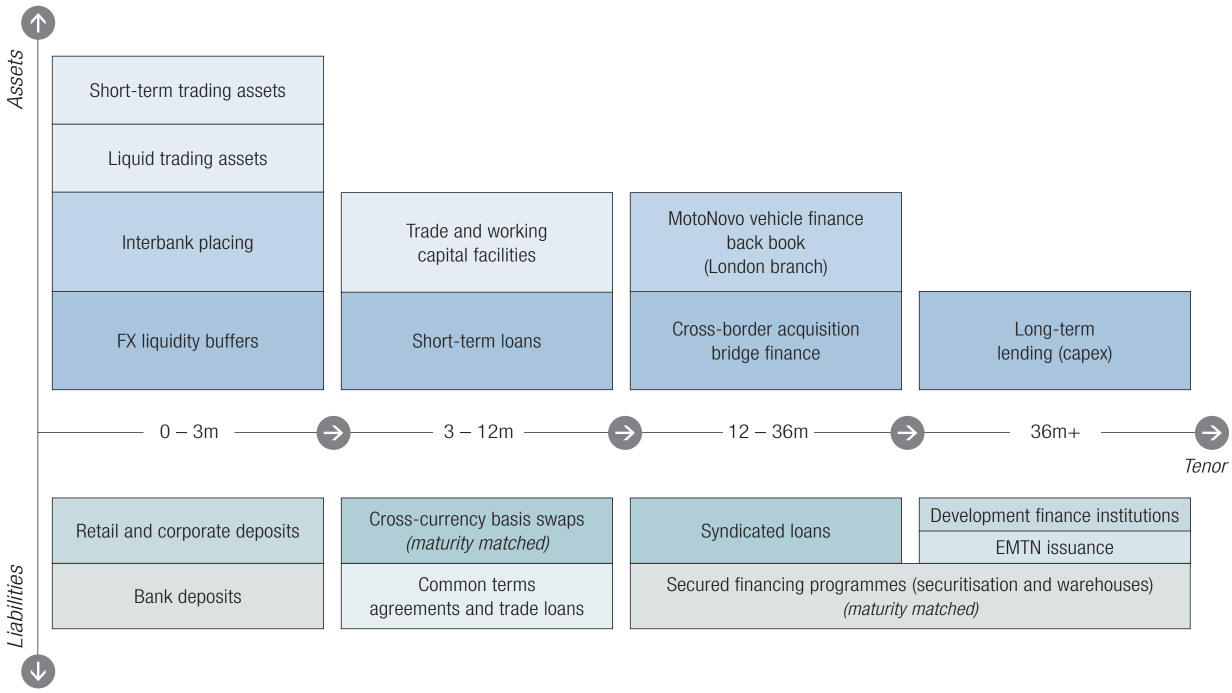
The active management of foreign currency liquidity risk remains a focus given the group's operations in the UK and in the rest of Africa.

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 and institutional and structured funding.

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

GRAPHICAL REPRESENTATION OF THE BANK'S FOREIGN CURRENCY BALANCE SHEET



LIQUIDITY RISK POSITION

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

COMPOSITION OF LIQUID ASSETS

	As at 31 December	
R billion	**2020**	2019
Cash and deposits with central banks	**35**	33
Government bonds and bills	**203**	157
Other liquid assets	**61**	57
Total liquid assets	**299**	247

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

The bank has built its liquid asset holdings in accordance with asset growth, risk appetite and regulatory requirements. The increase in HQLA was not due to a requirement for large buffers. Due to changes in market liquidity conditions, the bank's market business increased its client financing activities, which resulted in larger holdings of securities and a related increase in HQLA. The portfolio of HQLA is continuously assessed and actively managed to ensure optimal composition, cost and quantum.

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

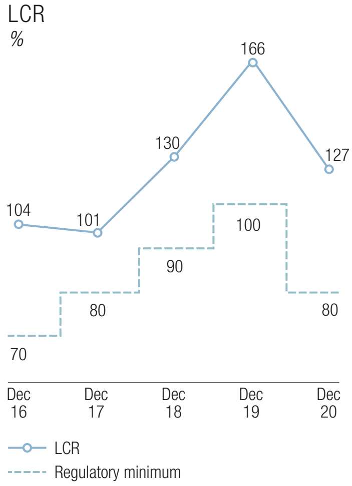
LIQUIDITY RATIOS

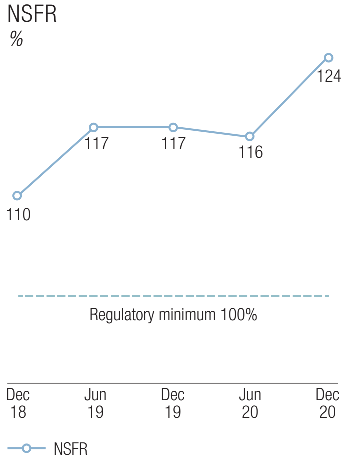
%	LCR*	NSFR*
Regulatory minimum**	**80**	**100**
Actual	**127**	**124**

* *The bank's LCR and NSFR reflect South African operations only. LCR is calculated as a simple average of 92 days of daily observations over the period ended 31 December 2020 for FirstRand Bank South Africa.*

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

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





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

Capital

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

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

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

Economic capital is incorporated in the bank's internal target assessment, specifically focusing on the level of loss-absorbing capital required to cover the bank's economic risk. It is defined as an internal measure of risk which estimates the amount of capital required to cover unexpected losses. The bank continues to enhance the use of economic capital by facilitating risk-based decisions, including capital allocation. The assessment of economic risk aligns with FirstRand's economic capital framework to ensure the bank remains solvent at a confidence interval of 99.93%, and that it can deliver on its commitment to stakeholders over a one-year horizon. Regular reviews of the economic capital position are carried out across businesses, enabling efficient portfolio optimisation with respect to financial resource management and portfolio behaviour. For the period under review, the bank remained appropriately capitalised to meet its economic capital requirements, and reported an economic capital multiple (loss-absorbing capital/economic capital requirement) of 1.7 times on a post-diversified basis. Refer to page 114 for further analysis of the bank's economic capital requirements.

In response to the COVID-19 pandemic, the PA temporarily reduced the Pillar 2A capital requirement from 1% to 0%, effective 6 April 2020. The minimum leverage ratio requirement was not adjusted as part of the temporary relief measures. The PA published a proposed directive, *Capital framework for South Africa based on the Basel III framework,* on 18 February 2021 which reinstates the Pillar 2A requirement of 1% in 2022, as well as requiring the first 1% of the bank's specified D-SIB requirement to be met with CET1 capital. Given the proposed D-SIB requirement and reinstatement of Pillar 2A, the bank internal targets still remain appropriate as a maximum D-SIB and fully phased-in Pillar 2A requirement was assumed in the target assessment.

PERIOD UNDER REVIEW

During the period under review the bank maintained a strong CET1 ratio with buffers in excess of the regulatory minimums. Bank capital and leverage ratios at 31 December are summarised in the following table.

CAPITAL ADEQUACY AND LEVERAGE POSITIONS*

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum**	7.75	9.63	12.0	4.0
Internal target	11.0 – 12.0	>12.0	>14.25	>5.5
Actual – including unappropriated profits				
2020	**13.5**	**14.2**	**16.7**	**7.1**
2019	13.7	14.4	17.1	7.5
Actual – excluding unappropriated profits				
2020	**12.3**	**13.0**	**15.6**	**6.5**
2019	12.5	13.1	15.9	6.8

* *Relates to FRB including foreign branches.*

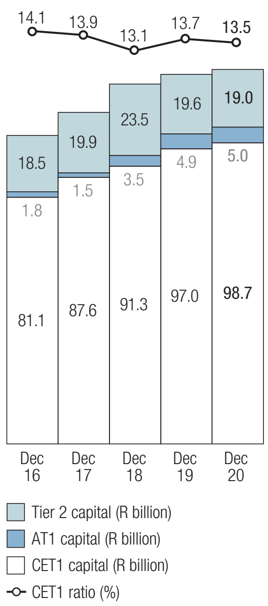
** *Excluding the individual capital requirement (Pillar 2B). The D-SIB requirement for the bank is 1.5%. The bank's countercyclical buffer requirement remained at 0% (December 2019: 4 bps).*

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

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

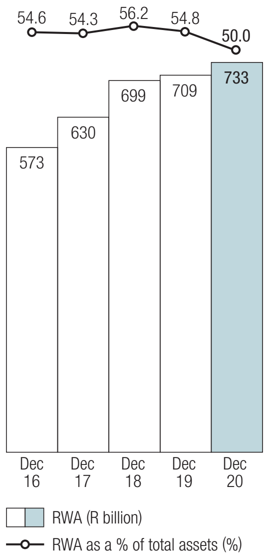
The decrease in RWA to total assets for the bank is a function of the growth in derivative assets, as well as capital optimisation.

CAPITAL ADEQUACY*

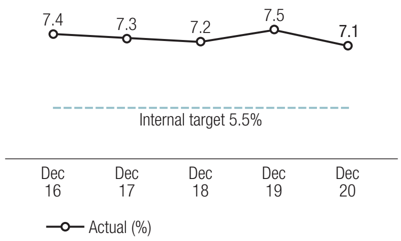


** Including unappropriated profits.*

RWA HISTORY



LEVERAGE*



** Including unappropriated profits.*

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

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

Capital continued

Supply of capital

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

COMPOSITION OF CAPITAL*

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
CET1 capital excluding unappropriated profits	**90 400**	88 288	91 964
Unappropriated profits	**8 339**	8 688	354
CET1 capital including unappropriated profits	**98 739**	96 976	92 318
Tier 1 capital	**103 699**	101 836	95 730
Total qualifying capital	**122 683**	121 518	117 666

* *Refer to https://www.firstrand.co.za/investors/basel-pillar-3-disclosure/ for further detail.*

KEY DRIVERS: DECEMBER 2020 vs DECEMBER 2019

CET1	▲	• Positive earnings generation (greater contribution in the second half of the 2020 calendar year), as well as capital preservation measures whereby the bank did not have to fund a final dividend for the group in 2020 in line with PA guidance. • Reduction in CET1 due to the IFRS 9 transitional impact partly offset by an increase in the foreign currency translation reserve given rand depreciation.
AT1	▲	• Issuance of FRB28 partly offset by impairment for intergroup AT1.
Tier 2	▼	• The redemption of the FRB15 and FRB16 in March 2020 and July 2020 respectively, partly offset by an increase in surplus provisions over expected losses and foreign currency movements.

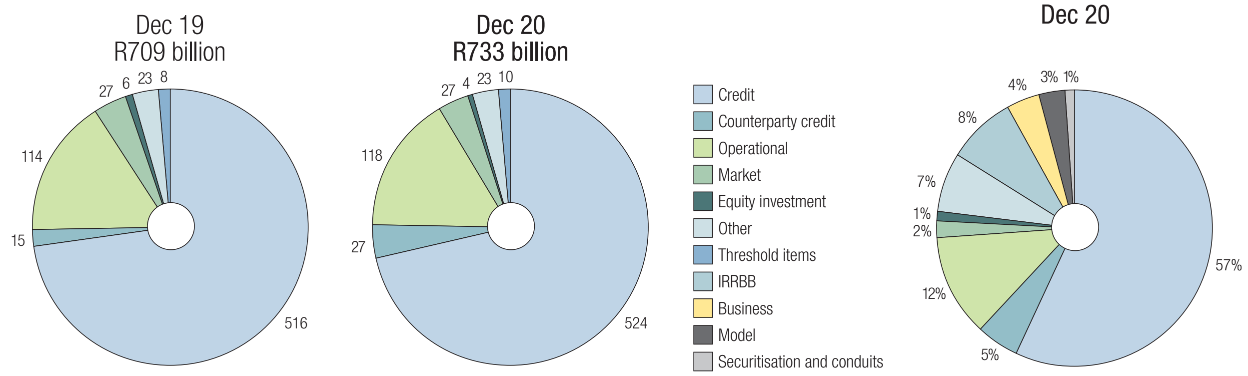
Additional detail on the bank's capital instruments is included on page 170.

Demand for capital

The charts below provide an analysis of the regulatory RWA and economic capital requirements.

REGULATORY RWA ANALYSIS
R billion

ECONOMIC CAPITAL ANALYSIS*



* *Economic capital post intra-risk diversification.*

KEY REGULATORY DRIVERS: DECEMBER 2020 vs DECEMBER 2019

Credit		• Increase due to risk migration, impact of rating downgrades on corporate exposures and depreciation of the rand. • Organic growth at muted levels was partly offset by financial resource optimisation strategies.
Counterparty credit		• Increased risk positions and mark-to-market movements on the back of rand volatility against major currencies, coupled with general deterioration in credit outlook.
Operational		• Recalibration of risk scenarios and increase in gross income used to calculate the capital floor requirements for entities on the advanced measurement approach, partly offset by a decrease in gross income for entities on the standardised approach.
Equity investment		• Fair value adjustments and impairment of investments.
Threshold items		• Increase in the deferred income tax assets, including the transitional impact of IFRS 9.

Effective 1 January 2021, the PA published amended regulations for the implementation of the standardised approach for measuring counterparty credit risk (SA-CCR) and equity investment in funds. The impact on capital and leverage has been incorporated in the bank's capital planning and is not expected to be material.

Capital continued

Capital adequacy position for the bank and its foreign branches

The bank's registered foreign branches must comply with PA regulations and those of their respective in-country regulators, with primary focus placed on Tier 1 and total capital adequacy ratios. The bank's approach is that 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 branches in excess of targeted levels is returned to the bank, usually in the form of a return of profits.

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

RWA AND CAPITAL ADEQUACY POSITIONS OF FRB AND ITS FOREIGN BRANCHES

	As at 31 December					As at 30 June
	2020				2019	2020
	Total minimum requirement* %	**RWA** R million**	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel III (PA regulations)						
FirstRand Bank[#]		**732 622**	**14.2**	**16.7**	17.1	15.7
FirstRand Bank South Africa[†]		**699 100**	**13.9**	**16.6**	17.1	15.5
FirstRand Bank London	**12.0**	**31 171**	**17.0**	**18.0**	13.3	15.9
FirstRand Bank India		**1 896**	**38.9**	**39.3**	23.8	31.8
FirstRand Bank Guernsey		**333**	**19.4**	**19.4**	16.5	12.9

* *Excluding the individual capital requirement (Pillar 2B) for the PA-regulated entities.*

** *RWA for entities outside of South Africa converted to rands using the closing rate at 31 December 2020.*

FRB including foreign branches and including unappropriated profits.

† *Ratios including unappropriated profits: CET1 of 13.2%, Tier 1 of 13.9% and total capital adequacy of 16.6%. Ratios excluding unappropriated profits: CET1 of 11.9%, Tier 1 of 12.6% and total capital adequacy of 15.3%.*

Regulatory update

COVID-19

In response to the 2020 COVID-19 pandemic, the PA implemented temporary measures outlined below 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, provided temporary relief on the minimum capital requirements for banks, controlling companies and branches of foreign institutions relating to credit risk during this time.

BASEL III REFORMS

The PA issued Guidance Note 7 of 2020, *Proposed implementation dates in respect of specified regulatory reforms.*

The following reforms went into effect on 1 January 2021:

- SA-CCR;
- capital requirement for bank exposures to central counterparties; and
- capital requirements for banks' equity investments in funds.

The proposed implementation date for the revisions of the securitisation framework and large exposures framework is 1 April 2021.

Regulatory update continued

LCR	To fully comply with the LCR requirement, the bank holds a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market. To assist the industry to comply with the LCR, the PA introduced the committed liquidity facility (CLF). Guidance Note 8 of 2020, *Continued provision of a committed liquidity facility and the introduction of a restricted-use committed liquidity facility by the South African Reserve Bank*, was released on 9 September 2020, and provides revised guidelines and conditions relating to the continued provision and the phase-out of the CLF, specifically covering the period from 1 December 2020 to 30 November 2021. The guidance note confirms that the CLF will be fully phased out by 1 December 2021. The guidance note also introduced the restricted-use committed liquidity facility (RCLF) which was made available to all banks from 1 December 2020 onwards. As a replacement for the CLF, the RCLF makes use of eligible collateral, as applicable, to the CLF. Specific reporting requirements relating to the RCLF are specified in regulation 26(12)(b)(iii)(D) of the Regulations.
RESOLUTION FRAMEWORK	The SARB released a discussion paper on South Africa's intended approach to bank resolution on 23 July 2019. The discussion paper outlined the objectives of the resolution framework, and the planning and 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 the SARB, conducted a survey to analyse various aspects relevant to flac instrument requirements. The World Bank published *South Africa: Feasibility and Cost-Benefit Analysis of Using Bail-In as a Recapitalisation Mechanism* in December 2020 and covers the point of non-viability versus the point of resolution, characteristics and calibration of flac instruments, location of issuance, pricing considerations and transitional arrangements. 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 SARB has published the documents below for comment over the last 12 months: • *April 2020: Coverage and reporting rules for deposit insurance in South Africa.* • *September 2020: The deposit insurance funding model and the implication for banks.* • *October 2020: Group structure reporting requirements for resolution planning.* • *February 2021: Data definition and reporting requirements for deposit insurance in South Africa.* The paper focuses on the data requirements and reporting options, operational capabilities and technology proposals for CoDI.
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. The PA published the following documents in the last 12 months: • 4 March 2020: Draft financial conglomerate standards published for a second round of consultations. 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. • September 2020: Financial conglomerate designation criteria published to provide clarity on the factors the PA will consider when designating financial conglomerates. • October 2020: Draft standards, excluding the capital standards, were released for a third round of consultations.

IFRS INFORMATION

Presentation

BASIS OF PRESENTATION

The condensed interim financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, the JSE Limited Listings Requirements for interim reports and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

The JSE Listings Requirements require interim reports to be prepared in accordance with and to contain information required by:

- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Pronouncements as issued by the Financial Reporting Standards Council; and
- International Financial Reporting Standard, IAS 34 *Interim Financial Reporting*.

The condensed interim financial statements for the six months ended 31 December 2020 have not been audited or independently reviewed by the bank's external auditors.

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

ACCOUNTING POLICIES

The accounting policies and methods of computation applied in the preparation of the condensed interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2020.

The condensed interim financial report is prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

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

In addition, amendments were made to IFRS 9 and IAS 39 as part of phase 1 of the interbank offered rate (IBOR) reform, to provide hedge accounting relief for any hedging relationships if a particular interest rate is affected by an IBOR reform. The amendments remove any uncertainty regarding the rate designated in a hedge accounting relationship by allowing for the existing rate as well as any replacement rate of that existing rate (specifically due to the IBOR reform). Without this being specifically provisioned for in the standard, rate uncertainty would result in hedge accounting being discontinued. The amendments provide relief for the bank's hedges that are impacted by IBOR reform.

None of the new or amended IFRS became effective for the six months ended 31 December 2020 that impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

NORMALISED RESULTS

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

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

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance. Due to its nature it may not fairly present, in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Margin-related items included in fair value income

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

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

- the margin on the component of the wholesale advances book in RMB that is measured at 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.

Cash-settled share-based payments and the economic hedge

The bank entered into a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's share schemes.

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments required by *Circular 01/2019 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 130.

COVID-19 impact

While the specific areas of judgement used at 31 December 2020 did not change from those as at 30 June 2020, the dynamic and evolving nature of COVID-19, combined with limited recent experience of the economic and financial impact of such a pandemic, resulted in additional judgement being applied within those identified areas.

Significant judgement and estimates impacted by COVID-19 since 30 June 2020

For 30 June 2020, a number of key areas of judgement and estimates were impacted by COVID-19. The details of these areas were reported in the bank's *Analysis of financial results* booklet which is available at www.firstrand.co.za/investors/financial-results.

Set out below is an overview of the estimates and assumptions that have changed since 30 June 2020.

IMPAIRMENT PROVISIONS OF ADVANCES

Incorporating forward-looking information

Forward-looking information, including a detailed explanation of the scenarios and related probabilities considered in determining the bank's forward-looking assumptions for the purposes of its 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.

An overview of the significant changes in these forward-looking views since 30 June 2020 has been provided. Refer to pages 148 and 149.

Significant increase in credit risk – extended relief provided

In retail and SME retail portfolios, there were limited instances where, on conclusion of the original three-month payment relief offered, a further extension of relief was required and accommodated. This is subject to internally defined qualifying criteria.

The majority of these extensions of relief were classified as a significant increase in credit risk, with the associated exposures migrated to stage 2 at a minimum, with lifetime expected credit losses raised, unless the loans cured to stage 1 already.

In the case of corporate (including SME corporate) exposures, relief extension cases were reviewed on a case-by-case basis to determine the likely sustainability of post-relief payments. This is used to classify significant increase in credit risk on a case-by-case basis.

ASSESSMENT OF THE GOING CONCERN PRINCIPLE

Consistent with the approach followed at 30 June 2020, the impact of COVID-19 has been incorporated into the going concern assessment made by the directors. Where applicable, the factors considered as at 30 June 2020 have been updated for the developments in the last six months. On the basis of this review, and in light of its current financial position and profitable trading history, the directors are satisfied that the bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the interim financial results.

Condensed income statement – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Interest income calculated using effective interest rate	**41 738**	51 139	(18)	97 812
Interest on other financial instruments and similar income	**776**	480	62	770
Interest and similar income	**42 514**	51 619	(18)	98 582
Interest expense and similar charges	**(19 258)**	(27 742)	(31)	(51 608)
Net interest income before impairment of advances	**23 256**	23 877	(3)	46 974
Impairment and fair value of credit on advances	**(7 161)**	(4 889)	46	(18 269)
– Impairment on amortised cost advances	**(7 165)**	(4 891)	46	(17 871)
– Fair value of credit on advances	**4**	2	100	(398)
Net interest income after impairment of advances	**16 095**	18 988	(15)	28 705
Non-interest revenue	**17 871**	17 718	1	33 567
– Net fee and commission income	**13 240**	13 480	(2)	25 110
– Fee and commission income	**15 712**	16 239	(3)	30 542
– Fee and commission expense	**(2 472)**	(2 759)	(10)	(5 432)
– Insurance income	**234**	215	9	449
– Fair value gains or losses	**2 517**	1 564	61	4 659
– Fair value gains or losses	**4 443**	4 166	7	9 444
– Interest expense on fair value activities	**(1 926)**	(2 602)	(26)	(4 785)
– Gains less losses from investing activities	**6**	138	(96)	130
– Other non-interest revenue	**1 874**	2 321	(19)	3 219
Income from operations	**33 966**	36 706	(7)	62 272
Operating expenses	**(22 471)**	(22 615)	(1)	(43 985)
Income before indirect tax	**11 495**	14 091	(18)	18 287
Indirect tax	**(478)**	(399)	20	(810)
Profit before tax	**11 017**	13 692	(20)	17 477
Income tax expense	**(2 791)**	(3 114)	(10)	(3 109)
Profit for the period	**8 226**	10 578	(22)	14 368
Attributable to				
Ordinary equityholders	**7 985**	10 253	(22)	13 739
Other equity instrument holders	**241**	325	(26)	629
Profit for the period	**8 226**	10 578	(22)	14 368

Condensed statement of other comprehensive income – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period	**8 226**	10 578	(22)	14 368
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**1 037**	(264)	(>100)	1 219
Gains/(losses) arising during the period	**2 031**	(160)	(>100)	657
Reclassification adjustments for amounts included in profit or loss	**(727)**	(206)	>100	1 036
Deferred income tax	**(267)**	102	(>100)	(474)
FVOCI debt reserve	**93**	(11)	(>100)	(82)
Gains/(losses) arising during the period	**129**	(15)	(>100)	(115)
Reclassification adjustments for amounts included in profit or loss	**–**	–	–	1
Deferred income tax	**(36)**	4	(>100)	32
Exchange differences on translating foreign operations	**(954)**	(34)	>100	1 246
(Losses)/gains arising during the period	**(916)**	(30)	>100	1 207
Deferred income tax	**(38)**	(4)	>100	39
Items that may not subsequently be reclassified to profit or loss				
FVOCI equity reserve	**(104)**	1	(>100)	(140)
(Losses)/gains arising during the period	**(134)**	1	(>100)	(180)
Deferred income tax	**30**	–	–	40
Remeasurements on defined benefit post-employment plans	**(26)**	(37)	(30)	534
(Losses)/gains arising during the period	**(36)**	(51)	(29)	742
Deferred income tax	**10**	14	(29)	(208)
Other comprehensive income/(loss) for the period	**46**	(345)	(>100)	2 777
Total comprehensive income for the period	**8 272**	10 233	(19)	17 145
Attributable to				
Ordinary equityholders	**8 031**	9 908	(19)	16 516
Other equity instrument holders	**241**	325	(26)	629
Total comprehensive income for the period	**8 272**	10 233	(19)	17 145

Condensed statement of financial position – IFRS

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
ASSETS			
Cash and cash equivalents	**103 226**	76 894	99 781
Derivative financial instruments	**119 031**	46 453	120 511
Commodities	**20 046**	19 369	21 344
Investment securities	**265 856**	192 548	209 026
Advances	**849 020**	878 525	867 940
– Advances to customers	**779 680**	816 019	796 627
– Marketable advances	**69 340**	62 506	71 313
Other assets*	**5 914**	5 428	5 149
Non-current assets and disposal groups held for sale	**–**	–	1 558
Current tax asset	**–**	127	–
Amounts due by holding company and fellow subsidiaries	**81 166**	52 744	67 309
Investments in associates	**–**	66	–
Property and equipment	**17 275**	18 117	17 691
Intangible assets	**648**	677	692
Deferred income tax asset	**3 889**	3 273	3 711
Total assets	**1 466 071**	1 294 221	1 414 712
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**16 910**	3 372	4 786
Derivative financial instruments	**117 775**	50 823	134 488
Creditors, accruals and provisions	**14 947**	13 405	14 350
Current tax liability	**1 089**	59	368
Liabilities directly associated with disposal groups classified as held for sale	**–**	–	85
Deposits	**1 134 330**	1 067 160	1 088 952
Employee liabilities	**7 294**	8 303	7 814
Other liabilities	**5 361**	5 108	5 255
Amounts due to holding company and fellow subsidiaries	**39 895**	20 612	36 254
Tier 2 liabilities	**19 001**	22 331	22 322
Total liabilities	**1 356 602**	1 191 173	1 314 674
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**85 535**	80 514	77 504
Capital and reserves attributable to ordinary equityholders	**102 343**	97 322	94 312
Other equity instruments	**7 126**	5 726	5 726
Total equity	**109 469**	103 048	100 038
Total equity and liabilities	**1 466 071**	1 294 221	1 414 712

* *In the prior period 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.*

Condensed statement of cash flows – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2020**	2019	2020
Cash flows from operating activities			
Interest and fee commission receipts*	**52 116**	65 629	122 794
– Interest received	**38 642**	51 934	97 235
– Fee and commission received	**15 712**	16 239	30 542
– Insurance income received	**234**	215	449
– Fee and commission paid	**(2 472)**	(2 759)	(5 432)
Trading and other income	**1 866**	2 140	2 807
Interest payments	**(15 336)**	(27 032)	(49 567)
Other operating expenses	**(17 512)**	(19 375)	(36 839)
Dividends received	**65**	266	497
Dividends paid	**(241)**	(7 374)	(17 296)
Taxation paid	**(2 807)**	(4 442)	(5 423)
Cash generated from operating activities	**18 151**	9 812	16 973
Movements in operating assets and liabilities	**(12 113)**	(8 752)	9 833
– Liquid assets and trading securities	**(55 434)**	(14 851)	(33 737)
– Advances	**11 616**	10 526	21 453
– Deposits	**40 008**	9 041	20 458
– Other assets**	**(672)**	3	110
– Creditors**	**(761)**	(2 299)	(1 346)
– Employee liabilities	**(3 073)**	(5 628)	(2 031)
– Other operating liabilities	**(3 797)**	(5 544)	4 926
Net cash generated from operating activities	**6 038**	1 060	26 806
Cash flows from investing activities			
Acquisition of property and equipment	**(1 570)**	(3 221)	(4 905)
Proceeds on disposal of property and equipment	**210**	385	747
Acquisition of intangible assets	**(65)**	(122)	(257)
Net cash outflow from investing activities	**(1 425)**	(2 958)	(4 415)
Cash flows from financing activities			
Proceeds on the issue of other liabilities	**630**	3 125	3 800
Redemption of other liabilities#	**(349)**	(2 617)	(2 606)
Principal payments towards lease liabilities#	**(340)**	(362)	(595)
Capital repaid on Tier 2 liabilities	**(2 221)**	–	(2 049)
Proceeds from issue of AT1 equity instruments	**1 400**	761	761
Net cash (outflow)/inflow from financing activities	**(880)**	907	(689)
Net increase in cash and cash equivalents	**3 733**	(991)	21 702
Cash and cash equivalents at the beginning of the period	**99 781**	77 887	77 887
Effect of exchange rate changes on cash and cash equivalents	**(288)**	(2)	192
Cash and cash equivalents at the end of the period	**103 226**	76 894	99 781
Mandatory reserve balances included above†	**26 557**	26 041	26 225

* *Interest and fee and commission received have been disaggregated into the material line items making up this balance. The presentation of the comparative information has been updated. The total interest and fee commission receipts as previously reported (31 December 2019: R65 629 million and June 2020: R122 794 million) has however not changed. The additional information provides users with a better understanding of the material components making up this balance.*

** *In December 2019, the movement of R2 296 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 period and the prior period has been expanded in a similar way to achieve appropriate comparability.*

Redemption of other liabilities has been disaggregated into material line items to provide users with a better understanding of the material components making up this balance, resulting in a movement of R362 million in December 2019 to principal payments towards lease liabilities. The net cash inflow from financing activities as reported at 31 December 2019 has not changed.

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

Condensed statement of changes in equity – IFRS

for the six months ended 31 December 2020

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve	
Balance as at 1 July 2019	4	16 804	**16 808**	(915)	841	
Ordinary dividends	–	–	**–**	–	–	
Distributions on other equity instruments	–	–	**–**	–	–	
AT1 instruments issued	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	(37)	(264)	
Balance as at 31 December 2019	4	16 804	**16 808**	(952)	577	
Balance as at 1 July 2020	4	16 804	**16 808**	(381)	2 060	
Ordinary dividends	–	–	**–**	–	–	
Distributions on other equity instruments	–	–	**–**	–	–	
AT1 instruments issued	–	–	**–**	–	–	
Total comprehensive income for the period	–	–	**–**	(26)	1 037	
Balance as at 31 December 2020	4	16 804	**16 808**	(407)	3 097	

* *Other reserves include FVOCI reserve.*

** *Other equity instruments at 31 December 2020 include R7 126 million AT1 instruments.*

Ordinary share capital and ordinary equityholders' funds					
Foreign currency translation reserve	Other reserves*	Retained earnings	**Reserves attributable to ordinary equityholders**	**Other equity instruments****	**Total equity**
773	1 413	75 543	**77 655**	**4 965**	**99 428**
–	–	(7 049)	**(7 049)**	**–**	**(7 049)**
–	–	–	**–**	**(325)**	**(325)**
–	–	–	**–**	**761**	**761**
(34)	(10)	10 253	**9 908**	**325**	**10 233**
739	1 403	78 747	**80 514**	**5 726**	**103 048**
2 019	1 191	72 615	**77 504**	**5 726**	**100 038**
–	–	–	**–**	**–**	**–**
–	–	–	**–**	**(241)**	**(241)**
–	–	–	**–**	**1 400**	**1 400**
(954)	(11)	7 985	**8 031**	**241**	**8 272**
1 065	1 180	80 600	**85 535**	**7 126**	**109 469**

Statement of headline earnings – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Profit for the period (refer to page 123)	**8 226**	10 578	(22)	14 368
Other equity instrument holders	**(241)**	(325)	(26)	(629)
Earnings attributable to ordinary equityholders	**7 985**	10 253	(22)	13 739
Adjusted for	**1**	6	(83)	64
Gain on the disposal of property and equipment	**1**	8	(88)	17
Impairment of intangible assets	**–**	–	–	6
Impairment of assets in terms of IAS 36	**–**	–	–	66
Tax effects of adjustments	**–**	(2)	(100)	(25)
Headline earnings	**7 986**	10 259	(22)	13 803

Reconciliation from headline to normalised earnings

	Six months ended 31 December			Year ended 30 June
R million	**2020**	2019	% change	2020
Headline earnings	**7 986**	10 259	(22)	13 803
Adjusted for	**10**	30	(67)	(41)
TRS and IFRS 2 liability remeasurement*	**65**	76	(14)	77
IAS 19 adjustment	**(55)**	(46)	20	(118)
Normalised earnings	**7 996**	10 289	(22)	13 762

* *The bank uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes. 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 period, FirstRand's share price increased R12.98 and during the prior period decreased R5.75. This resulted in a mark-to-market fair value volatility period-on-period being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 122.*

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2020

R million	**Normalised**	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	**IFRS**
Net interest income before impairment of advances	**23 467**	(248)	–	–	37	**23 256**
Impairment charge	**(7 161)**	–	–	–	–	**(7 161)**
Net interest income after impairment of advances	**16 306**	(248)	–	–	37	**16 095**
Non-interest revenue	**17 633**	248	–	(1)	(9)	**17 871**
Income from operations	**33 939**	–	–	(1)	28	**33 966**
Operating expenses	**(22 565)**	–	76	–	18	**(22 471)**
Income before indirect tax	**11 374**	–	76	(1)	46	**11 495**
Indirect tax	**(478)**	–	–	–	–	**(478)**
Profit before tax	**10 896**	–	76	(1)	46	**11 017**
Income tax expense	**(2 659)**	–	(21)	–	(111)	**(2 791)**
Profit for the period	**8 237**	–	55	(1)	(65)	**8 226**
Attributable to						
Other equity instrument holders	**(241)**	–	–	–	–	**(241)**
Ordinary equityholders	**7 996**	–	55	(1)	(65)	**7 985**
Headline and normalised earnings adjustments	**–**	–	(55)	1	65	**11**
Normalised earnings attributable to ordinary equityholders of the bank	**7 996**	–	–	–	–	**7 996**

Reconciliation of normalised to IFRS condensed income statement

for the six months ended 31 December 2019

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings adjustments	TRS and IFRS 2 liability remeasurement	IFRS
Net interest income before impairment of advances	23 924	(91)	–	–	44	23 877
Impairment charge	(4 889)	–	–	–	–	(4 889)
Net interest income after impairment of advances	19 035	(91)	–	–	44	18 988
Non-interest revenue	17 959	91	–	(8)	(324)	17 718
Income from operations	36 994	–	–	(8)	(280)	36 706
Operating expenses	(22 854)	–	64	–	175	(22 615)
Income before indirect tax	14 140	–	64	(8)	(105)	14 091
Indirect tax	(399)	–	–	–	–	(399)
Profit before tax	13 741	–	64	(8)	(105)	13 692
Income tax expense	(3 127)	–	(18)	2	29	(3 114)
Profit for the period	10 614	–	46	(6)	(76)	10 578
Attributable to						
Other equity instrument holders	(325)	–	–	–	–	(325)
Ordinary equityholders	10 289	–	46	(6)	(76)	10 253
Headline and normalised earnings adjustments	–		(46)	6	76	36
Normalised earnings attributable to ordinary equityholders of the bank	10 289	–	–	–	–	10 289

Reconciliation of normalised to IFRS condensed income statement

for the year ended 30 June 2020

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

Advances

R million	As at 31 December 2020	As at 31 December 2019	% change	As at 30 June 2020
Category analysis				
Overdrafts and cash management accounts	**59 641**	72 036	(17)	72 364
Term loans	**49 095**	52 452	(6)	54 349
Card loans	**32 740**	35 831	(9)	32 415
Instalment sales, hire purchase agreements and lease payments receivable	**119 574**	129 380	(8)	123 206
Property finance	**251 181**	249 794	1	250 186
Personal loans	**50 963**	51 317	(1)	52 236
Preference share agreements	**37 972**	41 921	(9)	38 418
Assets under agreements to resell	**55 484**	37 016	50	26 618
Investment bank term loans	**130 303**	138 343	(6)	147 763
Long-term loans to group associates and joint ventures	**578**	449	29	529
Other	**32 180**	36 120	(11)	36 315
Total customer advances	**819 711**	844 659	(3)	834 399
Marketable advances	**69 340**	62 506	11	71 313
Gross value of advances	**889 051**	907 165	(2)	905 712
Impairment and fair value of credit of advances	**(40 031)**	(28 640)	40	(37 772)
Net advances	**849 020**	878 525	(3)	867 940

NOTE 1 – IMPAIRMENT OF ADVANCES

	Six months ended 31 December						Year ended 30 June		
	2020			2019			2020		
R million	**Total**	**Amortised cost**	**Fair value**	Total	Amortised cost	Fair value	Total	Amortised cost	Fair value
Increase in loss allowance	**(7 836)**	**(7 840)**	**4**	(5 694)	(5 696)	2	(19 596)	(19 198)	(398)
Recoveries of bad debts	**966**	**966**	**–**	1 290	1 290	–	2 085	2 085	–
Modification loss	**(291)**	**(291)**	**–**	(485)	(485)	–	(758)	(758)	–
Impairment of advances recognised in the income statement	**(7 161)**	**(7 165)**	**4**	(4 889)	(4 891)	2	(18 269)	(17 871)	(398)

Note: Refer to note 3 on pages 136 to 141 for a reconciliation of the loss allowance per class.

Advances continued

NOTE 2 – ANALYSIS OF ADVANCES PER CLASS

	As at 31 December 2020			
R million	**Total**	**Amortised cost**	**Fair value through profit or loss**	**Loss allowance**
Residential mortgages	**220 035**	**224 409**	**–**	**(4 374)**
WesBank VAF	**85 947**	**91 841**	**–**	**(5 894)**
Total retail secured	**305 982**	**316 250**	**–**	**(10 268)**
FNB card	**26 068**	**30 535**	**–**	**(4 467)**
Personal loans	**32 025**	**41 150**	**–**	**(9 125)**
Retail other	**12 518**	**16 358**	**–**	**(3 840)**
Total retail unsecured	**70 611**	**88 043**	**–**	**(17 432)**
FNB commercial	**99 508**	**105 924**	**87**	**(6 503)**
– FNB commercial excluding scheme	**98 071**	**104 393**	**87**	**(6 409)**
– Government-guaranteed scheme	**1 437**	**1 531**	**–**	**(94)**
WesBank corporate	**26 119**	**26 687**	**–**	**(568)**
RMB corporate banking	**51 452**	**52 691**	**117**	**(1 356)**
RMB investment banking	**257 126**	**177 417**	**82 882**	**(3 173)**
Total corporate and commercial	**434 205**	**362 719**	**83 086**	**(11 600)**
Group Treasury and other	**36 043**	**34 997**	**1 428**	**(382)**
MotoNovo	**2 179**	**2 528**	**–**	**(349)**
Total advances	**849 020**	**804 537**	**84 514**	**(40 031)**

	As at 31 December 2019			As at 31 December 2019		
	Gross advances			Loss allowance		
R million	As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
WesBank VAF*	103 254	(6 713)	96 541	4 425	(325)	4 100
FNB card**	33 498	(3 400)	30 098	3 170	(206)	2 964
Personal loans*	41 204	(408)	40 796	7 407	(27)	7 380
RMB investment banking#	250 488	115	250 603	2 618	–	2 618
Group Treasury and other**,#	39 532	3 285	42 817	202	206	408
MotoNovo*	–	7 121	7 121	–	352	352

The bank reclassified the following advances between classes and voluntarily elected to reclassify the comparative information.

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

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

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

As at 31 December 2019				As at 30 June 2020			
Total	Amortised cost	Fair value through profit or loss	Loss allowance	Total	Amortised cost	Fair value through profit or loss	Loss allowance
221 254	223 979	–	(2 725)	220 488	224 404	–	(3 916)
92 441	96 541	–	(4 100)	88 377	94 024	–	(5 647)
313 695	320 520	–	(6 825)	308 865	318 428	–	(9 563)
27 134	30 098	–	(2 964)	26 009	30 210	–	(4 201)
33 416	40 796	–	(7 380)	33 177	41 874	–	(8 697)
15 312	18 214	–	(2 902)	13 593	16 732	–	(3 139)
75 862	89 108	–	(13 246)	72 779	88 816	–	(16 037)
103 309	107 370	30	(4 091)	101 886	107 887	27	(6 028)
103 309	107 370	30	(4 091)	101 589	107 542	27	(5 980)
–	–	–	–	297	345	–	(48)
29 492	29 868	–	(376)	26 608	27 114	–	(506)
59 004	59 626	102	(724)	67 242	68 318	127	(1 203)
247 985	185 776	64 827	(2 618)	250 102	189 888	63 904	(3 690)
439 790	382 640	64 959	(7 809)	445 838	393 207	64 058	(11 427)
42 409	40 567	2 250	(408)	37 041	35 555	1 866	(380)
6 769	7 121	–	(352)	3 417	3 782	–	(365)
878 525	839 956	67 209	(28 640)	867 940	839 788	65 924	(37 772)

As at 30 June 2020			As at 30 June 2020		
Gross advances			Loss allowance		
As previously reported	Movement	Updated amount	As previously reported	Movement	Updated amount
94 024	–	94 024	5 647	–	5 647
30 210	–	30 210	4 201	–	4 201
41 874	–	41 874	8 697	–	8 697
253 669	123	253 792	3 690	–	3 690
37 544	(123)	37 421	380	–	380
3 782	–	3 782	365	–	365

Advances continued

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

	31 December 2020*				
	Gross advances (GCA)				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
Amortised cost	839 788	720 723	71 990	46 174	901
Fair value	65 924	61 944	3 802	51	127
Amount as at 1 July 2020	905 712	782 667	75 792	46 225	1 028
Current year movement in the back book**					
Stage 1	(68 594)	(53 445)	(14 470)	(679)	–
Transfer from stage 2 to stage 1	–	14 470	(14 470)	–	–
Transfer from stage 3 to stage 1	–	679	–	(679)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(68 594)	(68 594)	–	–	–
Stage 2	(16 730)	(29 859)	14 706	(1 577)	–
Transfer from stage 1 to stage 2	–	(29 859)	29 859	–	–
Transfer from stage 3 to stage 2	–	–	1 577	(1 577)	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(16 730)	–	(16 730)	–	–
– Exposures with a change in measurement basis from 12 months to lifetime ECL	(2 383)	–	(2 383)	–	–
– Other changes in stage 2 exposures and ECL	(14 347)	–	(14 347)	–	–
Stage 3	(3 592)	(5 595)	(7 268)	9 271	–
Transfer from stage 1 to stage 3	–	(5 595)	–	5 595	–
Transfer from stage 2 to stage 3	–	–	(7 268)	7 268	–
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(3 592)	–	–	(3 592)	–
Purchased or originated credit-impaired	(182)	–	–	–	(182)
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	(182)	–	–	–	(182)
New business[†]	85 264	80 465	4 092	515	192
Current year change in exposure and net movement on GCA and ECL provided/(released)[#]	85 264	80 465	4 092	515	192
Other movements applicable to new business and back book					
Acquisition/(disposal) of advances[‡]	(1 241)	(1 241)	–	–	–
Modifications that did not give rise to derecognition	(291)	–	(29)	(262)	–
Exchange rate differences	(4 468)	(3 775)	(557)	(136)	–
Bad debts written off[^]	(6 827)	–	–	(6 827)	–
Amount as at 31 December 2020	889 051	769 217	72 266	46 530	1 038
Amortised cost	804 537	687 225	69 875	46 516	921
Fair value	84 514	81 992	2 391	14	117

	31 December 2020*				
	Loss allowance				
	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
	37 042	7 699	8 336	21 007	–
	730	348	262	–	120
	37 772	8 047	8 598	21 007	120
	(958)	618	(1 426)	(150)	–
	–	1 426	(1 426)	–	–
	–	150	–	(150)	–
	(958)	(958)	–	–	–
	2 685	(865)	3 823	(273)	–
	–	(865)	865	–	–
	–	–	273	(273)	–
	2 685	–	2 685	–	–
	649	–	649	–	–
	2 036	–	2 036	–	–
	5 851	(372)	(1 768)	7 991	–
	–	(372)	–	372	–
	–	–	(1 768)	1 768	–
	5 851	–	–	5 851	–
	–	–	–	–	–
	–	–	–	–	–
	1 729	1 077	414	238	–
	1 729	1 077	414	238	–
	–	–	–	–	–
	–	–	–	–	–
	(221)	(29)	(68)	(124)	–
	(6 827)	–	–	(6 827)	–
	40 031	8 476	9 573	21 862	120
	39 328	8 177	9 265	21 862	24
	703	299	308	–	96

* *The reconciliation for the period ended 31 December 2020 has been prepared using a year-to-date view. This means that the bank reports exposures based on the impairment stage at the end of the reporting period. This is consistent with the prior period. From 1 July 2020, a revised approach, distinguishing between the back book and new business, was implemented as it provided more meaningful information to the user in gaining an understanding of the performance of advances overall. The current period movement is therefore split between new business and back book. In the prior period, this was presented as a single line. However, comparative information could not be restated without undue cost owing 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 31 December 2019, except on a total level.*

** *The bank 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. Back book exposures, can move directly from stage 3 to stage 1, if the curing requirements have been met in the reporting period. The opening balances as at 1 July are transferred to the impairment stage at 31 December in the transfers section, and the current period movements in the back book (changes in exposure and net movement on gross carrying amount (GCA) and ECL provided/(released) are reflected separately in the reconciliation above. The current period movement for stage 2 advances is split between exposure, where there has been a change in the measurement basis from 12 months to lifetime ECL, and other changes in other risk parameters.*

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

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

Current period ECL provided/(released) relates to:

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

† *New business is broadly defined as any new product issued to a new or existing customer during the current financial period, including any increase or decrease during the current financial period. All new business is included in the change in exposure due to new business in the current period, 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 period, 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 period, the net amount of the syndication is included in the "net movement of GCA due to new business in the current period" section. Management believes this provides a more accurate view of the new business originated in the current period.*

^ *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.*

Advances continued

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

	31 December 2019				
	Gross advances				
R million	Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired*
Amortised cost	844 850	753 825	56 998	34 027	–
Fair value	76 996	76 019	799	73	105
Amount as at 1 July 2019	921 846	829 844	57 797	34 100	105
Transfers between stages**	–	(11 679)	(806)	12 485	–
Stage 1	–	14 623	(14 196)	(427)	–
Stage 2	–	(20 408)	21 336	(928)	–
Stage 3	–	(5 894)	(7 946)	13 840	–
Disposal of advances#	(12 108)	(11 946)	51	(213)	–
Exchange rate differences	150	126	42	(18)	–
Bad debts written off†	(5 151)	–	–	(5 151)	–
Changes due to modification that did not result in derecognition	(485)	–	(55)	(430)	–
Current period provision created/(released)	–	–	–	–	–
Net changes in exposure‡	2 913	6 662	(1 078)	(2 863)	192
Interest on stage 3 advances	–	–	–	–	–
Amount as at 31 December 2019	907 165	813 007	55 951	37 910	297
Amortised cost	839 955	746 960	54 943	37 857	195
Fair value	67 210	66 047	1 008	53	102

* *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 period. Exposures can be transferred directly from stage 3 to stage 1 if the curing requirements are satisfied at the end of the financial period. The new exposures originated during the financial period (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 period.*

Most disposals relate 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.*

‡ *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 period; and
– new business originated during the financial period and the transfers between stages of the new origination.

31 December 2019				
Loss allowance				
Total	Stage 1	Stage 2	Stage 3	Purchased or originated credit-impaired
26 988	5 693	5 614	15 681	–
315	266	49	–	–
27 303	5 959	5 663	15 681	–
–	736	(2 041)	1 305	–
–	1 223	(1 117)	(106)	–
–	(301)	533	(232)	–
–	(186)	(1 457)	1 643	–
(210)	(108)	(24)	(78)	–
7	(8)	16	(1)	–
(5 151)	–	–	(5 151)	–
–	–	–	–	–
5 694	(1 155)	2 381	4 468	–
–	–	–	–	–
997	–	–	997	–
28 640	5 424	5 995	17 221	–
28 327	5 195	5 911	17 221	–
313	229	84	–	–

Advances continued

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

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

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

* *The reconciliation for the year ended 30 June 2020 has been prepared using a year-to-date view. This means that the bank reports exposures based on the impairment stage at the end of the reporting period. This is consistent with the prior year. From 1 July 2020, a revised approach, distinguishing between the back book and new business, was implemented as it 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 owing to the nature of the underlying systems which collate the ECL information at a point in time, and as such the information presented in the loss allowance and gross carrying amount reconciliations will not be comparable to the information presented for 30 June 2019, except on a total level.*

** *The bank transfers opening balances (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. Back book exposures can move directly from stage 3 to stage 1, if the curing requirements have been met in the reporting period. The opening balances as at 1 July are transferred to the impairment stage at 31 December in the transfers section, and the current year movements in the back book (changes in exposure and net movement on GCA and ECL provided/(released) are reflected separately in the reconciliation above. The current year movement for stage 2 advances is split between exposure, where there has been a change in the measurement basis from 12 months to lifetime ECL, and other changes in other risk parameters.*

\# *The movement on GCA is the net amount of:*
- *additional amounts advanced on the back book and any settlements. Transfers on the back book are reflected separately; and*
- *new business originated during the financial period, 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 period, as well as the increase/(decrease) in the risk associated with the opening balance of the back book; and*
- *includes interest on stage 3 advances for stage 3 exposures in the back book and new business. In the prior period it was separately presented.*

† *New business is broadly defined as any new product issued to a new or existing customer during the current financial year, including any increase or decrease 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 of GCA due to new business in the current year" section. Management believes this provides a more accurate view of the new business originated in the current year.*

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

Advances continued

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

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2020	3 916	5 647	4 201	8 697	3 139
Stage 1	731	546	917	1 812	782
Stage 2	777	1 262	562	1 653	701
Stage 3	2 408	3 839	2 722	5 232	1 656
Exchange rate differences	–	–	–	–	–
Bad debts written off	(137)	(980)	(849)	(2 358)	(921)
Current period provision created/(released)*	595	1 227	1 115	2 786	1 622
– Stage 1	(39)	(172)	(63)	(64)	598
– Stage 2	448	274	442	805	120
– Stage 3	186	1 125	736	2 045	904
Amount as at 31 December 2020	**4 374**	**5 894**	**4 467**	**9 125**	**3 840**
Stage 1	669	513	939	1 566	1 291
Stage 2	1 108	1 200	639	1 931	749
Stage 3	2 597	4 181	2 889	5 628	1 800

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

FAIR VALUE

	Corporate and commercial			
R million	RMB corporate banking	RMB investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2020	120	365	245	730
Stage 1	–	103	245	348
Stage 2	–	262	–	262
Stage 3	120	–	–	120
Exchange rate differences	–	(24)	–	(24)
Current period provision created/(released)	(24)	5	16	(3)
– Stage 1	–	(81)	11	(70)
– Stage 2	–	86	5	91
– Stage 3	(24)	–	–	(24)
Amount as at 31 December 2020	**96**	**346**	**261**	**703**
Stage 1	–	44	255	299
Stage 2	–	302	6	308
Stage 3	96	–	–	96

	Corporate and commercial							
	FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	MotoNovo	Total amortised cost
	6 028	506	1 083	3 325	–	135	365	37 042
	1 394	114	323	1 016	–	19	45	7 699
	1 339	111	647	1 214	–	–	70	8 336
	3 295	281	113	1 095	–	116	250	21 007
	–	**–**	**(18)**	**(151)**	**–**	**–**	**(28)**	**(197)**
	(727)	**(43)**	**–**	**(713)**	**28**	**(42)**	**(85)**	**(6 827)**
	1 202	**105**	**195**	**366**	**(28)**	**28**	**97**	**9 310**
	(323)	**(20)**	**(78)**	**370**	**–**	**9**	**(31)**	**187**
	744	**(5)**	**228**	**(43)**	**–**	**3**	**(5)**	**3 011**
	781	**130**	**45**	**39**	**(28)**	**16**	**133**	**6 112**
	6 503	**568**	**1 260**	**2 827**	**–**	**121**	**349**	**39 328**
	1 500	**102**	**201**	**1 350**	**–**	**31**	**15**	**8 177**
	1 465	**72**	**904**	**1 144**	**–**	**1**	**52**	**9 265**
	3 538	**394**	**155**	**333**	**–**	**89**	**282**	**21 886**

Advances continued

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

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2019	2 541	4 181	2 650	6 815	2 725
Stage 1	360	592	555	1 415	724
Stage 2	510	1 246	347	971	464
Stage 3	1 671	2 343	1 748	4 429	1 537
Disposal of advances	–	–	–	(90)	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(124)	(944)	(669)	(1 656)	(851)
Current period provision created/(released)*	279	745	913	1 931	833
– Stage 1	(126)	(353)	28	(300)	(32)
– Stage 2	264	534	274	661	286
– Stage 3	141	564	611	1 570	579
Interest on stage 3 advances	29	118	70	380	195
Amount as at 31 December 2019	2 725	4 100	2 964	7 380	2 902
Stage 1	376	521	607	1 135	754
Stage 2	585	1 259	376	1 240	520
Stage 3	1 764	2 320	1 981	5 005	1 628

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

FAIR VALUE

	Corporate and commercial		
R million	RMB investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2019	136	179	315
Stage 1	89	177	266
Stage 2	47	2	49
Stage 3	–	–	–
Current period provision created/(released)	2	(4)	(2)
– Stage 1	(30)	(4)	(34)
– Stage 2	32	–	32
– Stage 3	–	–	–
Amount as at 31 December 2019	138	175	313
Stage 1	54	175	229
Stage 2	84	–	84
Stage 3	–	–	–

Corporate and commercial						
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Group Treasury and other	MotoNovo	Total amortised cost
3 812	338	688	2 381	255	602	26 988
733	92	231	696	98	197	5 693
776	67	364	668	36	165	5 614
2 303	179	93	1 017	121	240	15 681
–	–	–	(12)	(1)	(107)	(210)
–	–	(4)	(5)	–	16	7
(506)	(57)	–	–	(114)	(230)	(5 151)
623	85	30	93	93	71	5 696
(184)	(13)	(31)	(8)	(15)	(87)	(1 121)
301	29	66	(50)	(10)	(6)	2 349
506	69	(5)	151	118	164	4 468
162	10	10	23	–	–	997
4 091	376	724	2 480	233	352	28 327
704	108	207	669	80	34	5 195
699	66	314	717	28	107	5 911
2 688	202	203	1 094	125	211	17 221

Advances continued

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

AMORTISED COST

	Retail secured		Retail unsecured		
R million	Residential mortgages	WesBank VAF	FNB card	Personal loans	Retail other
Amount as at 1 July 2019	2 541	4 181	2 650	6 815	2 725
Stage 1	360	592	555	1 415	724
Stage 2	510	1 246	347	971	464
Stage 3	1 671	2 343	1 748	4 429	1 537
Disposal of advances	–	–	–	(90)	–
Transfers from/(to) non-current assets or disposal groups held for sale	–	–	–	–	–
Exchange rate differences	–	–	–	–	–
Bad debts written off	(259)	(1 854)	(1 114)	(4 351)	(1 755)
Current period provision created/(released)*	1 634	3 320	2 665	6 323	2 169
– Stage 1	275	(240)	349	627	(12)
– Stage 2	423	554	458	966	415
– Stage 3	936	3 006	1 858	4 730	1 766
Amount as at 30 June 2020	3 916	5 647	4 201	8 697	3 139
Stage 1	731	546	917	1 812	782
Stage 2	777	1 262	562	1 653	701
Stage 3	2 408	3 839	2 722	5 232	1 656

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

FAIR VALUE

	Corporate and commercial			
R million	RMB corporate banking	RMB investment banking	Group Treasury and other	Total fair value
Amount as at 1 July 2019	–	136	179	315
Stage 1	–	89	177	266
Stage 2	–	47	2	49
Stage 3	–	–	–	–
Exchange rate differences	–	17	–	17
Current period provision created/(released)	120	212	66	398
– Stage 1	–	30	66	96
– Stage 2	–	182	–	182
– Stage 3	120	–	–	120
Amount as at 30 June 2020	120	365	245	730
Stage 1	–	103	245	348
Stage 2	–	262	–	262
Stage 3	120	–	–	120

Corporate and commercial							
FNB commercial	WesBank corporate	RMB corporate banking	RMB investment banking	Rest of Africa	Group Treasury and other	MotoNovo	Total amortised cost
3 812	338	688	2 381	–	255	602	26 988
733	92	231	696	–	98	197	5 693
776	67	364	668	–	36	165	5 614
2 303	179	93	1 017	–	121	240	15 681
–	–	–	(21)	–	–	(136)	(247)
–	–	–	–	–	(42)	–	(42)
–	–	10	188	–	–	119	317
(1 285)	(114)	(141)	(524)	(28)	(201)	(397)	(12 023)
3 501	282	526	1 301	28	123	177	22 049
489	10	71	160	–	(57)	(61)	1 611
1 070	64	347	671	–	(15)	(36)	4 917
1 942	208	108	470	28	195	274	15 521
6 028	506	1 083	3 325	–	135	365	37 042
1 394	114	323	1 016	–	19	45	7 699
1 339	111	647	1 214	–	–	70	8 336
3 295	281	113	1 095	–	116	250	21 007

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

FORWARD-LOOKING INFORMATION

Forward-looking information has been incorporated into the expected loss estimates through the application of quantitative modelling and expert judgement-based adjustments. The process of incorporating the forward-looking information into the expected loss estimates has not changed since 30 June 2020, but there have however been changes to the probabilities assigned to the scenarios and the inputs used.

The table below sets out the scenarios and the probabilities assigned to each scenario at 31 December 2020. The probabilities assigned to the macro scenarios were adjusted slightly towards the baseline and upside regimes since June 2020. These adjustments were made to cater for the change in the perceived balance of risk to the domestic economy resulting from the effectiveness of global policy measures to support the global economy, and the effectiveness of domestic policy measures both to contain the spread of COVID-19 and to manage the economic impact of the pandemic.

Significant macroeconomic uncertainty remains with regards to the second and third waves of COVID-19 infections and consequential lockdowns. It remains evident that the loss of economic activity, tax revenue and household and corporate income as a result of the pandemic has left the economy substantially weakened which remains a key risk to the macroeconomic outlook.

SCENARIO	PROBABILITY	DESCRIPTION
Baseline regime	57% (30 June 2020: 56%)	Assumes that global growth begins to normalise in 2021 after the significant contractions experienced in 2020. 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	16% (30 June 2020: 12%)	Assumes that global growth experiences a significant contraction in 2020 before recovering strongly towards the end of 2021. 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	27% (30 June 2020: 32%)	Assumes the significant global growth contraction in 2020 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.

Overview of forward-looking information included in the 31 December 2020 provisions

Following the initial COVID-19-induced economic shocks, the global economy suffered a significant contraction in gross domestic product (GDP) in 2020, which is expected to be followed by a weak recovery in 2021. This shock resulted in low inflation which is expected to begin picking up in 2021. The large and coordinated fiscal and monetary policy support that has been provided by global central banks and governments should continue to help stabilise financial conditions. 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 in populations. Combined with the expected roll-out of vaccination programmes in 2021, this should allow more people to return to work, which will lift both supply and demand in the global economy. However, it remains clear that the battle against COVID-19 will persist well into 2021, as governments attempt to roll out vaccination programmes to their populations, with varying degrees of success. The global economy is only expected to start benefiting from a more synchronised upswing towards the end of 2021, given how the virus and policy responses thereto are playing out across the world. As such, although more stable, risk appetite is expected to remain relatively subdued, especially for emerging market risk assets, although demand for commodities should begin to lift in 2021. A vast number of economies have been forced to lift their debt levels considerably in order to combat the virus, which will leave the global economy with a long-term debt overhang. This remains an important risk to the outlook.

South Africa

After an initial and severe contraction in GDP in the first half of 2020, the gradual recovery in global demand is expected to support South Africa's export sectors into 2021. This will help the economy to lift GDP slightly off a low base. Looking ahead, already weak domestic demand and income growth is expected to be further amplified by the COVID-19 crisis, which should continue to contain inflation pressures. With inflation contained and global interest rates low, the SARB is expected to maintain an accommodative policy stance through the forecast horizon of three years.

Notwithstanding the support provided by the SARB, the impact of COVID-19 remains extremely deep, with ongoing uncertainty about the risk of further waves of infection. Government is expected to continue with a focused approach to lockdown and social distancing measures at a regional and industry level, where restrictions will be tightened within specific industries, individual businesses or geographic areas depending on the spread of the virus. These assumptions have been introduced into the forward-looking macroeconomic information and tie directly into the bank's GDP growth forecast. It remains evident that the loss of economic activity, tax revenue, and household and corporate income as a result of the virus has left the economy substantially weakened, which remains a key risk to the outlook.

Significant macroeconomic factors

The table below sets out the most significant macroeconomic factors used to estimate the forward-looking information used in determining the ECL provisions. The information is forecast over a period of three years.

SIGNIFICANT MACROECONOMIC FACTORS AT 31 DECEMBER 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	5.5	4.0	4.0	3.2	0.8	1.0	(1.8)	0.0	0.0
CPI inflation	3.0	3.0	3.0	3.8	4.5	4.9	4.7	7.1	7.6
Repo rate	2.8	2.8	2.8	3.3	3.3	3.3	6.3	6.5	6.5
Retail specific									
Retail consumption growth	4.0	4.7	4.9	1.9	0.5	0.5	(0.2)	(0.1)	(0.3)
House price index growth*	16.8	17.8	16.8	(6.7)	3.3	3.1	(10.6)	(10.1)	(8.3)
Household debt income ratio	77.1	77.1	77.1	77.1	77.1	77.1	77.1	77.1	77.1
Employment growth	1.7	1.2	1.2	1.8	0.2	0.3	(0.4)	(1.9)	(1.7)
Wholesale specific									
Fixed capital formation	5.9	10.8	12.0	2.5	1.6	2.3	(13)	1.3	0.7
Foreign exchange rate (USD/ZAR)	12.0	11.9	12.0	15.5	16.2	17	18.2	21.4	22

* *Applicable to the secured portfolio.*

SIGNIFICANT MACROECONOMIC FACTORS AT 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	(0.6)	4.2	4.0	(0.6)	2.4	0.9	(2.0)	0.0	0.0
CPI inflation	3.3	3.0	3.0	3.0	3.8	4.5	4.7	5.9	7.6
Repo rate	2.8	2.8	2.8	3.3	3.3	3.3	6.0	6.3	6.5
Retail specific									
Retail consumption growth	1.0	4.2	4.9	(1.8)	1.6	0.4	(0.9)	(0.2)	(0.3)
House price index growth*	6.3	17.9	17.8	(1.0)	6.4	3.8	(12.5)	(8.3)	(10.1)
Household debt income ratio	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5	71.5
Employment growth	(0.2)	1.3	1.2	(0.2)	0.7	(0.3)	(2.2)	(1.3)	(1.7)
Wholesale specific									
Fixed capital formation	1.8	9.1	12.0	(12.3)	1.0	(1.0)	(2.1)	(1.9)	(1.6)
Foreign exchange rate (USD/ZAR)	12.3	11.8	12.0	15.4	15.9	16.7	17.3	19.7	22.0

* *Applicable to the secured portfolio.*

Fair value measurements

VALUATION METHODOLOGY

In terms of IFRS, the bank is required to or elects to measure certain assets and liabilities at fair value. The bank has established control frameworks and processes at an operating business level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At an operating business level, valuation specialists are responsible for the selection and implementation as well as any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each operating business and at an overall bank level. They are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at an operating business level by the required valuation specialists, valuation committees and relevant risk committees annually, or more frequently if considered appropriate.

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

Non-recurring fair value measurements

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

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

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

Financial instruments

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

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

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 164, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Measurement of assets and liabilities at level 2

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
DERIVATIVE FINANCIAL INSTRUMENTS			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rate curves, credit and currency basis curves
Options	Option pricing model	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and by 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 by 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
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

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
INVESTMENT SECURITIES continued			
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings, depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place, in which case level 2 classifications are used.	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
Investments in funds and unit trusts	Third-party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties, such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third-party valuations. Third-party valuations are reviewed by the relevant operating business's investment committee on a regular basis. Where these underlying investments are listed, third-party valuations can be corroborated with reference to listed share prices and other market data and are thus classified as level 2 of the fair value hierarchy.	Market transactions (listed)

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Fair value measurements 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 bank for recurring fair value measurements of assets and liabilities categorised as level 3.

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Fair value measurements continued

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 risk and correlation factors
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are therefore classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Fair value hierarchy

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

	As at 31 December 2020			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	28	117 118	1 885	119 031
Advances	–	47 461	36 350	83 811
Investment securities	77 399	86 794	1 817	166 010
Commodities	20 046	–	–	20 046
Amounts due by holding company and fellow subsidiaries	–	15 339	–	15 339
Total fair value assets	97 473	266 712	40 052	404 237
Liabilities				
Recurring fair value measurements				
Short trading positions	16 910	–	–	16 910
Derivative financial instruments	1 183	114 839	1 753	117 775
Deposits	1 266	44 220	3 064	48 550
Other liabilities	–	486	100	586
Amounts due to holding company and fellow subsidiaries	–	17 695	–	17 695
Total fair value liabilities	19 359	177 240	4 917	201 516

Fair value measurements continued

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

	As at 31 December 2019			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	27	45 604	822	46 453
Advances	–	35 423	31 474	66 897
Investment securities	49 660	28 919	1 734	80 313
Commodities	19 369	–	–	19 369
Amounts due by holding company and fellow subsidiaries	–	2 612	–	2 612
Total fair value assets	69 056	112 558	34 030	215 644
Liabilities				
Recurring fair value measurements				
Short trading positions	3 372	–	–	3 372
Derivative financial instruments	65	49 951	807	50 823
Deposits	1 685	51 900	518	54 103
Other liabilities	–	338	278	616
Amounts due to holding company and fellow subsidiaries	–	2 878	–	2 878
Total fair value liabilities	5 122	105 067	1 603	111 792

	As at 30 June 2020			
R million	Level 1	Level 2	Level 3	Total fair value
ASSETS				
Recurring fair value measurements				
Derivative financial instruments	50	119 537	924	120 511
Advances	–	21 745	43 449	65 194
Investment securities	65 365	31 307	2 561	99 233
Commodities	21 344	–	–	21 344
Amounts due by holding company and fellow subsidiaries	–	16 081	–	16 081
Total fair value assets	86 759	188 670	46 934	322 363
LIABILITIES				
Recurring fair value measurements				
Short trading positions	4 786	–	–	4 786
Derivative financial instruments	292	132 340	1 856	134 488
Deposits	1 299	39 801	4 840	45 940
Other liabilities	–	254	323	577
Amounts due to holding company and fellow subsidiaries	–	16 387	–	16 387
Total fair value liabilities	6 377	188 782	7 019	202 178

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.

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 note as these items are typically measured at amortised cost.

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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.

	As at 31 December 2020		
R million	**Transfers in**	**Transfers out**	**Reasons for significant transfers in**
Level 1	**–**	**(319)**	There were no transfers into level 1.
Level 2	**108**	**–**	Increased liquidity in the market for certain investment securities resulted in transfers from level 3 to level 2.
Level 3	**319**	**(108)**	Investment securities whose fair value had been observable in a traded market no longer met the criteria for level 1, as active trading ceased during the period and the inputs into the fair value model were no longer observable.
Total transfers	**427**	**(427)**	

	As at 31 December 2019		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	–	–	There were no transfers into level 1.
Level 2	19	–	Certain derivatives have been transferred to level 2 in the period because the inputs used in the valuation have become observable as maturity is within 12 months.
Level 3	–	(19)	There were no transfers into level 3.
Total transfers	19	(19)	

	As at 30 June 2020		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	–	–	There were no transfers into level 1.
Level 2	–	(911)	There were no transfers into level 2.
Level 3	911	–	Due to market disruption as a result of COVID-19, the market for certain investment securities became illiquid with the assets transferred from level 2 to level 3. In addition, certain inputs used in valuing derivative instruments are no longer observable, resulting in their transfer from level 2 to level 3.
Total transfers	911	(911)	

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

The following table shows a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	**Derivative financial assets**	**Advances**	**Investment securities**	**Derivative financial liabilities**	**Other liabilities**	**Deposits**
Balance as at 1 July 2020	**924**	**43 449**	**2 561**	**1 856**	**323**	**4 840**
Gains/(losses) recognised in profit or loss	**1 058**	**40**	**34**	**118**	**(29)**	**(190)**
Gains/(losses) recognised in other comprehensive income	**–**	**–**	**(134)**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**(97)**	**(6 212)**	**(855)**	**(221)**	**(194)**	**(1 586)**
Net transfer to level 3	**–**	**–**	**211**	**–**	**–**	**–**
Exchange rate differences	**–**	**(927)**	**–**	**–**	**–**	**–**
Balance as at 31 December 2020	**1 885**	**36 350**	**1 817**	**1 753**	**100**	**3 064**

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2019	802	32 564	1 763	842	322	1 052
Gains/(losses) recognised in profit or loss	440	627	(25)	1 252	70	5
Gains/(losses) recognised in other comprehensive income	–	–	1	–	–	–
Purchases, sales, issue and settlements	(420)	(1 653)	(5)	(1 268)	(114)	(539)
Net transfer to level 3	–	–	–	(19)	–	–
Exchange rate differences	–	(64)	–	–	–	–
Balance as at 31 December 2019	822	31 474	1 734	807	278	518

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 1 July 2019	802	32 564	1 763	842	322	1 052
Gains/(losses) recognised in profit or loss	142	4 215	(144)	1 418	219	59
Gains/(losses) recognised in other comprehensive income	–	–	(180)	–	–	–
Purchases, sales, issue and settlements	(88)	5 822	308	(433)	(218)	3 729
Net transfer to level 3	68	–	814	29	–	–
Exchange rate differences	–	848	–	–	–	–
Balance as at 30 June 2020	924	43 449	2 561	1 856	323	4 840

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets are as a result of losses, sales and settlements. Decreases in the value of liabilities are as a result of gains and settlements.

Gains or losses on advances classified as level 3 of the hierarchy comprise gross interest income on advances, fair value of credit adjustments and adjustments due to changes in currency and base rates. These instruments are funded by liabilities whereby the risk inherent is hedged by interest rate or foreign currency swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

The table below presents the total gains/losses relating to 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 and fair value through other comprehensive income (FVOCI) debt instruments, all gains or losses are recognised in non-interest revenue.

	Six months ended 31 December 2020		Six months ended 31 December 2019		Year ended 30 June 2020	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets						
Derivative financial instruments	**1 139**	**–**	292	–	83	–
Advances*	**(17)**	**–**	673	–	4 057	–
Investment securities	**(36)**	**(134)**	(25)	1	(311)	(189)
Total	**1 086**	**(134)**	940	1	3 829	(189)
Liabilities						
Derivative financial instruments	**164**	**–**	(489)	–	(978)	–
Deposits	**(163)**	**–**	11	–	(59)	–
Other liabilities	**(29)**	**–**	44	–	–	–
Total	**(28)**	**–**	(434)	–	(1 037)	–

* *Amount is mainly accrued interest on fair value loans and advances as well as movements in interest rates that have been economically hedged. These loans and 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.*

Fair value measurements continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

The tables below illustrate the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

IFRS 9			
ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLE POSSIBLE CHANGES ARE APPLIED	REASONABLE POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by between 5% and 10%, depending on the nature of the instrument.
Advances	Credit	Credit	A range of scenarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by between 7% and 10%, depending on the nature of the instrument.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes 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%.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

	Reasonably possible alternative fair value								
	As at 31 December 2020			As at 31 December 2019			As at 30 June 2020		
R million	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets									
Derivative financial instruments	**1 885**	**1 927**	**1 843**	822	829	819	924	983	872
Advances	**36 350**	**36 379**	**36 324**	31 474	31 505	31 441	43 449	43 618	43 277
Investment securities	**1 817**	**1 877**	**1 713**	1 734	1 786	1 638	2 561	2 679	2 446
Total financial assets measured at fair value in level 3	**40 052**	**40 183**	**39 880**	34 030	34 120	33 898	46 934	47 280	46 595
Liabilities									
Derivative financial instruments	**1 753**	**1 702**	**1 806**	807	801	810	1 856	1 762	1 934
Deposits	**3 064**	**3 061**	**3 067**	518	517	519	4 840	4 789	4 907
Other liabilities	**100**	**99**	**101**	278	276	281	323	319	326
Total financial liabilities measured at fair value in level 3	**4 917**	**4 862**	**4 974**	1 603	1 594	1 610	7 019	6 870	7 167

Fair value measurements continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

The following represents the fair values of financial instruments not carried at fair value in 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.

	As at 31 December 2020	
R million	**Carrying value**	**Total fair value**
Assets		
Advances	**765 209**	**773 713**
Investment securities	**99 845**	**100 949**
Total assets at amortised cost	**865 054**	**874 662**
Liabilities		
Deposits	**1 085 779**	**1 088 359**
Other liabilities	**2 864**	**2 911**
Tier 2 liabilities	**19 001**	**19 531**
Total liabilities at amortised cost	**1 107 644**	**1 110 801**

	As at 31 December 2019	
R million	Carrying value	Total fair value
Assets		
Advances	811 629	820 102
Investment securities	112 235	111 543
Total assets at amortised cost	923 864	931 645
Liabilities		
Deposits	1 013 057	1 014 897
Other liabilities	2 842	2 842
Tier 2 liabilities	22 331	22 954
Total liabilities at amortised cost	1 038 230	1 040 693

	As at 30 June 2020	
R million	Carrying value	Total fair value
Assets		
Advances	802 746	810 193
Investment securities	109 793	108 177
Total assets at amortised cost	912 539	918 370
Liabilities		
Deposits	1 043 012	1 043 901
Other liabilities	2 875	2 922
Tier 2 liabilities	22 322	22 661
Total liabilities at amortised cost	1 068 209	1 069 484

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.

	As at 31 December		As at 30 June
R million	**2020**	2019	2020
Opening balance	**198**	51	51
Day 1 profits or losses not recognised on financial instruments initially recognised in the current period	**116**	198	329
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(120)**	(56)	(182)
Closing balance	**194**	193	198

Contingencies and commitments

	As at 31 December			As at 30 June
R million	**2020**	2019	% change	2020
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**42 045**	43 369	(3)	48 877
Letters of credit	**8 409**	8 344	1	8 285
Total contingencies	**50 454**	51 713	(2)	57 162
Irrevocable commitments*	**127 830**	104 019	23	115 891
Committed capital expenditure approved by the directors	**2 352**	2 243	5	3 073
Other	**9**	7	29	8
Total contingencies and commitments	**180 645**	157 982	14	176 134
Legal proceedings				
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be determined. These claims are not regarded as material either on an individual or a total basis and arise during the normal course of business. On-balance sheet provisions are only taken for claims that are expected to materialise.	**363**	310	17	321

* *Irrevocable commitments have been restated following an investigation which identified an amount of R10 487 million that had been included in irrevocable commitments in December 2019 relating to contracts that provide the bank with sole discretion to grant the respective facilities. The ECL on these commitments is immaterial.*

Events after the reporting period

On 24 February 2021 the Minister of Finance announced in his budget speech that the corporate income tax rate will be lowered to 27% for companies with years of assessment commencing on or after 1 April 2022. In terms of Financial Reporting Pronouncements 1, *Substantially enacted tax rates and tax laws under International Financial Reporting Standards,* changes in tax rates are substantially enacted when they are announced by the Minister of Finance. The bank will be required to calculate deferred tax balances at 27% from announcement date. The change in tax rate is a non-adjusting event after the reporting period.

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

Summary segment report

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	Six months ended 31 December 2020									
	FNB									
Profit for the period before tax	8 982	(120)	**8 862**	412	**9 274**	**3 014**	(1 392)	**10 896**	121	**11 017**
Total assets	416 208	247	**416 455**	116 331	**532 786**	**576 363**	356 922	**1 466 071**	–	**1 466 071**
Total liabilities*	412 047	367	**412 414**	117 045	**529 459**	**574 260**	252 883	**1 356 602**	–	**1 356 602**

* *Total liabilities are net of interdivisional balances.*

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	Six months ended 31 December 2019									
	FNB									
Profit for the period before tax	10 906	(223)	**10 683**	767	**11 450**	**2 876**	(585)	**13 741**	(49)	**13 692**
Total assets	427 456	706	**428 162**	126 521	**554 683**	**478 769**	260 769	**1 294 221**	–	**1 294 221**
Total liabilities*	421 189	926	**422 115**	126 881	**548 996**	**477 070**	165 107	**1 191 173**	–	**1 191 173**

* *Total liabilities are net of interdivisional balances.*

R million	FNB SA	FNB rest of Africa	Total FNB	WesBank	Retail and commercial	RMB	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	Year ended 30 June 2020									
	FNB									
Profit for the year before tax	14 663	(461)	**14 202**	424	**14 626**	**6 108**	(3 225)	**17 509**	(32)	**17 477**
Total assets	418 971	279	**419 250**	119 441	**538 691**	**579 024**	296 997	**1 414 712**	–	**1 414 712**
Total liabilities*	409 071	739	**409 810**	120 151	**529 961**	**574 599**	210 114	**1 314 674**	–	**1 314 674**

* *Total liabilities are net of interdivisional balances.*

SUPPLEMENTARY INFORMATION

Company information

DIRECTORS

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

COMPANY SECRETARY AND REGISTERED OFFICE

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

JSE DEBT SPONSOR

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

AUDITORS

PricewaterhouseCoopers Inc.
4 Lisbon Lane
Waterfall City
Jukskei View
2090

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

Listed financial instruments of the bank

LISTED DEBT

FRB remains the group's rated entity from which debt is issued. The bank's JSE-listed programmes and debt instruments are available on the group website:
- https://www.firstrand.co.za/investors/debt-investor-centre/jse-listed-instruments/
- https://www.rmb.co.za/page/krugerrand-custodial-certificate
- https://www.rmb.co.za/page/dollar-custodial-certificate

The bank also issues debt instruments in the UK:

London Stock Exchange (LSE)

European medium-term note programme

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

CREDIT RATINGS

Refer to https://www.firstrand.co.za/investors/debt-investor-centre/credit-ratings/ for detail on the bank's credit ratings.

Listed financial instruments of the bank continued

CAPITAL INSTRUMENTS (BASEL III COMPLIANT INSTRUMENTS)

				As at 31 December		As at 30 June
	Currency (million)	**Maturity date**	**Call date**	**2020**	**2019**	**2020**
FirstRand Bank						
AT1						
FRB24	ZAR	Perpetual	8/11/2023	2 265	2 265	2 265
FRB25	ZAR	Perpetual	19/9/2024	3 461	3 461	3 461
FRB28	ZAR	Perpetual	2/12/2025	1 400	–	–
Total AT1	**ZAR**			**7 126**	**5 726**	**5 726**
Tier 2						
FRB13	ZAR	2/6/2026	2/6/2021	148	148	148
FRB14	ZAR	2/6/2026	2/6/2021	125	125	125
FRB15	ZAR	6/3/2025	6/3/2020	–	2 000	–
FRB16	ZAR	8/7/2025	8/7/2020	–	1 750	1 750
FRB17	ZAR	8/1/2027	8/1/2022	601	601	601
FRB18	ZAR	13/4/2026	13/4/2021	1 500	1 500	1 500
FRB19	ZAR	14/4/2026	14/4/2021	500	500	500
FRB20	ZAR	15/4/2026	15/4/2021	645	645	645
FRB21	ZAR	24/11/2026	24/11/2021	1 000	1 000	1 000
FRB22	ZAR	8/12/2027	8/12/2022	1 250	1 250	1 250
FRB23	ZAR	20/9/2027	20/9/2022	2 750	2 750	2 750
FRB26	ZAR	3/6/2029	3/6/2024	1 910	1 910	1 910
FRB27	ZAR	3/6/2031	3/6/2026	715	715	715
Reg S	USD	23/4/2028	23/4/2023	500	500	500
Total Tier 2*	**ZAR**			**18 483**	**21 894**	**21 572**

* *Dollar instruments translated at the closing rates at the respective reporting periods.*

Definitions

Additional Tier 1 (AT1) capital	AT1 capital instruments less specified regulatory deductions
Age distribution	The number of months between the loan completion and the end of the reporting period plus one (in line with the banding requirements). Percentage for each age band is based on the current exposure.
Arrears	A percentage that expresses the current exposure of the loans with one or more months in arrears to the total current book exposure for the reporting period
Balance-to-market value	The current exposure divided by the indexed valuation (indexing model uses Nationwide and IPD indices). Percentage for each balance-to-market value band is based on the current exposure.
Balance-to-original value	The current exposure divided by the original valuation. Percentage for each balance-to-original value band is based on the current exposure.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA
Common Equity Tier 1 (CET1) capital	Share capital and premium, and qualifying reserves less specified regulatory deductions
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year)
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures
Dividend cover	Normalised earnings per share divided by dividend per share
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement
Impairment charge	Amortised cost impairment charge and credit fair value adjustments
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares, including treasury shares
Normalised net asset value	Normalised equity attributable to ordinary equityholders
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share
Return on assets (ROA)	Normalised earnings divided by average assets
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets
Shares in issue	Number of ordinary shares listed on the JSE
Technical cures	Performing accounts that are classified as stage 3/NPL because they have defaulted in the past and do not meet the stringent cure definition of performance for several consecutive months
Tier 1 ratio	Tier 1 capital divided by RWA
Tier 1 capital	CET1 capital plus AT1 capital
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying provisions less specified regulatory deductions
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE

Abbreviations

ABF	Asset-backed finance
AT1	Additional Tier 1
BTV	Balance to value
CAGR	Compound annual growth rate
Capex	Capital expenditure
CB	RMB corporate banking
CET1	Common Equity Tier 1
CIB	Corporate and investment banking
CLF	Committed liquidity facility
CoDI	Corporation for Deposit Insurance
COVID-19	Coronavirus disease
DM	Developed market
D-SIB	Domestic systemically important bank
EAD	Exposure at default
ECL	Expected credit loss
EMTN	European medium-term note
FCC	FirstRand Corporate Centre
FLI	Forward-looking information
FML	Full maintenance leasing
FRB	FirstRand Bank Limited
FREMA	FirstRand EMA Holdings (Pty) Ltd
FRI	FirstRand International Limited
FRIHL	FirstRand Investment Holdings (Pty) Ltd
FRISCOL	FirstRand Insurance Services Company
FRM	Financial resources management
FRN	Floating rate note
FSLAB	Financial Sector Laws Amendment Bill
FSR	FirstRand Limited
FVOCI	Fair value through other comprehensive income
FX	Foreign exchange
GCA	Gross carrying amount
HQLA	High-quality liquid assets
IB	Investment banking
IBOR	Interbank offered rate

IFRS	International Financial Reporting Standards
JIBAR	Johannesburg interbank average rate
JSE	Johannesburg Stock Exchange
LCR	Liquidity coverage ratio
LGD	Loss given default
LSE	London Stock Exchange
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
P/E	Price/earnings
RCLF	Restricted-use committed liquidity facility
ROA	Return on assets
ROE	Return on equity
RWA	Risk weighted assets
SA-CCR	Standardised approach for measuring counterparty credit risk
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SICR	Significant increase in credit risk
SME	Small- and medium-sized enterprise
TRS	Total return swap
UK	United Kingdom
VAF	Vehicle asset finance

Abbreviations of financial reporting standards

INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 1	IFRS 1 – First-time Adoption of International Financial Reporting Standards
IFRS 2	IFRS 2 – Share-based Payment
IFRS 3	IFRS 3 – Business Combinations
IFRS 4	IFRS 4 – Insurance Contracts
IFRS 5	IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7	IFRS 7 – Financial Instruments – Disclosures
IFRS 8	IFRS 8 – Operating Segments
IFRS 9	IFRS 9 – Financial Instruments
IFRS 13	IFRS 13 – Fair Value Measurement
IFRS 15	IFRS 15 – Revenue
IFRS 16	IFRS 16 – Leases
IFRS 17	IFRS 17 – Insurance Contracts

INTERNATIONAL ACCOUNTING STANDARDS

IAS 1	IAS 1 – Presentation of Financial Statements
IAS 2	IAS 2 – Inventories
IAS 7	IAS 7 – Statement of Cash Flows
IAS 8	IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	IAS 10 – Events After the Reporting Period
IAS 12	IAS 12 – Income Taxes
IAS 16	IAS 16 – Property, Plant and Equipment
IAS 17	IAS 17 – Leases
IAS 18	IAS 18 – Revenue
IAS 19	IAS 19 – Employee Benefits
IAS 20	IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance
IAS 21	IAS 21 – The Effects of Changes in Foreign Exchange Rates
IAS 23	IAS 23 – Borrowing Costs
IAS 24	IAS 24 – Related Party Disclosures
IAS 27	IAS 27 – Consolidated and Separate Financial Statements
IAS 28	IAS 28 – Investments in Associates and Joint Ventures
IAS 29	IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 32	IAS 32 – Financial Instruments – Presentation
IAS 33	IAS 33 – Earnings Per Share
IAS 34	IAS 34 – Interim Financial Reporting
IAS 36	IAS 36 – Impairment of Assets
IAS 37	IAS 37 – Provisions, Contingent Liabilities and Contingent Assets
IAS 38	IAS 38 – Intangible Assets
IAS 39	IAS 39 – Financial Instruments – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS

IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 22	IFRIC 22 – Foreign Currency Transactions and Advance Consideration
IFRIC 23	IFRIC 23 – Uncertainty over Income Tax Treatments

STUDIO ⑤

FirstRand Bank

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